

concludes that Bill C-28 should recognize prior contributions to the Old Age Security Fund.

Therefore, the Committee recommends that Bill C-28 be amended to grant a non-refundable credit of \$75 to be applied against the tax on OAS benefits. Seniors would have access to this credit for a maximum of ten years. Those who reach age of 65 after the year 2015 would not be eligible for this credit.

The Large Corporations Tax

During the course of our deliberations on Bill C-28, we were made aware of two potential problems with respect to the large corporations tax (LCT) which might unfairly impose tax on some sectors of the economy and affect adversely their ability to compete. These problems affect the life insurance industry and the leasing industry.

The LCT imposes a tax on the real capital of corporations and, in the case of financial institutions, on their leveraging capital. Life insurance companies hold a relatively large proportion of their assets in the form of real property and they support this investment with their leveraging capital. Both are subject to the LCT and the Canadian Life and Health Insurance Association (CLHIA) feels that this constitutes double taxation. Other financial institutions do not face this problem because they hold a different asset mix.

The LCT is also claimed to affect adversely the competitive position of the leasing industry vis-a-vis deposit-taking institutions. Leasing is a close substitute for the financing, via loans, of purchases. A financial institution's capital, for purposes of the LCT, does not include deposits. A leasing company's capital is essentially equal to its assets. Thus leasing companies can pay much more LCT to provide the same services as do banks.

Norex Leasing contended in testimony before the Committee that Bill C-28 treats leases as loans when it comes to depreciation allowances for leases yet treats them differently for purposes of the LCT. According to that company, Bill C-28 will seriously harm the ability of leasing companies to compete with those who offer substitute services.