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A budget to attack inflation, fight high prices and help lower-income groups

The Minister of Finance, John Turner, who introduced the budget into the House of Commons on May 6, stated that its purpose was threefold - to reinforce the attack on inflation by encouraging increased supplies of goods and services; to act directly against high prices; and to alleviate the adverse impact of rising prices "on all Canadians, particularly those with lower incomes".

Budget highlights

The budget, which is subject to Parliamentary approval, contains the following highlights:

The 12 percent federal sales tax is removed immediately on all clothing and footwear - a measure that will affect \$5 billion a year in retail sales.

The sales tax is removed from bicycles, buses and other municipal transit equipment. Tariff reductions are extended to year-end on \$1.6 billion of annual imports of consumer goods.

Excise taxes are increased for big cars and other high energy-consuming vehicles, liquor and tobacco. The price on a 25-ounce bottle of liquor is 24 cents, wine 6.5 cents; cigarettes are raised by 2 cents for 20, cigars by 3 per cent. The special excise tax on energy-consuming vehicles applies to large cars over 4,500 pounds in weight and to private planes.

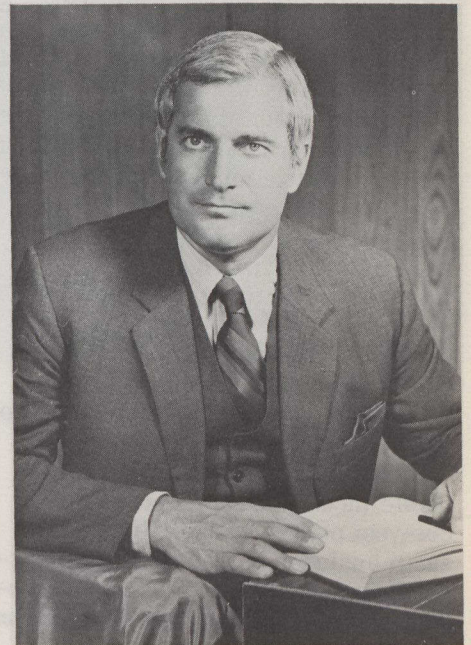
Home ownership and housing

A Registered Home Ownership Plan will permit deductible contributions of \$1,000 a year to a lifetime maximum of \$10,000. Payment out of a plan is tax free if applied toward the purchase and initial furnishing of a home.

The Government proposes to increase taxes on undeveloped land to encourage its release for housing. Sales tax will be removed from \$460-million worth of construction equipment and from municipal water-distribution equipment.

Savings incentives

A \$50-tax cut is proposed for lower-income taxpayers, removing 300,000 from the tax rolls this year. This is



Finance Minister John Turner

achieved by increasing the minimum amount of last year's 5 percent cut to \$150 from \$100.

Cash bonuses will be payable to holders of all outstanding Canada Savings Bonds to bring the interest earned to 9 per cent.

A taxpayer will be allowed to contribute to a registered retirement savings plan for the benefit of his or her spouse up to his deduction limit.

War veterans and civilian war allowances are to be increased and escalated quarterly; orphans' benefits increased and escalated annually; new allowance paid to dependent children of needy veterans.

More medical expenses will be deductible and the \$1,000-exemption for disabled persons broadened.

Small-business incentive

Annual income eligible for the corporate small business tax rate is increased from \$50,000 to \$100,000 a year and the over-all limit raised from \$400,000 to \$500,000.

Many changes are proposed in the continuing process of tax reform, including rules for corporate reorganizations, foreign income and partnerships.

Government defeated on budget

Arising out of a vote of non-confidence on the budget, Mr. Trudeau's minority Liberal Government was defeated by 137 to 123 on May 8. This is the first time in Canadian history that a budget vote has brought down the Government.

The Progressive Conservatives supported the National Democratic Party's motion which stated that the Government had failed to help pensioners and low- or fixed-income Canadians, had not dealt with the housing situation and had not removed "the glaring inequalities in the tax system".

Canada's twenty-ninth Parliament which has been in office since October 1972, was, accordingly, dissolved on May 9 and a federal election will be held on July 8.