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BUDGET SUMMARY

Presenting his budget to the House of Commons on April 9, Finance Minister Fleming announced tax changes which he said were based on two principles:

- "(a) To provide a broadly based source of revenues to meet the new and additional forms of universally available social welfare benefits, and
- (b) To reduce the budgetary gap in a degree that will not interfere with the desired rate of recovery, but will hold out the prospect of a balanced budget at the appropriate time."

Expenditures for the fiscal year 1959-60, excluding the old age pension fund, are expected to be approximately \$5,660 million, compared with \$5,387 million in 1958-59. Budgetary revenues, after tax changes, are estimated at \$5,267 million, compared with \$4,770 million. The deficit is therefore expected to be approximately \$393 million. This compares with a deficit of \$617 million in the past fiscal year.

Payments from the old age security fund for old age pensions are expected to amount to \$578 million and revenues are expected to amount to \$536 million, making a deficit of \$42 million in this sector.

Tax increases, it is estimated, will amount to \$245 million in this fiscal year and \$352 million in a full year.

Tax changes are as follows:

1. 2 percentage points increase on taxable income in excess of \$3,000, effective July 1, 1959.
2. Tax on corporation income above \$25,000 increased to 47 per cent from 45 per cent, effective January 1, 1959.
3. Special two per cent income, corporate, and sales tax for old age security fund increased to three per cent, with maximum \$90 for individuals, effective on varying dates.
4. Deductible medical expenses will include the cost of ileostomy and colostomy pads, crutches, trusses and special polio beds. No tax deductions for medical expenses that are paid by federal-provincial contributions.
5. Excise tax on cigarettes increased by two cents per package of 20, effective immediately.
6. Excise tax on cigars increased by \$1 per 1,000 effective immediately.
7. Excise duty on spirits increased by \$1 per proof gallon, or about 12 cents per 25 ounce bottle, effective immediately.
8. Some technical amendments which will affect the application of the Excise Tax Act to toilet goods and pharmaceuticals. Briefly they will extend the definition of manufacturing to the packaging of

(Over)