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- Cautious budget to maintain steady course for settled future, 1
- Health services at Olympics, 2
- Air travel as energy-saving aid, 2
- New air agreement between France and Canada, 3
- Puppets on overseas tour, 3
- Top honour for fire victim, 3
- New energy supplies vital says Arctic Gas chairman, 4
- Manitoba moves towards improved health facilities, 4
- Industry to benefit from new medical engineering unit, 4
- Canada and Poland sign transport and fisheries pacts, 5
- Stratford ticket sales booming, 5
- Wide-ranging documentation in French available to public servants, 6
- International women's year initiatives in gear, 6
- News briefs, 6

Cautious budget to maintain steady course for settled future

Finance Minister Donald Macdonald's first budget, brought down on May 25, is designed, he said, "to maintain a steady course in order to restore confidence and enable all groups in society to plan with greater assurance of settled times ahead". Time and patience was necessary, said the Minister, to restore price stability and a high level of output and employment.

The budget has two aims - to reinforce the anti-inflation program and to avoid either "a boom or a bust" as the economy recovers.

As of July 1, most companies will have their profits cut and will be allowed only 85 per cent of their pre-controls levels. More companies will have to justify price increases in advance and there will be tighter limits on justifiable costs.

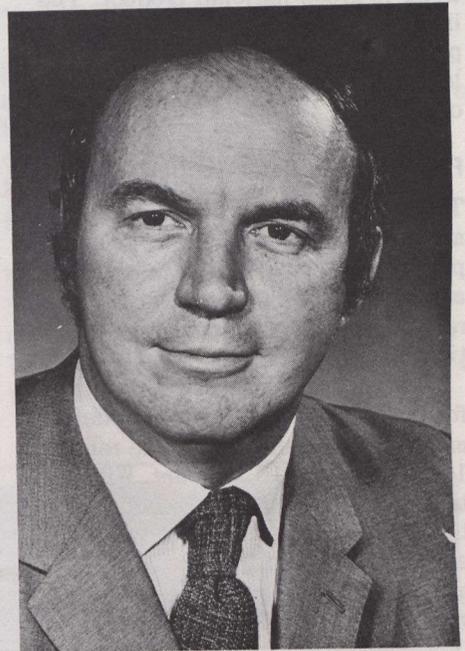
Mr. Macdonald stated that government spending increases would be held at 14 per cent this year and at 11 per cent next year.

Although there is no change in basic income tax rates, deductions for child care will be doubled to \$30 a week, or \$1,000 a year, for each child. The maximum deduction for each family is doubled from \$2,000 to \$4,000.

To encourage saving, maximum annual deductions by employees and employers for contributions to registered pension plans will be increased to \$3,500 from \$2,500. The same increases will be applied to registered retirement savings plans where a beneficiary also belongs to a pension plan, and to employer contributions to a deferred profit-sharing plan. For a beneficiary of a registered retirement savings plan who does not belong to a pension plan, the annual limit is increased to \$5,500 from \$4,000.

Small business incentive

Profits of Canadian-controlled private corporations eligible for a reduced rate of tax will be substantially increased. The annual amount subject to the low rate will be increased to \$150,000 from \$100,000 and the cumulative total increased to \$750,000 from \$500,000.



Finance Minister Donald Macdonald

Unemployment insurance

The present requirement for eight weeks of insured employment to qualify for benefits will be increased to 12 weeks.

The number of weeks during which benefits may be drawn will be more directly related to the number of weeks worked, and regional extended benefits will be more sensitive to regional unemployment.

Severance pay will not affect eligibility for unemployment insurance benefits.

Amendments will permit the payment of unemployment insurance to beneficiaries on a discretionary basis where they take part in such activities as selective employment, training or short-time work programs.

The administration of the unemployment insurance systems and Manpower Canada's programs and services will be integrated.

Expenditure policy

Beginning with its cuts in planned expenditures for 1975-76 and 1976-77, the Government is undertaking a basic