

Ways and Means

● (1440)

[English]

WAYS AND MEANS**TABLING OF FURTHER MOTIONS RELATING TO INCOME TAX**

Hon. John N. Turner (Minister of Finance): Mr. Speaker, I rise to table two notices of ways and means motions relating to income taxes pursuant to Standing Order 60(1). In part they supersede notices tabled at the time of my February budget and in part they reintroduce proposals which I made to this House in my budget of May, 1972.

Members will recall that last March I proposed that this House deal first with outstanding tax measures affecting 1972 and then with those measures which take effect in 1973 or later years. Just before the Easter recess, all of the tax changes affecting income tax, excise tax and customs duties for 1972 were enacted into law.

Today, I am tabling notices of ways and means motions which deal with income tax measures that take effect in 1973 or later. Members will recall that in my February budget I proposed an increase in personal exemptions for individuals from \$1,500 to \$1,600 and for married couples from \$2,850 to \$3,000. I also proposed a reduction in federal basic tax of 5 per cent of tax otherwise payable subject to a maximum of \$500 and, most importantly, a minimum of \$100. These measures are to take effect on January 1, 1973. It is also proposed to index the personal income tax, starting January 1, 1974, in order to eliminate, once and for all, the automatic tax increase which arises as a result of the interaction of inflation and the progressive rate schedule.

Some hon. Members: Author!

Mr. Turner (Ottawa-Carleton): In addition, there are a number of measures of a technical nature arising out of tax reform.

The ways and means motions also call for new measures to strengthen the international competitive position of our manufacturing and processing industries in order to protect existing jobs and create new ones in this vital sector of our economy and in all those industries serving it. As described in my budget of last May, the government is proposing that the rate of corporate tax to be applied to manufacturing and processing profits be reduced to 40 per cent. In the case of manufacturing and processing income which is eligible for the small business deduction, the rate would be reduced from 25 per cent to 20 per cent.

In my budget speech of February, 1973, I advised the House that the government intended to establish a new procedure to monitor the effect of these measures in strengthening our manufacturing and processing industries. This review procedure would assess the effect of not just the reduction in the rate of corporate tax but also the proposed two-year write-off for manufacturing and processing equipment. At that time I indicated that a report would be submitted to the House before the end of 1974.

The report would be based on detailed information gathered from more than 1,000 individual companies and from an in-depth study of some 200 of the largest corporations.

[Mr. Allard.]

The report would seek to determine the effectiveness of these new manufacturing incentives in achieving their intended purposes.

Finally, I indicated that in order to better evaluate not just the new fast write-off but all aspects of the present capital cost allowance regime, I proposed to initiate a thorough examination of the entire capital cost allowance system, to be completed by the end of 1974.

I am firmly convinced that these manufacturing incentives are vital to our national interest, for reasons I have indicated on numerous previous occasions. However, I have been carefully following the public debate on this matter and I am anxious to do everything reasonably possible to meet the legitimate concerns that have been expressed about various aspects of these proposals without impairing their effectiveness in achieving our objectives. Hence, I wish to announce that it is my intention to put before this House by April 1 of next year an interim report based on the review and monitoring procedure which I described earlier. This will give members an early opportunity to begin to assess the results of these measures on the basis of facts and figures. Members will also have an opportunity to make constructive suggestions before the final report is submitted by the end of 1974.

In this context, the government will include in the legislation a provision whereby parliament will have a fresh opportunity to consider the incentive measures. Upon the request of 60 members of this House, and after the measures have been in force for a reasonable period of time, namely, after April 1, 1974, the government will take the steps necessary to provide an early occasion for this House to re-examine these tax incentives and, if the House so decided, the measures would be withdrawn thereafter in whole or in part.

Finally, in order that the discussion of the manufacturing incentives may be both meaningful and comprehensive, I am also tabling today a draft of the proposed capital cost allowance regulations. These provide for the two-year fast write-off of manufacturing and processing equipment acquired between May 8, 1972, and December 31, 1974. Under authority provided by parliament, capital cost allowances are a matter of regulation. However, during the course of the debate on the bill, members will be free to discuss the incentive proposals as a total program.

With the permission of the House, I would ask that the notices of ways and means motions and the draft capital cost allowance regulations which I have tabled today be printed in *Votes and Proceedings*.

Mr. Speaker: Order, please. Before calling on the hon. Leader of the Opposition I would inquire whether it is agreed that the documents referred to by the hon. minister will be printed as requested.

Some hon. Members: Agreed.

Mr. Baldwin: Put them in the museum.

[*Editor's Note: For text of ways and means motions and draft of proposed capital cost allowance regulations, see today's Votes and Proceedings.*]

Hon. Robert L. Stanfield (Leader of the Opposition): Mr. Speaker, we have just witnessed the culmination of an