

## OTHER TAX CHANGES

Let me outline briefly some changes needed to tighten the law or to relieve tax burden. Details are contained in the Notices of Ways and Means Motions I will table tonight.

On the income tax side, I am introducing a number of important relieving measures in the area of taxation and family law. In future, new attribution rules will ensure that income on property transferred from one spouse to the other will not be attributed to the spouse transferring the property after the date of a written separation agreement. The deduction for maintenance payments will be extended to cover amounts paid under a court order on account of illegitimate children and common-law spouses.

For the 1980 and subsequent taxation years, the tax exemption for allowances paid to volunteer firemen will be raised from \$300 to \$500.

**Some hon. Members:** Hear, hear!

**Mr. Crosbie:** I have to admit that there is a slight conflict of interest here. I am an honorary member of the Goulds fire department.

The government attaches great importance to the voluntary sector. We have referred the whole matter of encouragement of the voluntary sector to a special parliamentary committee chaired by the hon. member for Fraser Valley West (Mr. Wenman). I have undertaken a review of this area, including the tax treatment of charitable donations, and will provide a paper to that committee. The recommendations of the committee will be carefully considered before my next budget.

I have also considered the vitally important matter of providing adequate and effective incentives for research and development. Our future growth is heavily dependent on how we handle this issue. Some rather complex tax incentives for R & D have only recently been legislated and I want to study these more closely before I introduce any other tax changes.

I will immediately introduce relieving measures for overseas remuneration of Canadians temporarily employed abroad. This will help the competitive position of Canadian corporations that obtain certain export contracts including construction, installation and engineering projects abroad.

I am going to introduce a number of technical changes relating to prepaid expenses, the so-called capital gains strips, deferred employee compensation plans, term preferred shares, corporate partnerships, transfers of corporate residence, options to acquire control and certain others. Many of these are designed to check tax avoidance arrangements.

Finally, I have reviewed the special capital cost allowance provisions for multiple-unit residential buildings. This tax shelter was introduced in 1974 and has been extended many times since. The pressure on vacancy rates is not now as serious as previously. Thus, I am letting this provision expire, as currently provided, on December 31 of this year.

There are also a number of tax structure changes in the federal sales tax. Manufacturers of cosmetics are not paying

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their fair share of tax. I am proposing that the tax on cosmetics apply to the full sale price to retailers. I am also moving to ensure that the photo-finishing industry pay its fair share of sales tax.

Amendments will be made to ensure that the exemption from sales tax for transportation equipment does not extend to service equipment mounted on the vehicles. The exemption for aircraft will exclude aircraft used for recreational purposes and flight training and put them on the same basis as automobiles. The exemptions for containers and coverings will be modified to confine them to manufacturers only.

## EMPLOYMENT PROGRAMS AND UNEMPLOYMENT INSURANCE

This government considers it essential to increase employment. We strongly believe that the jobs created should be of a permanent nature, be in the private sector and be available to those who are most vulnerable to unemployment.

The central feature of our approach will be an improved tax incentive to increase employment opportunities, particularly for the young. This will replace the current Employment Tax Credit Act and a number of other programs. It will include an \$80 per week tax credit to help create jobs in the private sector for more than 100,000 people.

When this program is fully implemented, about \$250 million per year in tax expenditures will be made available to the private sector for job creation for young people and for the long-term unemployed. This represents a substantial expansion from the \$100 million set aside by the previous government.

We also wish to ensure that our programs respond to the differences in employment opportunities across the country. In addition to the tax credit, an amount of \$50 million will be made available to initiate new measures, or to supplement existing programs, aimed at stimulating employment and economic development in Eastern Canada.

This government is committed to achieving greater consistency with insurance principles and to bringing greater financial integrity to the unemployment insurance program. To this end, effective in 1980, the costs of unemployment insurance benefits, except those associated with high regional rates of unemployment, will be financed by employer and employee premiums. The costs of job referral and related employment services will also be financed by premiums.

The weekly employee rate of unemployment insurance contributions for 1980 will be increased from \$1.35 per \$100 of insurable earnings to \$1.60. The employer rate will be increased from \$1.89 to \$2.24.

This is only the first step in a comprehensive review of the unemployment insurance program started last June. Further proposals are now being developed in full consultation with provincial governments, labour and business. When these changes become effective, the premiums will be re-examined.

## TRADE POLICY

In the Multilateral Trade Negotiations (MTN) we reached agreement with our trading partners on tariffs and on a number of non-tariff measures. In most cases implementation