

# HOUSE OF COMMONS

Thursday, March 24, 1983

The House met at 11 a.m.

• (1105)

## GOVERNMENT ORDERS

[English]

### INCOME TAX

#### AMENDMENTS TO STATUTE LAW

**Hon. Paul J. Cosgrove (for the Minister of Finance)** moved that Bill C-139, to amend the statute law relating to income tax (No. 2), be read the third time and do pass.

He said: Mr. Speaker, I would like to commence my remarks on third reading of Bill C-139, an Act to amend the Income Tax Act, by looking at some general principles underlying the Government's approach to the income tax system. The Government wrote the amendments with the basic premise in mind that the Canadian tax system is better with lower rates and with tax levied on a broader base. The desired result of lowering taxes by spreading the load over a wider base is reflected in a number of benefits to be enjoyed by the average taxpayer once the amendments are passed, hopefully as quickly as possible.

For instance, the Bill will bring into law the lower personal income tax rates proposed in the November, 1981 budget for the 1982 taxation year. These reduce the tax in many income brackets and represent a significant total saving of \$1 billion a year for an estimated 5.8 million Canadians. Thus the general approach.

To benefit one-earner families in low and middle-income brackets, the federal tax reduction has been revised to a flat \$200 per taxpayer, plus up to \$200 for a dependent spouse as was proposed, again, in the November, 1981 budget. When the new system is in place, it will result in a tax saving of \$200 per taxpayer with dependent spouses and incomes of up to \$20,000.

Of course, there is more good news for taxpayers with children whose healthy appetites and ability to grow out of clothing are a constant reminder to parents of necessary budgetary considerations for both national and household budget preparation. The refundable Child Tax Credit is increased in this legislation by \$50 to \$343 a year per child effective for the 1982 tax year. The Government is conscious of the fact that some of the taxation proposals contained in the November, 1981 and June, 1982 budgets would create hardship on the average Canadian during current difficult economic times. That was the reason motivating the Government not to proceed with some of the proposals in the earlier budget. I

would quickly refer to the initial proposal to tax benefits received by employees whose employers contribute to health and dental plans. Had it been enacted, the cost to taxpayers would have been an estimated \$100 million. We have indicated that we would not proceed with that proposal.

Small business, one of the cornerstones of our society, will gain a number of incentives in the Bill, signalling the Government's appreciation of the difficult challenges facing small business, particularly at this time in light of the world-wide recession. Let me give a few examples of some of the sections in the amendments before us. Provisions for the Small Business Bond program which encourages assistance to small firms in financial difficulty are extended to the end of 1983. The program had been designed to expire at the end of 1982; it is now extended for a year. It reduces interest rates by 6 per cent to 7 per cent through the provision of a tax exemption to lenders.

The limit on annual income qualifying for the low small-business tax rate is increased to \$200,000 from \$150,000. The total accumulated income that can qualify is raised to \$1 million from the present amount in the legislation of \$750,000. The tax rate of 12.5 per cent on dividends paid by small business corporations will apply only to income generated in years commencing after December 31, 1982. This, we believe, and other changes, will simplify the tax while it will address concerns expressed by small business groups and Members of the House of Commons who, for example, participated in the hearings of the Standing Committee on Finance, Trade and Economic Affairs.

• (1110)

Businessmen generally, Mr. Speaker, will benefit from a number of changes proposed in this legislation. For example, the rules governing taxation of work in progress for professionals was modified to exempt certain categories after study by the Committee, including doctors, dentists, lawyers, accountants, veterinarians, chiropractors; and, in addition, the Minister of Finance (Mr. Lalonde) has indicated the Government's intention to add to that category notaries for the Province of Quebec.

Interest expenses incurred for productive purposes will not be restricted. Reserves will continue to be permitted within specific time limits on the instalment sale of assets. This proposal will specifically benefit farmers and small-businessmen.

A new system of forward-averaging was introduced which simplifies the averaging process and eliminates payment of