

HOUSE OF COMMONS

Monday, February 14, 1994

The House met at 11 a.m.

Prayers

GOVERNMENT ORDERS

[*English*]

INCOME TAX ACT

The House resumed from February 9 consideration of the motion that Bill C-9, an act to amend the Income Tax Act, be read the second time and referred to a committee.

Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry): Mr. Speaker, I am happy to have the opportunity to speak on Bill C-9.

I would like to begin by informing the people who have tuned in to the debate today of the contents of this bill. A lot of the implementation measures in this bill came from the 1992 fiscal statement from the previous government and also the budget of April 26, 1993. As a government we recognized some of the constructive initiatives the previous government put forward and these are examples of legislation we supported.

• (1105)

I can remember discussing many of these measures when I was the opposition party critic for small business. I do not want to suggest that the implementation of these measures represents support for the previous government in its total economic thrust, but part of its tax amendments, especially those related to small business, we did our best to support when we were in opposition and made sure they went through the House as quickly as possible. I hope we can continue with that approach.

In the measures from the economic and fiscal statement touched in this legislation, our number one priority is the unemployment insurance premium relief for additional jobs. It provides a refundable tax credit in respect of an increase in unemployment insurance premiums payable by certain employers in respect of 1993.

The second measure is the temporary small business investment tax credit. It provides a temporary 10 per cent, non-refundable small business investment tax credit for eligible machinery and equipment. It is very important when manufacturing companies are attempting to modernize and upgrade so

they can become globally competitive and is an inducement to make such purchases.

The extension of the small business financing program extends to the end of 1994. Under this program a small business in financial difficulty may refinance up to \$500,000 of debt at low interest rates. It is very important right now, as I am sure many members would agree—and I am going to deal with this a little later in my remarks—especially when we are having such difficulty in shifting the attitudes of banks toward small business.

The bill repeals the penalty tax on excess small business properties held by RRSPs and registered retirement income funds from October 31, 1985. Another component of the bill is the labour sponsored venture capital corporations. This adds preferred shares to the list of eligible investments for these corporations and it facilitates the issuance of shares to RRSPs.

Flowthrough shares allow 100 per cent of the first \$2 million of oil and gas development expenditures to be deducted by shareholders. That should certainly be supported by most of the Reform members.

The removal of mandatory deduction of Canadian exploration expenses allows corporations carrying on a resource business to choose to deduct lower amounts of Canadian exploration expenses in order to utilize non-capital losses before they expire.

Improvements to the tax credit for scientific research and experimental development introduces a simpler method of calculating the credit and allows for partial credits and clarifies definitions and improves administrations.

Three major measures came from the budget. The annual investment tax credit limit repeals the annual investment tax credit limit for taxation years that begin after 1993. It is basically housekeeping. The investment tax credit for scientific research and experimental development extends the 35 per cent tax credit to Canadian controlled private corporations with prior year taxable income under \$400,000 and provides a phase-out of the \$2 million expenditure limit. Last is the instalment payments of income tax. Individuals generally have to make quarterly instalment payments of taxes if the difference between the tax payable and the amounts withheld at source is greater than \$2,000 in both the current and either of the two preceding years. The previous amount was \$1,000. Close to 300,000 senior citizens with very low incomes had to make quarterly instalments which were a tremendous burden for them. When the bill is implemented it will be an added convenience or it will take the