

*Statements by Ministers*

During the extensive consultation process, broad support was repeatedly expressed for the main thrust and the framework of the proposed income tax reforms. A number of specific proposals were put forward by the House of Commons Standing Committee on Finance and Economic Affairs, by the Senate Committee on Banking, Trade and Commerce and by others. I am tabling today a formal response to the recommendations of the House committee.

I want to pay particular credit for the fine work done by the House committee led by its Chairman, the Hon. Member for Mississauga South (Mr. Blenkarn).

**Some Hon. Members:** Hear, hear!

[*Translation*]

As a result of these consultations with Canadians, we have incorporated improvements that further the objectives of the White Paper. In my remarks I will touch only on some features of the measures which are of broader interest. Details on all the measures that I am bringing forward are contained in the supplementary information that I will table.

[*English*]

To achieve the objectives of personal income tax reform, the three fundamental proposals of the White Paper will be implemented: One, a simplified structure of lower personal income tax rates. There will be three federal tax brackets instead of 10. The rates will be 17 per cent, 26 per cent and 29 per cent respectively. Two, conversion of personal exemptions and many deductions to tax credits. The new credits will be worth the same to all taxpayers regardless of their income. This is a major improvement in fairness. Three, the reduction or elimination of many special tax breaks. This helps to pay for lower tax rates and makes the system fairer.

As a result of these reforms, personal income tax will be reduced for 9.7 million Canadian households, 85 per cent of the total. Income taxes will be reduced for 90 per cent of those aged 65 and over. About 850,000 Canadians, including 250,000 senior citizens, will have their income tax reduced to zero.

**Some Hon. Members:** Hear, hear!

**Mr. Wilson (Etobicoke Centre):** The vast majority of families with children will pay substantially less personal income tax as a result of the White Paper proposals. Today I am announcing further improvements to the tax treatment of families with children.

To provide further assistance to lower and middle-income families, the refundable child tax credit will be increased by an additional \$35 per child to \$559 on January 1, 1988. This will directly benefit 2.3 million Canadian families, including 300,000 below the income tax threshold.

To target additional assistance to larger families, the child credit for the third and each subsequent child in the family is

being doubled to \$130. A dependent child will be able to earn up to \$2,500 before the basic credit will begin to phase out.

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● (1640)

[*English*]

In addition, children who reach the age of 18 during the year will be eligible for the dependent child and the refundable child tax credit for the full year. Family allowance payments will be reported on the tax return of the higher-income spouse, but there is no change to the provisions which determine who receives the family allowance payment.

These measures incorporate a number of suggestions from the House Committee on Finance and Economic Affairs. The impact of these measures is to further reduce the taxes paid by families with children. In combination with the new child care initiative announced earlier this month by my colleague, the Minister of National Health and Welfare (Mr. Epp), these measures will bring about a major strengthening of tax assistance for Canadian families.

In keeping with the objectives of fairness and base broadening, the White Paper proposed to limit deductions for automobile expenses to reflect more accurately the element of personal consumption in these expenses.

As a result of suggestions received during the consultation process, changes have been incorporated to meet a number of concerns that were raised. For those drivers using personal automobiles for business use of more than 24,000 kilometres per year, the existing system will remain. Deductions will be restricted only for those who drive personal automobiles for relatively modest amounts of business use. These measures will ensure that deductible automobile expenses more accurately reflect business use.

The White Paper proposed measures to provide objective tests for determining the extent to which farm losses could be deducted against other sources of income. As part of these measures, new accounting rules were proposed. During the consultation process, a number of suggestions were received on ways that the objectives underlying the White Paper proposal could be achieved without asking all farmers to adopt modified accrual accounting. I am thus issuing today amended proposals which will retain cash accounting for farmers.