There are two important changes in the federal tax credit. As proposed on October 20, the minimum credit is increased to $300 from $200. This $100 cut in taxes will benefit over 7,500,000 Canadians. Many will receive it in January and February. Also, as announced in March, a $50 credit for each dependent child was introduced. These changes are of most help to individuals with low and minimum incomes. For example, the effect of these measures will be to completely eliminate the federal tax payable next year by a taxpayer with earnings of $8,435 who supports a wife and two children.

We want to stimulate private investment. A number of measures in the bill will help achieve this objective. They will do this by improving the business and investment climate and by providing direct incentives. The 5 per cent investment tax credit was supposed to expire this year. The bill provides for a three-year exemption. Furthermore, it introduces the concept of differing benefits to reflect regional disparities. For certain designated areas the credit will be 7½ per cent instead of 5 per cent, and it will be 10 per cent in the Atlantic provinces and the Gaspé region of Quebec. It applies to new investment in Canada and will benefit manufacturing, the resource industry, forestry, fishing and farming. This, by the way, is an example of how the federal fiscal policy can, and does, take regional disparities into account.

The credit is also now being extended to include capital and current expenditures on scientific research. The cost of the measure is estimated at $385 million for the current year. This bill will help to reduce the effects of inflation on Canadian business. In Canada and elsewhere, a search is under way for an accounting system which accommodates inflation. In the meantime, business faces a cash flow problem in part because of inflation. The tax system already goes some way toward meeting the problem in the area of capital equipment by special concessions such as fast write-offs and the investment tax credit. But we still need to recognize the impact of inflation on inventories. The proposal to allow a special deduction of 3 per cent of the cost of inventories will ease the cash flow problem to the extent of some $300 million annually.

● (1642)

To stimulate investment further, the bill includes measures to help business borrowing abroad. It also expands the $1,000 dividend and interest exemption to include capital gains. It introduces special rules for replacement of business and farm properties. It increases the offset for capital losses and provides a guarantee of capital gains treatment on disposal of Canadian securities. These and other measures will assist all business. Many of them give special help to small business. Of particular significance in this vital area, the area of small business, are the measures to stimulate investment. These include the increase in the dividend tax credit from 33⅓ per cent to 50 per cent beginning next year, the special inventory allowance, and the extension of the investment tax credit.

The bill will facilitate expansion by Canadian-controlled private companies through joint ventures, business acquisitions and plant replacement. The special provisions for employee stock options and share-purchase loans will permit smaller companies to better compete in attracting managerial expertise. Funds for small business will be encouraged by the guarantee of capital gains treatment for investors and the special accommodation of provincial venture investment corporations.

[*Translation*]

Mr. Speaker, a number of provisions in this legislation will also promote investment in Canadian equity. This will arise from the increase in the dividend tax credit. Another amendment will make dividends of public company stocks more attractive to shareholders. These measures will improve the market of transferable securities and promote those subscriptions of shares which are necessary to any business development. Amendments to the dividend tax credit relate to a series of measures announced in the budget concerning the distribution of corporate surplus. It is most urgent to simplify this very complex area of the legislation.

The amendment made to the provisions concerning dividends enables us to rationalize the various rules concerning the distribution of corporate surplus. The need for designated surplus is eliminated as well as the need for the other complicated regulations whose purpose was to prevent the taxation of dividends.

Following these changes, several business reorganizations which could not be carried out because of fiscal considerations will now take place only on the basis of strictly commercial considerations. Other amendments will further facilitate these reorganizations. For example, any unused commercial loss, any capital loss or investment tax credit of a corporation belonging to a group of corporations will be transferable to another corporation of that same group when there is a merger or a liquidation.

As I mentioned in my speech of October 20, I do not intend to carry through the proposal to make taxable upon the death of the insured that part of the life insurance proceeds which consitutes a revenue from an investment. This bill also contains important amendments affecting the insurance companies. Their main objective was to draft a set of regulations establishing a fair level of taxation for this important sector of our financial system, not only with regard to that industrial sector as a whole, but also for the companies as they relate toward each other. I will have to monitor carefully the implementation of these regulations to make sure that the objective is reached. These rules bear mainly on the treatment granted to the various reserves which insurance companies can claim and on the way the revenue from that investment is considered. In that past, the regulations have favoured multinational insurance companies. Had we not amended the already existing regulations, insurance companies operating only in Canada would have been placed in a very disadvantageous competitive position. It was then a pressing matter to solve this problem; this is what the bill does by guaranteeing an equitable share of the tax burden between multinational and strictly national insurers.