

### Equalization system

.Changes are proposed in the formula for making federal equalization payments to the provinces:

—the program would continue to include all provincial oil and gas revenues related to the situation before the world oil crisis;

—the formula would be changed to equalize one-third of the additional oil and gas revenues related to the tax and price changes which followed the crisis.

### Residential construction

.The federal sales tax on building and construction materials is reduced immediately to 5 per cent from existing levels of 11 and 12 per cent. Annual sales affected total \$7 billion.

.Taxpayers will be permitted to charge against income from other sources capital-cost allowances on multiple-unit residential buildings for rent, started between budget day and December 31, 1975.

### Capital investment

.The 12 per cent federal sales tax on \$1 billion of annual sales of transportation equipment, including railway locomotives and railway cars, large trucks and commercial aircraft, is removed immediately.

.The two-year write-off for new machinery and equipment for manufacturing and processing, due to expire at the end of 1974, is extended without a termination date.

### Personal income tax reduced

The tax cut proposed by the May budget for 1974 is reintroduced and a further major cut is proposed for 1975.

.For 1974, the 5 per cent tax reduction introduced in 1973 is continued and the minimum cut is increased to \$150 from \$100.

.For 1975, the basic reduction is increased to 8 per cent from 5 per cent; the minimum cut is increased to \$200; and the maximum cut is increased to \$750.

All taxpayers benefit from these changes. Federal taxes will be reduced by a total of \$615 million in 1975-76, of which two-thirds will be enjoyed by people earning less than \$12,000. Take-home pay next January will reflect not only this cut and the 1974 cut, but also a statutory reduction of tax on the first \$500 of taxable income, and

the indexing of exemptions and tax brackets.

A married wage-earner with two children under 16 will pay no federal tax in 1975 unless his income exceeds \$5,871. If he earns \$10,000 his take-home pay will rise by \$300 in 1975 as a result of all these reductions. This will show up in pay cheques as early as January.

### Protection of savings

.The May 6 proposal exempting the first \$1,000 of interest income from tax is reintroduced for 1974 and expanded in 1975 to include Canadian dividend income.

.A new exemption will extend, effective January 1, 1975, to private pensions. The first \$1,000 of pension income, other than universal pensions paid by government, will be exempt from tax.

.The existing age exemption to persons 65 years and older will be made transferable between spouses to the extent one spouse is unable to make use of it. This takes effect in 1975, when the exemption will be \$1,174.

.Recipients of cash bonuses on Canada Savings Bonds will be permitted to treat the bonuses as interest or as capital gains.

### Other measures of May budget

This budget reintroduces the remaining proposals of the May 6 budget, some in amended form. The main proposals are:

.A 10 per cent surtax on corporate profits earned from May 1, 1974 to April 30, 1975.

.Advancement of the final payment of a corporation's tax to the second month, rather than the third month, after the corporation's fiscal period.

.Reduction of tax-free reserves of large financial institutions from 1½ per cent to 1 per cent on eligible assets over \$2 billion, effective for 1974.

.Special excise taxes on high-energy-consuming vehicles at higher rates than proposed in May; general increases in excise levies on liquor, wines and tobacco products as proposed in May.

All effective immediately.

.Introduction of a registered home ownership savings plan permitting deductible contributions of \$1,000 a year to a lifetime maximum of \$10,000; payment out of a plan is free of tax if applied toward the purchase of a home and to furnishings such as essential

major appliances and furniture.

.Legislative confirmation of the elimination of the sales tax on clothing and footwear; the tax was removed last July under the Financial Administration Act.

.Other sales-tax reductions for construction equipment, municipal water distribution equipment, municipal transit vehicles and equipment, bicycles, purchases by day-care centres and clinics, certain aids for the handicapped.

.Enriched incentives for incorporated small business, increasing the annual limit on profits taxed at the 25 per cent special rate to \$100,000 from \$50,000 and the cumulative limit to \$500,000 from \$400,000.

.Taxpayer allowed to contribute to a spouse's registered retirement savings plan as well as his own, up to his contribution limit.

.New rules for corporate reorganizations, foreign income, partnerships and other areas as part of the continuing process of tax reform.

### Tariff reductions

.Temporary tariff deductions on \$1 billion annually of consumer goods will be extended for two additional years to June 30, 1976.

.The tourist exemptions, or duty-free allowances, for tourists returning to Canada are increased substantially. The main changes are a doubling to \$50 from \$25 of the quarterly exemption available after a 48-hour absence, and an increase to \$150 from \$100 in the annual exemption, with the minimum absence shortened to 7 days from 12 days.

### Sales mission to Italy and Spain

Firms from the Toronto area, Ottawa, Batawa, Hespeler and Cornwall were represented on an eight-member sales mission from Ontario to Spain and Italy in November.

Markets were being sought for a variety of products ranging from costume jewellery to crane-carriers, including shoe-manufacturing machines, electronic controls, leak-detection systems, safety and protective clothing, a variety of adhesive tapes, and sophisticated precision parts for the electronic, nuclear and mechanical industries.