year as a result of employers paying insurance premiums for the first $25,000 of coverage. Under this proposal the combined federal and provincial taxes will increase by some $30 to $50 a year and the increase for 1994 will be half of this amount.

In another personal income tax measure, Bill C–59 will subject the age credit to an income test. Canada's debt and the burden of high taxes and interest rates it imposes on all Canadians, including seniors, demands that government spending be both fair and effective. This measure meets that test by ensuring that assistance goes to seniors who need it, but not to those who have annual incomes hitting $50,000.

• (1010)

Under the current tax system all Canadians 65 and over are eligible for the age credit. It delivers a combined federal–provincial tax credit of about $950 per year. Under this proposed legislation, individuals with net incomes below $25,921 will retain their full credit. For people with net incomes above the threshold, the credit will be reduced at a rate of 15 per cent of their net incomes exceeding $25,921 and the threshold will be indexed.

Let me make clear that fully 75 per cent of seniors, which is 2.6 million individuals, will not be affected. Moreover, most of those who will be affected will continue to receive partial benefits. Only 6 per cent of seniors will no longer receive benefits because their income exceeds $49,134, the threshold at which benefits are exhausted.

I should also point out that the reduction will be phased in over two years. For 1994 the reduction will be one–half of the amount otherwise determined. As well, the age credit will remain transferable to a spouse.

A further measure in C–59 extends on an ongoing basis a program that has become an important part of our social infrastructure, the RRSP based homebuyers plan. First time homebuyers can withdraw up to $20,000 tax free from their own RRSPs and repay the money over 15 years. By last February about 234,000 people had already participated in the plan with an additional 30,000 participants expected each year.

Moving on, Canadians will be encouraged to give more to charities because Bill C–59 enhances the charitable tax credit. It used to be that taxpayers gained 17 per cent on the first $250 of their total charitable donations and 29 per cent on the remaining donations. Now the threshold for the higher credit rate will be $200, not $250. The fact that individuals will now receive a greater benefit when they give more than $200 in a year will further encourage charitable giving.

I would now like to remind the House of the measures in C–59 relating to the corporate sector. There is a perception among many Canadians that businesses receive preferential tax treatment compared to individual taxpayers.

The fact is often overlooked that businesses, while paying corporate income tax, must also pay many other taxes such as provincial corporate income taxes, capital and insurance premium taxes, payroll levies and municipal property taxes. In fact, the total corporate tax bill last year was about $44 billion. However, Bill C–59 does take steps to reduce deductions and eliminate some existing loopholes.

For example, the tax deduction for eligible business meals and entertainment expenses is reduced from 80 per cent to 50 per cent. All businesses large and small will now pay an appropriate share of tax, making the tax system fair.

The element of personal consumption will also be better reflected in these expenses. This measure is consistent with business meals and entertainment expense deductions in Ontario, Quebec and the United States. It will apply to expenses incurred after February 21, 1994.

Another measure in C–59 restricts the use of certain tax shelters where investors in partnership could claim tax deductible losses and/or receive cash contributions which actually exceed the cost of their investment. The amount of losses that may be flowed out to an investor will now be restricted. This will help to limit the erosion of the tax base, ensuring that business pays a fair share in the national deficit battle. As well, to prevent further erosion of the tax base, the use of the purchase butterfly tax avoidance technique will be curtailed.

• (1015)

The Income Tax Act allows for corporate property to be divided pro rata among its shareholders on a tax deferred basis. This helps in dividing up a corporation so that shareholders can carry on separately the corporation's business.

Unfortunately the rules have been used to avoid or defer tax on the sale of corporate assets. As a result the government introduced rules in May 1993 restricting cross–border purchase butterfly transactions. Bill C–59 extends these rules to all purchase butterflies. The tax advantage of structuring a corporate asset sale for this purchase will no longer exist.

The next measure I want to discuss is the elimination or reduction of the regional investment tax credit, known as ITC. It has become evident that regional ITCs are not a cost effective means of attracting incremental investments, nor do they help to reduce economic disparity. Bill C–59 eliminates a special investment tax credit and the regional component of the scientific research and experimental development tax credit. The Atlantic investment tax credit rate will be reduced from 15 per cent to 10 per cent.