Some Hon. Members: Hear, hear!

Mr. Wilson (Etobicoke Centre): The Government will continue consultations on these amended proposals which would address the tax treatment of farm losses, but which would allow farmers to continue to account on a cash basis. Implementation will follow completion of these consultations.

I made a limited number of modifications to other proposals. For example, adjustments are being incorporated in measures dealing with investments in Canadian films and in multiple-unit residential buildings.

The corporate income tax proposals will achieve three major objectives set out in the White Paper. Corporate tax rates will be reduced. The general federal rate will fall to 28 per cent in 1988 and the manufacturing rate will be reduced to 23 per cent by 1991. The rate for small business will fall to 12 per cent. This will promote growth and job creation in Canada by maintaining a corporate tax system that is competitive with other countries, particularly the United States.

[*Translation*]

The elimination or reduction of many special tax breaks will pay for lower corporate and personal tax rates. It will return the profit motive to investment by rewarding success. And it will encourage investment decisions based more on economic initiative and opportunity than on tax considerations.

[*English*]

A broader tax base with fewer preferences will mean that profitable corporations will pay a bigger share of the total tax burden. The corporate income tax will also be a more predictable and reliable source of revenues.

At the same time, important tax incentives have been retained for key priorities such as small business growth, research and development and regional development. The corporate tax measures will be implemented substantially as put forward in the White Paper. Adjustments have been incorporated to moderate the impact of tax reform in a number of areas.

To support the development that is vital to regional economic growth and to isolated communities, the White Paper proposed to retain important incentives in the resource sector. In particular, improvements are being made in the proposed regime for flow-through shares.

Some Hon. Members: Hear, hear!

Mr. Wilson (Etobicoke Centre): The period during which resource expenditures will qualify for the 16 and two-thirds per cent rate of depletion will be extended to the end of 1989. In addition, changes are being made in the investment loss rules to ensure that flow-through shares remain an attractive investment vehicle for junior resource companies.

The White Paper proposals recognize the vital role of research and development in the future of our economy. To ensure that Canada's tax regime for R and D continues to be among the world's best, the proposed limitation on claimable investment tax credits has been increased to 75 percent.

Some Hon. Members: Hear, hear!

Mr. Wilson (Etobicoke Centre): In addition, the proposal for the capitalization of interest on vacant land will be modified so as not to affect small firms in the home building industry.

Across the entire economy, corporate tax reform will strengthen the incentive for firms to invest in profitable ventures. The rate of tax on the return from new investment will be reduced. The tax treatment of capital in this country will continue to encourage risk taking, initiative, growth and job creation.

One of the key principles of tax reform is that all corporations should pay a fair amount of tax on their economic income. The existing tax base fails to achieve this goal. Tax reform broadens the tax base so that it more closely measures the true income of corporations. This directly addresses the problem of profitable corporations paying little or no tax.

The changes being proposed will reduce by one-half the number of profitable corporations that pay no tax. Those that remain will either be firms in cyclical industries that have experienced significant economic losses in prior years or will be firms in industries which receive incentives directed at important national priorities. These priorities include promoting regional development, ensuring a healthy and active resource sector and encouraging research and development to provide jobs in the future.

However, there has been some concern that many large banks and life insurance companies have not paid significant tax over the past decade. To respond to this concern, the Commons committee has suggested that it might be appropriate to levy a minimum tax.

I share this concern. This has motivated the proposals in the White Paper affecting the taxation of financial institutions. I am confident that the combination of all the proposals in tax reform will ensure that financial institutions will pay their fair share of tax in the future. It is expected that over the next five years, the base-broadening measures being applied to the larger financial institutions will raise substantial amounts of revenue estimated to be almost $4 billion. In the meantime, I will be reviewing various mechanisms which could be used in achieving this objective should that be necessary.

• (1650)

Before tax reform is fully effective, a number of banks are not expected to be taxable in 1988. Accordingly, I will implement a tax on the capital of larger banks and trust companies. This tax, a form of minimum tax, will be creditable against future income tax.