

*The Budget—Hon. Michael Wilson*

I believe that larger reductions at this time would not be prudent in light of current economic conditions. Instead, I am proposing actions which control the deficit now while ensuring that significant reductions will occur over the balance of the decade.

I am implementing a clear and realistic medium-term plan to control our debt. That plan requires tough actions to be taken now. There will be expenditure reductions and tax increases. The impact of these actions, and those taken in November, will continue to grow. Our actions will directly reduce the annual deficit at the end of the decade by more than \$20 billion. Between now and then, our actions will cut a total of \$75 billion from the projected increase in the public debt.

These actions represent an unprecedented response to control the dangerous trend of rising debt.

*[Translation]*

But this budget does much more than restore fiscal responsibility to government finance. The strategic rebalancing of priorities in this budget constitutes a major step in the direction of securing a prosperous economic future. We will promote growth and job creation by encouraging private initiative, improving government effectiveness and controlling our national debt.

*[English]*

## ENCOURAGING PRIVATE INITIATIVE

Our priority goal is jobs for Canadians.

Maintaining the jobs we have and creating the jobs we seek requires a strong and healthy business sector. In particular we need to recognize that small and medium-sized businesses across the country are the most dynamic forces for growth and employment.

If we are to stimulate the creation of new businesses and the expansion of existing ones, we must increase our investment in productive activities. We are major savers, but too few of us are willing to invest a part of our savings in new ventures. It is through capital investment that new ideas get implemented, new activities are generated and new jobs are created. I believe Canadians understand this. I believe they will respond to the challenge of taking a direct stake in the future if they are encouraged by government, not discouraged.

● (1650)

I want to encourage risk-taking, but in a way that lets the investor choose where to invest. I do not want to further distort the tax system by measures that tell Canadians where and how to invest. This government wants individual Canadians to pick the winners within a tax framework that rewards success.

I am therefore proposing a major change in the taxation of capital gains.

Individual Canadians will be granted a lifetime capital gains exemption of half a million dollars. All capital property will

qualify for the exemption. The lifetime exemption limit will be phased in over six years beginning this year.

The full exemption will be available immediately for capital gains realized on the sale of farm property. Based on my consultations with the farming community, I believe this to be the most effective way to provide the necessary assistance to this vital sector of the economy.

This measure will encourage more Canadians to invest in small and large businesses. It will help Canadian companies to accelerate their return to a healthy financial position by attracting new equity investment. It will assist smaller businesses in raising capital to pursue new ideas and new directions. It will help raise capital for research and development.

Most important, this is a broadly-based incentive that allows individual Canadians to decide where to put their money and how to create wealth, economic activity and jobs. This is central to our philosophy. The decisions should and will be made by individuals across Canada, not by politicians or public servants here in Ottawa. This is a measure designed to unleash to full entrepreneurial dynamism of individual Canadians.

With this measure we are sending a clear signal to Canadians across this country: invest in Canada's future; help build the strong and prosperous country we all seek; help create jobs. This government wants Canadians to enjoy the rewards of those efforts.

Lack of access to start-up capital has been a constraint for many small and medium-sized businesses.

I am announcing measures to encourage greater investment in smaller businesses by pension funds. Registered retirement savings plans will also be eligible to invest in private Canadian corporations with which they deal at arm's length. This will encourage the redirection of significant amounts of capital from one of the fastest growing pools of savings in the country into a sector of our economy that needs financing to create more jobs.

*[Translation]*

An innovative venture capital initiative has been taken by organized labour in the province of Quebec, in co-operation with the Quebec government. The Solidarity Fund is managed by the Quebec Federation of Labour and has been used effectively to maintain and create jobs in Quebec, by investing in small and medium-sized businesses. Tax assistance to individuals investing in the fund has been provided by the Government of Quebec. This initiative deserves support, not only in Quebec but across Canada. Because of the unique nature of this initiative, the federal government will provide a tax credit for individual investors in the Solidarity Fund in Quebec or in any similar funds that receive provincial tax assistance.

*[English]*

A further key to growth and more jobs is investment in research and development. Technological change is the driving force behind economic progress. We must keep pace in order