

EXPLANATORY NOTES

Purpose of Bill C-28

Bill C-28 would amend the *Income Tax Act* to implement personal and corporate income tax measures, a number of which were outlined in the April 1989 Budget. The Bill also makes consequential amendments to several other acts.

Overview of Bill C-28

The April 1989 budget outlined a number of income tax measures affecting individuals and corporations. The primary theme of that document was the need to address the "large and growing public debt", a problem given more urgency by the increasing cost of servicing that debt as short term interest rates rose significantly in 1988 and early 1989. Thus, the major provisions of Bill C-28 are intended to either reduce Federal Government expenditures or raise additional revenues.

The major measures contained in Bill C-28 include:

Repayment of Family Allowance and Old Age Security - Payments for family allowance and old age security would be taxed back at the rate of 15% of individual net income in excess of \$50,000.

Personal Income Surtaxes - The federal surtax on all taxpayers would be increased from 3% to 5% of tax payable. The surtax rate on basic federal tax in excess of \$15,000 would be raised from 5% to 8%.

Large Corporations Tax - Corporate capital in excess of \$10 million would be subject to tax at the rate of 0.175%.

Accrued Investment Income - Income from investments acquired after 1989 would be required to be reported on an annual basis.

Leasing - The tax advantages associated with leasing would be reduced.