Canadians to better provide for their retirement raises the deduction limit for contributions to pension plans, deferred profit-sharing plans and registered retirement savings plans.

Passage of this bill by Parliament will mean that 1 million taxpayers who would have paid taxes next year will be removed from the tax rolls. We estimate also that taxes will be reduced for 4,700,000 taxpayers, and will be changed by less than 1 per cent for another 2 million taxpayers.

There are changes in the definition of income, the most important of which results in a capital gains tax. Half of a capital gain will be taxable at the taxpayer's personal rate, while half of capital losses will be deductible. Accrued capital gains will be taxed at death, and as a companion measure federal gift and estate taxes are to be abolished. A taxpayer's home and an acre of land will be exempt from the capital gains tax and personal property is exempt unless the selling price is more than $1,000. For corporations and their shareholders, the general tax rate for corporations is 50 per cent in 1972. The continuing tax cuts will drop this rate 1 per cent a year, reaching 46 per cent in 1976.

To help the growth of smaller Canadian controlled private corporations, the tax rate is 25 per cent on the first $50,000 of business income. A reformed dividend tax credit, 33.33 per cent to be included in income, makes the credit of greater value to lower income shareholders.

For mining and petroleum industries, substantial incentives are continued, but they will be more efficient and less costly to other taxpayers. Automatic percentage depletion will continue until 1976 when it will be replaced by a system of earned depletion. The three-year tax exemption for new mines will be withdrawn and be replaced by a system of fast write-offs. The federal tax on mining profits will be reduced to 25 per cent from 40 per cent in 1977 to take account of provincial mining taxes. Important changes affecting business and property income include a provision to make deductible interest paid by Canadian corporations on money borrowed to buy shares in other corporations.

The rules applying to business and entertainment expenses are to be tightened. Taxpayers in professions such as law and medicine will bring amounts into income as fees are billed.

I think it is again important to note that several features of the proposals will help encourage Canadians to acquire equity in Canadian enterprise. As I already said, Canadian corporations will be permitted to deduct as an expense, interest on funds borrowed to finance the purchase of shares in other corporations. This measure will take away a disadvantage which Canadian corporations have had in competing with foreign corporations in take-over bids. There will be a 10 per cent limitation on foreign assets of pension funds and retirement savings plans and this will have an important influence in channelling the funds of these large intermediaries to Canadian investment. The lower tax rate for small business will be available only to Canadian-owned companies and tax savings afforded by this incentive will be recoverable should the ownership of companies which have benefited from them pass to non-residents. Also, the form of the dividend tax credit makes the incentive to invest in shares of Canadian corporations more attractive for most Canadians.

• (4:20 p.m.)

In the international field, our tax treaties will be expanded to seek competitive tax treatment for Canadians investing abroad. The withholding tax on investment income paid to non-residents will remain at 15 per cent until the end of 1975. At that time it will be increased to 25 per cent in non-treaty countries. Pensions will be subject to withholding tax after January 1, 1972, but all old age security pensions and $1,290 of Canada and Quebec pension plan benefits will be exempt.

Finally, there are changes in administrative procedures to recognize more fully in law the rights of taxpayers.

[*Translation*]

Mr. Speaker, it has taken more than 10 years to bring about this reform. The process began in the late fifties with the clamour from the business community for reform. The response by the former Conservative government was the Carter Commission which was established in 1962. Each stage of the process—the royal commission hearings, the commission report, the ensuing debate; then the production of the white paper and the debate on that—contribute to the shaping of public opinion and, indeed, to our knowledge of what a good tax system is all about.

[*English*]

The period since the budget was presented I submit has shown that a good consensus about tax reform has developed in Canada. I also submit that this consensus is reflected in the bill and I therefore urge on this House its passage into law.

Hon. Marcel Lambert (Edmonton West): I would suggest to the minister, who appeared to sigh with deep relief as he ended his peroration by saying that a good consensus among Canadians is expressed in the bill now before us, that the Canadian economic body consisting of the entire citizenry has, indeed, heaved a great sigh of relief. But there is a difference. It is the relieved sigh of a man who, suspecting he is suffering a deep-seated ailment, receives a diagnosis which says: yes, we regret to say you do have cancer in the lung, but you have it in one lung only.

We are looking at the Canadian economy in the light of the tax picture as it now appears, and of the changes which will be brought about by Bill C-259. Since the present government took over, the Canadian economy has experienced many rebuffs. It has been constantly plagued by inflation, and a good deal of that inflation was built into the system by the sins of omission and commission of the previous administration. A considerable number of those who sit on the treasury benches today were members of that administration and they cannot shuck off their responsibility. They were responsible for the Pearson decisions which drove inflationary factors deep into the economy. We have not yet got rid of the effects of those decisions, notwithstanding the fact that the present administration has over-reacted in the last 15 to 18 months by taking action which has resulted not in containing inflation but merely in increasing unemployment.