efforts to find new supplies not slacken. However, under the current system, high-income individuals can receive tax benefits that are actually larger than the costs of their investments. This is not tolerable. I propose to reduce the richness of the incentive. This modified incentive will terminate at the end of 1980, at which time a new policy of the Minister of Energy, Mines and Resources for encouraging frontier exploration will be put in place.

● (2050)

I propose also to modify other aspects of resource taxation. Two types of schemes have recently developed that are resulting in undesirable tax leakage. Some non-residents have found ways of escaping tax on income from sales of resource properties. Measures are proposed in this budget to preclude this possibility. As well, rules are to be introduced to ensure that tax-exempt institutions cannot be used as vehicles to circumvent the income tax rules relating to resource taxation. Ingenuity is a wonderful thing.

Currently, amounts paid to acquire leases to explore, including bonus payments to provinces, can be written off at 30 per cent per year. The generosity of this provision has contributed to aggressive bidding up of prices for exploration rights, making it harder for small, new companies to compete. I am therefore reducing the write-off for Canadian oil and gas properties from 30 per cent to 10 per cent per year.

Finally, there is a serious anomaly in the federal sales tax on gasoline and diesel fuel. This tax is now a specific amount per gallon. It does not rise as prices rise. It will now be converted to 9 per cent of sale price to retail outlets. This change will ensure that the sales tax remains at 9 per cent on gasoline and diesel fuel as prices rise.

The two-year write-off provision for energy conservation equipment will be extended for five more years. At the same time I propose to broaden its scope to include certain solar-heating equipment, small-scale hydro projects and other conservation equipment. Solar heating is very valuable in Newfoundland, Mr. Speaker.

To encourage Canadians to experiment with fuel substitutes I am relaxing the licensing requirements under the Excise Act for the experimental production of alcohol. It is better known as gasahoil. I think that's what the name is.

TAX MEASURES

Let me now turn, Mr. Speaker, to other tax matters.

ENCOURAGEMENT TO PRIVATE SECTOR

I believe that the economic goals of this country can best be served by a revitalized private sector.

Some hon. Members: Hear, hear!

Mr. Crosbie: That has not been heard too often in budget speeches recently. Enterprise has to be rewarded, equity investment encouraged and incentives restored.

The new tax incentive measures I am announcing tonight are fully consistent with and reflect the commitments we have made to the Canadian people.

EQUITY INVESTMENT

It is our policy to promote equity investment by Canadians for Canadians. I have announced tonight two important tax measures to achieve this goal.

First, I am removing the impediments to investments in common stocks by Registered Retirement Savings Plans. After 1979, capital gains realized in an RRSP will no longer be fully taxed as income when distributed but will only be taxed at half rates upon withdrawal at retirement. Dividends on shares held in an RRSP will also be taxed at half rates when the funds are withdrawn. This tax treatment will be roughly equivalent to that available if the dividends and capital gains were received directly. The measure will apply to dividends and capital gains on common shares of public Canadian companies listed on Canadian stock exchanges. The changes should result in a significant shift of RRSP funds toward common stock investments.

Second, a Canadian Common Stock Investment Plan is created for investment in the common stock of Canadian companies listed on stock exchanges in Canada. The plan is structured so that it can be administered by investment dealers and stockbrokers—the acknowledged experts in this field.

Each investor will be able to contribute up to $10,000 per year to the plan, with a lifetime limit of $100,000. In order to give the plan a good start an investment of $20,000 will be permitted in 1980. Contributions will not be deductible when going into the plan and will not be taxable when withdrawn. Capital gains on eligible amounts invested in public company shares will not be taxed as long as the investor remains in the market through his plan.

These measures will significantly lessen the impact of the tax on capital gains on common stocks. They will mitigate the impact of inflation on taxation of capital gains. Canadians will have increased incentives to own a wide range of Canadian companies.

I want to announce yet another measure concerning capital gains. Capital gains on farm land are one of the major sources of retirement income for farmers. Farmers and fishermen are, of course, the backbone of the country. Tax on those gains is now deferred as long as the farm remains in the family. But farms are not always left to family members. Starting tonight bona fide farmers may put $100,000 of taxable capital gains on farm land into an RRSP without tax consequences. This will mean that on the sale of his land a farmer will be able to receive $200,000 in a capital gain without incurring any immediate tax liability. Farmers will then also be able to take further advantage of the various options for deferring tax when their RRSPs mature. They will of course continue to be able to place up to $5,500 annually in RRSPs out of income and to acquire an income-averaging annuity contract with capital gains proceeds not rolled into an RRSP.