

DRAFT LEGISLATION By introducing the draft legislation (except that for charities and life insurance) and deferring the changes for restricted interest, reorganizations, and loans to foreign affiliates, the November 1981 Budget is disposed of. One may expect some changes to the legislation before it reaches Parliament and some further changes during its consideration by the House of Commons, but in all likelihood they will be confined to minor corrections of a technical nature.

CUSTER'S LAST STAND It has been a harrowing time since last November, not only for Mr. MacEachen and his officials, but for virtually all Canadians beleaguered by inflation, interest rates, unemployment, loss of profits, and painful and potentially damaging tax measures. The prospects for improvement in the near term are not encouraging and the Minister of Finance has made his last stand. His bugle call for "the support and participation of all Canadians in moving from the 12 percent world of recession to the 6 percent world of recovery" may be the right summons, but it will take leadership beyond that shown to date to stave off defeat.

DRH

INDIVIDUALS

- Top Federal rate reduced to 34%
- Indexing capped at 6% and 5% for 1983 and 1984
- General averaging replaced by forward averaging
- One principal residence exemption per family
- IAAC's eliminated

TAX RATES The reduced Federal tax rates announced on November 12, 1981 are unchanged by the Budget presented to Parliament on June 28, 1982. The 1982 maximum Federal tax rate will be 34% (replacing rates ranging from 36% to 43%) and will result in maximum combined Federal and provincial marginal rates of 47% to 56% in provinces with a tax collection agreement. In Quebec the maximum rate will be 60.4%. Coupling these lower rates with the continued indexing of brackets (12.2% for 1982) will produce the following Federal rate schedule for 1982:

Taxable Income	Tax	Rate on Excess	Taxable Income	Tax	Rate on Excess
\$	\$		\$	\$	
1	-	6%	11,120	1,868	20%
1,112	67	16%	15,568	2,758	23%
2,224	245	17%	20,016	3,781	25%
4,448	623	18%	31,136	6,561	30%
6,672	1,023	19%	53,376	13,233	34%

Also unchanged by the June Budget is the removal of the Federal tax reduction of 9% (minimum \$200, maximum \$500). It will be replaced in 1982 by a flat \$200 credit. Where one spouse does not require all of the credit to reduce Federal tax to zero, it will be transferable to the other spouse. This means that married couples will receive a \$400 tax credit in aggregate that represents a reduction since the combined maximum credit is now limited to \$400; previously there was a \$1,000 maximum (\$500 each), provided each spouse had sufficient income.