

Legislation is to be introduced implementing the general preferential tariff for developing countries.

Scientific research equipment purchased by manufacturers for use in testing or developing new products is to be exempt from sales tax.

TAX REFORM

The introduction of rules for taxing "passive income" is deferred from 1973 to 1975 to permit further examination of their impact.

Rules are eased for the taxation of accrued gains of persons leaving Canada; an exemption will apply for certain property of individuals who reside only temporarily in Canada.

The tax treatment is eased on non-cash gifts to charities where a charity can use the property in its activities.

Persons are relieved of obligation to pay federal tax in quarterly instalments if their federal taxes in the preceding year were less than \$400.

The calculation of tax instalments is simplified for both individuals and corporations.

Income from damage awards in cases of bodily harm or injury is no longer taxable before the recipient reaches the age of 21.

The payment of taxes due on deemed realization at death of capital property may be extended evenly over a period of six years.

ECONOMIC AND FISCAL BACKGROUND

The year 1971 brought substantial increases in personal income and personal spending, in government spending, in housing starts, and in exports and imports. Productivity increased and there was some inventory build-up, but the growth of demand has not yet induced a major expansion of business investment.

Twice as many new jobs were created in Canada last year as in 1970, but because of rapid labour force growth the decline in unemployment began only in the latter part of the year.

There is growing confidence in Canada's economic prospects, assisted by the Government's expansionary measures and by last December's settlement of international monetary issues.

Government measures have helped to ease unemployment and to provide jobs for the extraordinary numbers of students joining the labour market during the summer.

In the longer view, Canada's service and resource industries are strong and growing. But the output of manufacturing industries has not kept pace with the growth of the economy as a whole. They are the largest single source of employment but are vulnerable and hard-pressed by a new international situation.

In the fiscal year ended March 31, 1972, budgetary revenues are estimated at \$14,145 million and expenditures at \$14,745 million, with a \$600-million deficit. Total cash requirements were \$2,088

million, including \$485 million required to finance foreign exchange transactions.

In 1972-73, revenues are expected to be \$15,670 million, expenditures \$16,120 million and the deficit \$450 million. Net non-budgetary requirements are expected to be \$1,550 million. Total cash requirements will be \$2,000 million apart from any increase or reduction arising from exchange transactions.

ECONOMIC OUTLOOK

Strong consumer spending, an active housing picture and a build-up in business inventories will mark the year 1972. Having in mind the stimulus in the budget, there will be more capital investment by business — especially in machinery and equipment — than indicated in recent surveys.

A large increase in employment is expected and, though month-to-month fluctuations are likely to continue, unemployment is expected to fall throughout the year.

The outlook for prices is mixed, but it is not expected that the rise in prices will be significantly greater this year than last.

The rate of real growth in 1972 is expected to be of the order of 6-6½ per cent.

ARTS GRANTS

Six major arts organizations are to receive grants totalling \$1,527,000 for their 1972-73 operations, according to a recent Canada Council announcement. Other such grants will be announced later this year.

The National Ballet of Canada, Toronto, receives \$600,000 for its 1972-73 season. A 25-week tour is planned with a new classical production choreographed by Rudolf Nureyev, who will dance the leading role. A grant of \$300,000 is awarded to the Grands Ballets Canadiens, Montreal, for a season that will feature performances in Montreal, Quebec, Ottawa and Winnipeg.

The Stratford Festival receives \$435,000 for its 1972 season. A new Canadian play, entitled *Mark*, by Betty Jane Wylie, the première of Murray Schafer's contemporary chamber opera *Patria*, and an English version of Roch Carrier's play *La Guerre, Yes Sir!* are among the productions to be offered at the Festival.

A Toronto periodical, *arts/Canada*, receives \$107,000. Special issues are planned on the Prairies, Quebec paintings and Canadian Indian art.

The Canadian Theatre Centre, Toronto, receives \$50,000 to continue its activities as a service and information centre for the theatrical profession.

The Institut international de musique du Canada, Montreal, receives a grant of up to \$35,000 for the 1972 International Violin Competition, to be held in Montreal from May 27 to June 13.