

farm producers will be increased accordingly, so that farmers will continue to be relieved of effectively all tax on their fuels for farm use.

[*Translation*]

I am also acting to equalize the federal sales and excise tax burden on leaded and unleaded gasoline. This action will support the efforts of my colleague, the Minister of the Environment (Mr. McMillan), who has announced a program in co-operation with the petroleum and automobile industries to eliminate lead emissions from gasoline by the end of 1992.

[*English*]

Effective tonight I am increasing the excise tax on cigarettes and other tobacco products by 4 per cent.

As of July 1, 1987, I am extending the federal sales tax to a limited range of snack foods that compete with similar products that are currently taxed.

The rules introduced in 1982 with respect to the taxation of accrued interest on investments are very complex. I am continuing to examine ways to simplify these rules. As an interim step I am proposing to expand eligibility for prescribed annuities to include persons of all ages. I am also proposing, for the 1987 taxation year, to provide relief for holders of pre-1982 compound interest bonds, including over one million holders of Canada Savings Bonds.

To complement the major reforms that my colleague, the Minister of State for Finance (Mr. Hockin), has announced, I intend to propose amendments to the Income Tax Act to allow investment dealers to offer self-administered RRSPs directly to their clients. I will be consulting with the securities industry before proposing these amendments.

I am also announcing that the Indian Remission Order will be extended for 1987. My colleague, the Minister of Indian Affairs and Northern Development (Mr. McKnight), and I are developing proposals to rationalize the treatment of employment income of Indians on reserves, in order to eliminate the need for the Remission Order. We will consult further with Indian representatives and other interested parties when the proposals are made public.

#### TRADE AND TARIFFS

The government has been working to make Canada a more effective world trader. In today's rigorously competitive world, we will not always see eye to eye with our trading partners. We must act to resolve our differences in a manner that is fair but that does not compromise Canada's interests.

The government acted last June when the United States moved to impose a 35-per-cent tariff on Canadian exports of red cedar shakes and shingles. We needed to send a strong expression of concern to the United States about their protectionist action. We had to guard against a loss of Canadian jobs.

Our response was two-fold: We took measures to increase tariff rates on a number of goods imported principally from

the U.S. We also tightened controls on the export to the United States of cedar logs and bolts.

As a result, the U.S. tariff has not enhanced the competitiveness of the American shakes and shingles industry. Its main impact has been to increase costs to American consumers.

The export controls have protected the competitive position of the Canadian industry, which has been able to return to almost normal production levels. Having achieved our purpose, we can maintain the strength of our response by confining it to the restrictions on the export of cedar logs and bolts.

Accordingly, I am announcing that for all products affected by the tariff measures the rates of duty are being reduced, effective tomorrow, to those rates in effect immediately prior to June 6, 1986. This will reinstate duty-free entry for books, computer parts and Christmas trees.

The export restrictions on cedar logs and bolts which have proved essential in safeguarding the Canadian shakes and shingles industry in the face of the American tariff will remain in place as long as necessary.

Canada's steel industry faces serious competitive problems due to the world-wide excess in steel-making capacity. To help our industry deal with these circumstances, the Government has decided, effective tomorrow, to withdraw the General Preferential Tariff on imports of most specialty and carbon steel mill products.

I am also proposing a number of miscellaneous tariff changes, primarily in response to requests from Canadian industry for changes in tariff rates and to fulfill obligations undertaken in the Tokyo Round of GATT negotiations. One of these measures is the elimination of the tariff on mobile veterinary clinics, a move which many Members of this House have advocated.

[*Translation*]

#### TAX AVOIDANCE

I am concerned that abusive tax-avoidance transactions are a significant factor in eroding corporate tax revenues. They also undermine respect for the integrity of our tax system. Such schemes permit some corporations often large and profitable to avoid paying income tax.

[*English*]

The Government has acted repeatedly to curb these and other such abuses with a series of specific rules. Where required, the Government will continue this practice. In addition, to ensure a fairer and more stable income tax system, I intend to propose improved general anti-avoidance rules as part of tax reform.

Recent court decisions have called into question the fair price provisions of the Excise Tax Act. These judgments have raised the possibility of substantial erosion of the sales tax base. In the light of the jurisprudence, I am examining ways to rectify the law to prevent this erosion.