

Canadians to take a large part in solving this national problem.

We have adopted expenditure reductions affecting a wide variety of programs, from national defence to government operations. When fully implemented, these reductions will amount to \$2.5 billion a year. As a result of these measures and those announced previously, program expenditures will continue to decrease significantly. By 1993-94, they will have fallen to their lowest level in a quarter of a century.

Although expenditure reductions contribute significantly to meeting the Budget objectives, we also had to increase revenues.

Mr. Speaker, these measures have also been designed to weigh more heavily on those taxpayers who can afford to contribute more. The raises have been distributed in a balanced way among several sources of revenue: corporate and individual income tax, sales taxes and unemployment insurance funding. On the other hand, measures such as the doubling of the refundable sales tax credit mean we can guarantee that low-income Canadians will pay the smallest share of the tax burden.

[English]

The Government introduced the refundable sales tax credit in 1986, and has expanded the credit since then. In this Budget the Government is doubling the tax credits for adults and children. By 1990 these credits will be \$140 per adult, and \$70 per child.

In addition, in 1990 the income threshold up to which the full credit is provided will be raised from \$16,000 to \$18,000. This means that an individual with a net income of \$18,000 or less will receive \$140. A couple with two children would receive \$420.

For the 1990 taxation year the extended credit will provide \$655 million in support to lower-income Canadians. This will more than compensate recipients for the full credit for the federal sales tax increase announced in the Budget.

When the Government undertakes sales tax reform in the near future, it will be introducing a new goods and services sales tax credit that will involve a major expansion of benefits. It means that even if individuals do not pay income tax they will receive the credit in a cheque from the Government. Payments will be made regularly every three months, the first one in advance of the start-up of the new system on January 1, 1991. Lower

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and modest-income households will be better off as a result of sales tax reform.

• (1740)

Other tax changes to benefit middle-income households will be introduced as well. In combination, the new tax credit and other tax changes will result in a more progressive system. The Government's goal is to ensure that families earning less than \$30,000 a year will be better off as a result of our sales tax reform.

[Translation]

Mr. Speaker, the tax on goods and services will benefit Canadians in all regions of the country. In fact, implementation of the goods and services tax will result in a fairer tax system, once sales tax reform is a reality, thanks to the new credit for the goods and services tax and the lowering of income tax. The Government's objective is to ensure that all these measures will leave families earning less than \$30,000 a year better off once the goods and services tax is in place.

The goods and services tax will improve our international competitiveness considerably. Our export industries will be better placed, while Canadian companies will be on an equal footing with importers. It will strengthen our economy, which will attract more investors and create more jobs. A modern tax base, generating stable revenues, will help the government reduce the deficit and offer Canadians the programs they want.

The overall effect of these budgetary measures will exceed \$5 billion this year and will total \$9 billion next year. This year, these measures will almost compensate for the increase in interest rates and will leave the deficit at \$30.5 billion. Next year, the deficit will be reduced to \$28 billion, and the debt will stop growing faster than the economy. That is an important result, Mr. Speaker.

The Budget will enable us to cut the annual deficit in half, bringing it down to \$15 billion by 1993-1994. As the deficit diminishes, the debt will use up a lesser proportion of our national income and interest payments will take up a lesser portion of each tax dollar.

Mr. Speaker, nobody likes tax increases. Yet the debt is a major problem because we have not yet paid in full the cost of government programs. Before 1984, successive governments had acted in such a way as to reduce the tax base. This resulted in a lack of fairness and a reduction in federal revenues.

Mr. Speaker, this government has since then taken steps to restore the integrity of the tax system. Over the last four years, we have taken a number of steps, through the budgets or otherwise, to eliminate certain tax concessions, to plug loopholes and to restrict the possibility of