

features and adjust financing by government, employers and employees.

#### Measures to create jobs

New and broader Government initiatives are needed under current circumstances to guard against any slowdown in capital investment.

. The Government proposes a 5 percent tax credit for investment in a wide range of new productive facilities. It will apply until July 1977 to new buildings, machinery and equipment for use in Canada primarily in a manufacturing or processing business, production of petroleum or minerals, logging, farming or fishing. The credit is claimable up to \$15,000 of federal tax liability in the year and one half of any excess, with a five-year carry forward of any unclaimed balance. Estimated cost this fiscal year is \$200 million.

#### Housing investment

More must be done by Government to bring housing starts to the rate needed in the long run to meet the housing needs of Canadians.

. The existing \$1-billion housing commitment of the Central Mortgage and Housing authority this year will be increased by \$200 million to permit increased lending to limited dividend rental projects, new-home buyers under the Assisted Home Ownership Program and provincial and other non-profit housing agencies.

. Grants for housing financed by the private sector will be increased temporarily; until December 31, 1975, maximum annual grants for new owner-occupied housing units will be increased to \$1,200 from \$600; until March 31, 1976, maximum annual grants for new rental accommodation will be increased to \$900 from \$600.

#### Employment program

The Government will commit \$450 million over the next two years to an employment program enabling governments, industry and private groups to co-ordinate their efforts to improve work skills and create useful jobs.

. \$70 million will be added to training in industry and in educational institutions.

. \$285 million will be devoted to a new local initiatives program operating from November to June in each of 1975-76 and 1976-77. Emphasis will be placed on municipal works and projects.

. \$60 million will be set aside for the 1976 program of student summer employment.

. \$25 million is proposed to finance labour-intensive federal projects, particularly in regions where unemployment is most severe.

. \$10 million more will be devoted to existing job placement and mobility programs.

#### Tariff, sales and excise taxes

. The 5 percent sales tax on insulation materials is removed, affecting all purchases of insulating materials such as double-pane glass, storm windows and storm doors.

. The excise imposed last autumn on wine is reduced to its previous level.

. Effective August 1, the existing air-transportation tax is increased to 8 percent from 5 percent on Canada-U.S. flights and to \$10 from \$5 on flights to other countries.

. The budget proposes to reduce tariffs or provide tariff-free entry for a number of products.

#### Income tax change

. The budget proposes a tax increase for higher-income taxpayers effective for 1975 and subsequent taxation years. The maximum amount of the current 8 percent credit is reduced from \$750 to \$500, with the result that wage and salary earners above the \$25,000-\$27,000 income range will be affected. For example, a married taxpayer with two children under 16 and salary income of \$35,000 would pay \$228 more. A single taxpayer earning the same amount would pay \$250 more.

#### Changes in resource taxation

In addition to increased prices for "personal-use" gasoline, domestic crude and natural gas, changes are proposed in taxation arrangements for the petroleum and mineral industries to better recognize provincial resource levies in the tax system and to offer more incentive to those who explore and develop in Canada.

. Effective January 1, 1976, the 50 percent rate of corporate tax on production profits and the extra 15-point abatement of federal taxes will be replaced by the 46 percent rate generally applicable to corporations. At the same time, in recognition of provincial resource levies, a resource allowance of 25 percent will be deductible from production

income, calculated after operating expenses and capital cost allowances but before interest expense, exploration and development and earned depletion. Corporations which increase their exploration budgets will find their tax is reduced under the new system. Those who do not explore and develop will face an increase in taxation.

#### Government of Canada annuities

. Legislation will be introduced to increase the rate of return on existing Government of Canada annuities, which are held by more than 270,000 Canadians. This will bring the rate of return closer in line with private sector plans and increase benefit payments.

The budget also states that the sale of Government of Canada annuities will be discontinued.

#### Discussion invited

Two discussion papers tabled with the budget invite public discussion and submissions on areas of further reform in the tax system.

One of the papers initiates a review of commodity taxation and evaluates alternatives to the present system. It suggests that the federal sales tax be moved from the manufacturer's level to the wholesale level.

The other paper reviews the role and activities of charities in modern society and their treatment under the Income Tax Act. It proposes changes with regard to fund-raising, public disclosure of operations, the distribution of funds, and the classification of charities for tax purposes.

Both papers stress that the Government is not committed to the proposed changes and that it welcomes comments and opinions on all aspects of taxation in the two areas.

#### Summary of financial requirements

1975-76 forecast (millions of dollars)

Budgetary revenues	\$ 25,725
Budgetary expenditures	-28,900
Deficit	- 3,175
Net non-budgetary transactions	- 2,125
Total financial requirements excluding foreign-exchange transactions	- 5,300
Foreign-exchange requirements to May	332
Total financial requirements	\$- 4,968