three-year carryback and 10-year carryforward of losses. These measures will allow businesses to take better advantage of their losses and will increase cash flow to business by $305 million this year.

I should like to say a word now on the indexed securities investment plan. The encouragement of Canadians to invest a greater proportion of savings in the common equity of Canadian corporations is an important part of the recovery program and is an important thrust of the last Budget. I believe Canadians should invest a much larger share of their savings into common equity than has been the history of this country. The ISIP is intended to assist Canadian corporations to raise equity and, at the same time, offset the effects of inflation on the taxation of this form of investment gains on the investor.

Though the cost to the federal Treasury of the ISIP program will not, for technical reasons, be very great in the first year or so, once the program reaches maturity we estimate it will involve some $300 million per year in forgone revenues. We consider that this is a worth-while investment towards encouraging greater and more widespread equity investment by individual Canadians. Though the plan itself is complex in its operation, this will not be a problem for individual investors. The detailed accounting will be handled by the financial institutions and investment firms that will offer ISIP plans.

I want to say a word now about incentives for research and development. The consultative paper tabled last April 19 showed that Canadian tax incentives for research and development compare very favourably with those of other countries but that there are areas where they could be made more simple and more effective. An extensive process of consultation ensued, and its results are now reflected in the measures in the Bill dealing with research and development incentives. One of these measures will replace the 50 per cent allowance for incremental R and D expenditures with an increase of 10 percentage points in the investment tax credit for over-all R and D expenditures. This will simplify the delivery of these incentives and increase their use to business—particularly firms in the high-tech industry and those with extensive research and development programs.

The other important R and D measure in the Bill introduces a new mechanism for financing research. This mechanism will permit the flow-out of a special 50 per cent tax credit to investors by corporations that renounce the tax credits and deductions on their research expenditures. Investors who provide financing to the corporation in the form of equity or debt or pursuant to specific contractual arrangements will be eligible for this special tax credit. This measure will be of particular benefit to those corporations which are not currently taxable and therefore do not benefit from the existing tax incentives. It will simplify significantly the tax-assisted financing of R and D. These two measures taken together will, in 1984, add a further $100 million annually to the tax incentives already provided for research and development through the tax system.

[*Translation*]

Mr. Speaker, I should also like to say a few words about tax measures for the individual Canadian. In addition to provisions aimed at encouraging investment, which I already mentioned, the Bill also contains a number of measures that are important to the individual taxpayer. Canadians who purchase a new home before the end of 1984 and who are eligible to contribute to a Registered Home Ownership Savings Plan will be able to deduct from taxable income, in one lump sum, the amount needed to bring their total deductions up to the $10,000 limit. Previously, annual deductions were limited to $1,000 per year. The Bill also provides, as a special short-term incentive, that in 1983, RHOSP holders will be allowed tax-free withdrawals of any amount used for the purchase of designated home furnishings or appliances. These measures have provided a substantial stimulus for the manufacturing and construction industries and for the employment situation in these vital sectors.

The Bill also provides for a rise in the employment expense deduction, which will increase from 3 to 20 per cent of employment income, subject to the current maximum amount of $500. About four million employees whose annual employment income is below $16,700 will benefit from this measure.

Three major tax components of the federal child benefit system have been changed to help lower income families, working parents and others in need. The ceiling on the child care expense deduction will be raised from $1,000 to $2,000 per child and from $4,000 to $8,000 per family. The child tax credit has been maintained at $343 for the 1983 fiscal year, and will continue to be fully indexed to the inflation rate in subsequent years. However, to ensure that this credit is applied only to those who need it most, the Bill provides that the family income threshold above which the child tax credit begins to be phased out will remain at $26,300 for 1983 and subsequent years.

Third, for 1983 and subsequent taxation years, the Bill will maintain, at its current level of $710 the tax exemption for children and other dependants under eighteen years of age. The net effect of these changes will be, starting in 1984, to increase Government revenues, which will be used to reinforce social programs available to Canadians in need.

• (1140)

[*English*]

This Bill is premised on fiscal responsibility, Mr. Speaker. So also should be the proposals forthcoming from Hon. Members in this debate. I will be listening with great interest for well balanced, fiscally responsible suggestions from all members of the House.

Mr. Crosbie: Here is one: resign!

Mr. Lalonde: Representations of labour, farmer, business and consumer groups whom I have met in the course of my economic consultations have gone to much effort to present thoughtful, well reasoned statements on the policies they