

*Income Tax Act*

per cent of these projects should be under way sometime next year.

Mr. Speaker, these measures were, of course, intended to provide a stimulus for economic recovery until the private sector, thanks to other measures I will be discussing in a few moments, thanks to tax incentives, would be able to take over and finish the initial startup. That is why I think it is quite clear that the Official Opposition has no justification for drawing out this debate, since the Bill contains some very useful measures, some very satisfactory measures for the private sector that will help it make a substantial contribution to economic recovery. I think it would be hard for Opposition Members to justify any obstruction or boycotting of the business of the Parliament.

● (1640)

Mr. Speaker, one must keep in mind the whole series of investment tax credits, about which I will have more to say later on, as well as the special recovery investment fund over the next four years, because those are constructive and concrete measures which entail some \$2.4 billion which the Government will earmark for assistance to the private sector so as to pave the way for Canada's economic recovery. And \$1.3 billion of that \$2.4 billion will be tax concessions from the federal Government to corporations—

**An Hon. Member:** Which ones?

**Mr. Duclos:**—in the form of tax credits. Mr. Speaker, that is a useless question. I work very often with the Hon. Member on the Committee on Finance, Trade and Economic Affairs, and all he has to do to find the answer to his question is to read through the budget speech and the budget papers.

As I was saying, Mr. Speaker, the various tax credits aimed at easing investment recovery mean that the federal Government will forego \$1.3 billion over the next four years.

If I may, Mr. Speaker, I should like to elaborate on that. For one thing, the general tax credit will be more readily available than ever to corporations as a whole, in the sense that there will no longer be a ceiling on such credits. Under the former legislation, the limit was \$15,000, plus 50 per cent of the federal tax, that is the federal tax over and above \$15,000. Henceforth, there will be no restriction on the amount which corporations may claim as investment tax credit.

I should point out that, as a result of amendments to the corporate income tax legislation, it will now be possible to transfer the tax credit back to two years so that the investment tax credit will apply to federal taxes due on profits made in 1981 and 1982. That is not allowed under the existing legislation, but it will be possible from now on. As a result, the federal treasury will not collect \$190 million for 1981 and \$280 million for 1982.

With respect to investments made before May 1986, the special recovery refundable investment tax credit will apply. What that means is that a corporation will be eligible for a cash refund if it cannot use its full tax credit because it has not made enough profits. In the case of small companies, this refund will amount to a maximum of 40 per cent of the unused tax credit, as compared to a maximum of 20 per cent in the case of other corporations. Here again, the federal treasury will forego fairly substantial revenues—\$115 million for 1981 and \$120 million for 1982.

Mr. Speaker, that is indeed a very interesting consideration for companies that are just getting off the ground. These are companies which have not made enough profits in the first few years to take full advantage of the investment tax credit. From now on, if they cannot apply the tax credit against their profits, they will at least be entitled to a cash refund.

The third form of tax credit is what is called the special recovery share-purchase tax credit. This proposal is extremely important, and even essential, in view of the present economic context in Canada. It aims at making it easier for businesses to acquire new equity capital. The shareholder will be able to claim a tax credit amounting to 25 per cent of the price paid when the shares were issued. This is important because, as we know, and we saw this even more clearly during the recession, our businesses generally have very weak financial structures in the sense that a great majority of small and medium businesses in Canada have very little equity capital and enormous debts. Yet, it is much easier for a business which has a lot of equity capital to survive a period of temporary hardship without risking bankruptcy because, as there is no contractual obligation for a company to declare dividends, the distribution of which can always be cancelled when times are hard, while a business which is deeply in debt can be forced to declare bankruptcy if it cannot meet its contractual obligation, namely the repayment of its debt according to its agreement with the lender.

Mr. Speaker, this proposal will mean a loss of revenue for the Federal Treasury of \$50 million in 1981 and \$70 million in 1982.

Before closing, I would like to touch briefly on the question of tax incentives for research and development, and in this regard, I fully agree with my honourable colleague for Richmond-South Delta (Mr. Siddon), who emphasized the importance for a country such as Canada of doing even more in the field of research and development. This is exactly what the tax measures announced by the Minister of Finance will do. It will represent a loss of revenue of \$150 million for the government in the 1982 fiscal year.

Mr. Speaker, I believe that one thing should be emphasized when we talk about research and development in Canada, and in this regard I fail to see the consistency of the position taken by our friends of the Official Opposition. Everything is inter-related in politics and in economics. The statements that are