

the draft Bill. Although many very useful improvements were made as a result of this process, the parliamentary committee stressed in its report that the limited number of briefs and the relatively minor nature of the complaints received indicated that the tax proposals set out in the Bill had been well received by the public. It takes time to conduct thorough and far-ranging consultations, and this has, in fact, delayed adoption by the House of the legislative measures provided in the Budget. However, I believe the result is better legislation that can be more readily analyzed by the Members of this House. In fact, we may be gaining time in the overall process which consists in getting a large number of tax measures from the budgetary stage to final passage by Parliament.

The measures in the Bill that are aimed at implementing the Indexed Security Investment Plan have also been published in the form of a draft Bill, with technical explanations. When preparing this draft Bill, we have had the advantage of ongoing consultations with representatives of financial institutions, tax experts and other resource persons, since the Indexed Security Investment Plan was first detailed last April.

The provisions of this Bill aimed at implementing the new financing mechanisms for research and development and the relevant tax credits arise directly from intensive consultations which included many businesses involved in research and development and also representatives of the financial institutions responsible for financing such activities. The conclusions of this consultation process were summarized in the report that accompanied the Budget documents of April 19 of this year. This particular document led to further discussion, and finally to the draft Bill published in October with a view to soliciting comments.

In fact, all parts of the Bill before the House today have been the subject of intensive consultation. I should, of course, like to thank all those who contributed to this consultation, and especially the Members of the Standing Committee on Finance, Trade and Economic Affairs.

The consultation and study process, as well as our data on economic recovery, have confirmed that the budgetary measures in this Bill will have a very positive impact. Now that recovery appears to be well under way, it is not only appropriate but also essential that we should adopt the budgetary tax measures that provide the basis for business investment and spending plans.

● (1130)

[English]

Hon. Members will no doubt recall the legislative history of the last major Bill amending the Income Tax Act. Bill C-139 was given first reading on December 7, 1982—almost exactly a year before this Bill—and did not receive final reading by the House until March 24 last. I am sure that Canadian taxpayers will share my hope that this experience will not be repeated with the present Bill. While I recognize the legitimate demands of members for adequate debate and explanation of

Income Tax Act

important legislation such as this, we must also have regard for the reasonable hopes of Canadian taxpayers that their tax refunds should not be delayed as they were in 1983 because of legislative delay affecting Bill C-139. We must provide taxpayers with certainty, at an early date, that they can count on the tax measures in this Bill being adopted.

In this speech I do not propose to discuss all of the tax change proposals in this Bill. Questions on those detailed points will, of course, be answered at the committee stage. However, I would like to review some of the major tax measures that are before us.

A major element of the April Budget was to accelerate productive investment and job creation in the private sector. The Bill improves the effectiveness of the federal investment tax credit. It provides that credits earned for eligible investment made after April 19, 1983 may be used without limit to reduce federal income tax payable, and that unused credits may be carried over for deduction in any of the three previous or seven subsequent years. Also, the investment tax credit will be extended to heavy equipment used in the construction industry. These improvements to the investment tax credit will provide about \$1.3 billion of support for private investment over the next four years.

To further encourage new expenditures by businesses that are not currently paying income tax, the Bill provides two further initiatives relating to the investment tax credit. First, a portion of the credit resulting from expenditures made after April 19, 1983, and before May 1, 1986, will be refunded to the business incurring the expenditure. For small business corporations and unincorporated businesses, 40 per cent of investment tax credits not used to reduce income taxes will be refundable. For other businesses, 20 per cent of such credits will be refundable.

Second, the introduction of the special recovery share-purchase tax credit will allow corporations with unused investment tax credits to flow-out the credit to investors who subscribe for new equity shares in the corporation. The credit, which may be as much as 25 per cent of the value of such shares, can be offset against the investor's tax liabilities. Pension funds and other tax exempt investors may obtain an equivalent benefit by obtaining a refund of any share-purchase tax credit earned by them. This measure applies to shares issued after June 30, 1983, and before 1987.

It is estimated that these two measures should provide a further \$640 million of support to private investment. The combined impact of these measures will be to allow many more businesses to take advantage of tax incentives that promote investment, and therefore to participate in the economic recovery and the creation of long-term employment in the private sector.

The Bill also allows business losses to be carried back three years and forward seven years, instead of one year back and five years forward as at present. The three-year carryback will be phased in over two years for most businesses, but for small business corporations this new benefit will take effect immediately. Farmers and fishermen will be immediately entitled to a