

CANADA'S FINANCIAL POLICIES IN 1960

(Continued from P. 3)

employment. That is why in the Supplementary Budget I proposed a reduction in the tax on corporations with smaller incomes, and offered to business selective opportunities for accelerated depreciation. The extension from \$25,000 to \$35,000 of the first bracket of taxable corporate income to which the low rate of 21 per cent will apply means that, of the 62,000 corporate taxpayers in Canada, 55,000 now will pay no more than 21 per cent compared with the 7,000 who must pay at the top rate of 50 per cent....

TARIFF CHANGES

"Canada has consistently supported the GATT. This is not to say, however, that there is no scope for the improvement of our tariff structure. Indeed there is, and we shall continue to pursue this objective. Accordingly, since the Government took office it has made use of the Tariff Board to carry out the revision of the Canadian tariff. This has involved a number of references affecting important sections of the Canadian industry, some of which had not been reviewed for more than a quarter of a century. Altogether some 400 items in the Canadian tariff have been amended in the last three years, in each case following international negotiations....

INFLUENCING INVESTMENT POLICIES

"Measures were proposed to influence the policies of three of the major conduits for investment in Canadian equities. I refer to investment funds, mutual funds classed as investment companies and trustee pension plans. Accordingly, proposals were put before Parliament to require investment funds and mutual funds to derive at least 75 per cent of their gross revenue from Canadian companies and to require trustee pension plans to derive at least 90 per cent of their revenue from Canadian sources. Not only do these three types of institution provide the most important domestic channels for financing Canadian development, but they enjoy a preferred income tax position in this country. It is not unfair, therefore, that the bulk of their investments should be made in Canada....

"Taken together, these are measures which should have a positive and beneficial effect on the supply of domestic capital. They should also go a long way to enhance the attractiveness of investment in Canada for Canadians.

FOREIGN CAPITAL LOSES TAX ADVANTAGE

"In the light of this positive encouragement, and in the light of the changes in our economic circumstances, which I described earlier, certain tax advantages offered as special inducements to foreign capital are no longer warranted and were accordingly withdrawn in the Supplementary Budget. As a result

of such special concessions, non-residents profiting from investment in Canada have not always borne their fair share of the general costs of government and administration although they benefited in full measure from them. To redress this situation I proposed that the exemption from withholding taxes on certain payments of interest and principal by Canadians to persons residing abroad be withdrawn, and that the rate be established at 15 per cent....

"At the same time I proposed in the Supplementary Budget to withdraw the concession granted to dividends received by non-resident parent corporations from their wholly-owned or controlled subsidiaries in Canada. Such dividends become subject to the same 15 per cent rate of tax as dividends received by ordinary non-resident shareholders....

"Canada will continue to maintain a climate hospitable to foreign investment. This is not an anti-American budget. Those few persons who have so interpreted it have quite misread it....

"In this regard I wish to emphasize that the implementation of a 15 per cent withholding tax by the United States on interest and dividends payable to non-residents is an automatic consequence of our unilateral decision to withdraw from our agreement with the United States in this respect under the Canada-United States Tax Convention. This action by Washington is not in any sense an act of retaliation as members of the United States Administration have been at pains to underline.

EXCHANGE RATE

"I have already described the disadvantages attendant upon the premium which so long prevailed on the Canadian dollar....

"I might recall that following the Budget of last March, in which the Government substantially reduced its demand on the capital market, the premium on the Canadian dollar moved downward from 5 cents to a little over 2 cents. The Supplementary Budget has been followed by a further reduction. In recent days the Canadian dollar has been trading close to parity with the United States dollar.

"The Government welcomes this development in the exchange markets. We are gratified that it has taken place in an orderly manner. The Canadian economy will derive substantial and immediate benefits in terms of production and employment...."

POLISH TREASURES RETURNED

Commenting recently on the return to Poland of the treasures that had been stored for some years in the Quebec Provincial Museum, the Secretary of State for External Affairs, Mr. Green, observed that the Government of Canada had favoured an arrangement between the parties concerned to permit the Polish people to enjoy this important part of