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Fiscal measures and economic forecast outlined, 1

Hostage situation in Iran, 2

Canada boycotts the Olympics, 2

Largest gas find in North, 2

Canada-U.S. discussion of bilateral and multilateral issues, 3

Coal-produced oil feasible, 3

Aid to Uganda, 4

Five named to Canadian Sports Hall of Fame, 4

Canada's relations with Southeast Asian Nations discussed, 4

Synthetic human insulin produced, 5

Nursing association introduces code of ethics, 5

Petro-Canada investment, 5

Stop-smoking program starts, 6

Sailing ships make comeback, 6

Canadian troops take part in NATO exercise, 6

Newspaper uses satellite, 6

News of the arts — festival, TV, dance, theatre, 7

Higher education pays off, 8

News briefs, 8

Fiscal measures and economic forecast outlined

Finance Minister Allan MacEachen, saying that he wanted to "end the uncertainty with respect to outstanding tax measures", introduced several tax changes and outlined the Government's economic and fiscal situation in a speech delivered in the House of Commons on April 21.

The Minister re-introduced a number of tax measures tabled December 11, 1979 as part of the former government's budget and other measures from the November 16, 1978 budget which had not received parliamentary approval. They include:

- the measure providing for the deduction of salaries paid to spouses by persons carrying on an unincorporated business; and
- the temporary small business development bond provision enabling small business to obtain financing at lower interest rates.

To help offset the revenue loss (to the Government) associated with these measures and to help finance the increase in the Guaranteed Income Supplement, Mr. MacEachen proposed two additional tax increases:

- a rise in liquor and tobacco taxes effective immediately that will add 11 cents to a 25-ounce bottle of liquor, 13.5 cents to a bottle of wine, 1 cent to a bottle of beer and 2.5 cents to a pack of 20 cigarettes; and
- an extra 5 per cent surtax on corporate income tax effective last January 1 and lasting two years.

Other measures proposed include tax relief for voluntary firemen, temporary overseas employment, employees who use aircraft in their work, and certain situations where income taxes interact with family law. In addition, the Minister announced reduced write-offs for oil and gas properties, and tightened measures in the areas of deferred compensation plans and deductions for prepaid expenses.

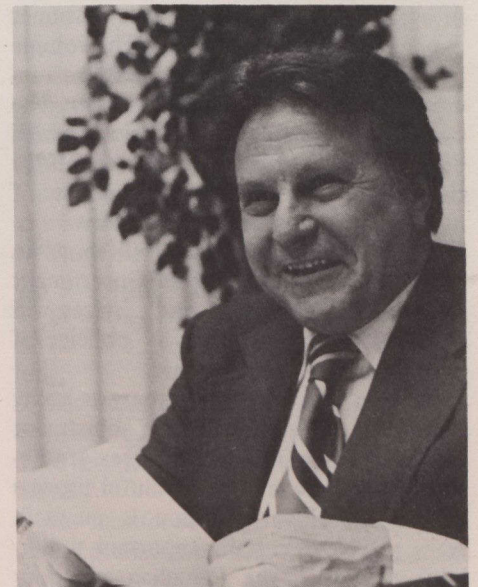
Economic outlook

The Canadian economy has a number of important underlying strengths, said the

Minister. Canada's competitive position has been improved by the substantial discount at which the Canadian dollar has been trading. The country's merchandise trade surplus increased last year to a record \$4 billion, and our travel deficit has decreased, he said. Strong business investment is providing Canada with more productive capacity which will enable it to take full advantage of the market opportunities open to it.

Another element of strength is Canada's energy potential, which is unique among industrial nations, said Mr. MacEachen. Canada can benefit from the investment and jobs created in exploiting our country's energy resources. Also, Canadian industry will have an advantage in competing on world markets because of its access to relatively low-cost sources of energy. We must not let this opportunity slip through our hands, said the Minister.

In the immediate future, however, Canada is going to feel the effects of slow world growth, rapid inflation and high interest rates, he said. The general view is that there will be little or no growth in



Finance Minister Allan MacEachen

Eleven years ago today...

The Canadian Broadcasting Corporation announced the removal of all tobacco advertising from its radio and television networks.