provide a deduction equal to 50 per cent of current and capital expenditures incurred in a year on R and D which are in excess of a corporation's average annual R and D expenditures over a moving three-year base period. The deductions are to be available over a 10-year period, that is in computing income for the 1978 to 1988 taxation years.

● (1632)

Personal tax measures in this bill provide additional alternatives to holders of registered retirement savings plans, expand the exclusions from income where employees at remote work sites receive board and lodging from their employers, and extend the types of loans received by employees which may be excluded from income.

This bill will allow a person to receive retirement income from his RRSP in the form of a fixed-term annuity as well as a life annuity. To ensure that RRSPs are used to meet genuine retirement income needs, the bill provides that an annuity under an RRSP is not to commence before age 60 or after age 71. The fixed-term annuity purchased under an RRSP arrangement must provide a retirement income until the annuitant reaches age 90, with a special rule to extend the fixed term of the annuity in case of a younger, surviving spouse.

Another option will permit RRSP funds to be transferred to an entirely new investment vehicle—a registered retirement income fund—after the holder reaches age 60. Where this fund is chosen, annual payments will be made from the fund each year until the individual reaches age 90. However, unlike an annuity arrangement in which the amount of the annual payments is pre-determined, the annual payments out of an RRIF will grow over time. They will be based on the size of the fund and the age of the beneficiary year by year. The fund may be self-administered.

The bill includes two amendments of major importance to farmers. One of these permits shares of the capital stock of a family farm corporation to be transferred to a farmer's children without immediate tax on any capital gain at that time. The special rule will apply not only to a transfer on death, but also to one made before death by way of a sale or gift to the child.

The same treatment is extended to transfers to children who have an interest in a family farm partnership. The new rules will place the farmer who carries on business as a family farm corporation or a partnership on the same basis as unincorporated farms.

Further measures will ease the financing problems of many Canadian private corporations and will facilitate joint undertakings by groups of Canadian corporations. This will be achieved by reducing the scope of the special 25 per cent tax that applies on certain dividends received by Canadian-controlled private corporations.

Other amendments in this bill are necessary to ensure that the Income Tax Act deals appropriately with the division of property between spouses in light of changes in a number of provincial laws covering marital property. In a number of circumstances, these provincial changes would require certain gains to be taxable on transfers between spouses or former spouses. The amendments are designed to permit the division of property between spouses pursuant to the family law without an immediate tax on capital gains. Other important matters are dealt with in this bill, including a measure made necessary by the recent introduction of an income tax levied by the Northwest Territories.

[*Translation*]

Mr. Speaker, as I said on April 10, the short-term action required at this stage of the recovery is a fast-acting nudge to growth, one that encourages consumer spending and one that offsets temporary factors which have been pushing up prices. I would like to take this opportunity to clarify some misunderstanding about the nature and purpose of the federal-provincial initiative to reduce temporarily provincial sales taxes.

First of all, it is important to put the federal proposal concerning a reduction of provincial sales taxes in the context of the historical evolution of fiscal relations between the two levels of government. Since the end of the Second World War, the federal share of over-all revenues levied by the public sector in Canada has declined steadily. Whereas in 1945 the federal government held about 70 per cent of government revenues, after transfers, that percentage gradually went to 50 per cent in the early 1960s and is now in the order of 40 per cent. The share of revenues of the provincial-municipal sector grew correspondingly.

Indeed, whereas in 1945 the provincial-municipal sector had only 30 per cent of total government revenues, it now has about 60 per cent. In short, the provincial-municipal sector actually holds a larger share of total government revenues than does the federal government. Most economists have agreed for some years that this degree of fiscal decentralization makes joint action necessary by the two levels of government in the area of economic and fiscal policy. Moreover, this requirement of our federal system was recognized unanimously by the recent conference of first ministers.

In this context it is essential to understand the growing importance given over the past several years to consultative mechanisms between the two senior levels of government, particularly to the conferences of ministers of finance. It is also in this context that the idea evolved for the federal proposal regarding provincial sales taxes. Given the high level of savings at present, it is generally accepted that a sales tax reduction is the most effective instrument for stimulating the economy. It has the advantage of providing a stimulus which has an immediate effect on prices, consumption, production and employment.

Several weeks ago, I suggested to provincial governments that we undertake joint action, through a reduction in the retail sales tax, to stimulate the economic recovery. I would like to emphasize that this offer was made in good faith and was discussed thoroughly with both ministers and officials of