

## 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.