those changes tonight, and I hope to propose a good many others when the next budget is presented.

May I now proceed to summarize certain proposals which I shall put before the house tonight.

In order to encourage employment by reviving private capital expenditures, which have lagged so conspicuously for the past six years, I shall propose important new tax concessions. Effective on the date of enactment new manufacturing and processing enterprises located in designated areas of slower growth will be given an exemption from income taxes for three years from their inception. I shall also propose that such enterprises be entitled to write off new machinery and equipment which would otherwise fall in class 8 in as little as two years thereafter. And I shall propose that any taxpayer be entitled also to write off the cost of new buildings located in designated areas of slower growth at the rate of 20 per cent per annum straight line, or in as little as five years. If these proposals do not stimulate very marked activity in the Atlantic provinces and in other areas of slowed economic progress I do not know what will. These are major incentives to new industry locating in those areas.

I am also proposing that, effective tonight, manufacturing and processing enterprises anywhere in Canada be allowed to deduct depreciation for tax purposes on new assets which would otherwise fall within class 8 at the rate of 50 per cent per annum on a straight line basis. To encourage Canadian participation, this privilege will be restricted to Canadian residents and to companies having a minimum of 25 per cent beneficial Canadian ownership. It means in effect, Mr. Speaker, that manufacturing and processing enterprises anywhere in Canada having a fair minimum Canadian participation will be able to write off new machinery and equipment for tax purposes in as little as two years.

It is intended that the measures I have mentioned so far should provide an immediate impetus to increased activity. Accordingly, new assets must be purchased and new businesses must be certified to have come into existence in the period of 24 months following the initial date of these measures if they are to qualify.

The incentives I have just described will supersede and replace three other tax incentives which have been adopted in the past two and a half years. They are contained in section 40A of the Income Tax Act pertaining to increased sales, about which there was quite a debate in the house last fall, and in income tax regulations 1108 and 1109 concerning new products and re-equipment and modernization programs.

I shall propose that section 40A be repealed in so far as it applies to 1964 and subsequent taxation years. And the measures contained in the two regulations I have quoted, both of which expire by their terms within the next 12 months, will not be renewed.

I should now like to refer to further tax proposals of two types. One is designed to plug loopholes or otherwise improve the existing structure of taxes; the other is designed to eliminate certain anomalies.

First there are the measures designed to fill in gaps, plug loopholes and prevent avoidance of the intent of our tax law. There is a double purpose here. One is to increase our revenues and the other is to reduce the justifiable sense of inequity and frustration of those taxpayers who are unable or unwilling to engage in prolonged and often expensive efforts at tax avoidance.

We are particularly concerned about the way in which certain taxpayers seem to be able to eat, drink and entertain on a lavish scale on the basis of what is called a business expense but which is actually financed in large part at the expense of the public revenue. The government is directing the Department of National Revenue to tighten up its administration of the law and to pursue a policy of vigorous enforcement. We intend to give continuing support to this objective. I am sure that hon. members will agree that any excesses of expense account living are unfair to those who do not indulge in such practices. They should be stopped.

I shall propose one specific change in the Income Tax Act relative to a general tightening up of its administration in regard to business expenses. Hitherto a few taxpayers have been able to buy expensive cars and then recoup a large part of the cost out of the public revenue. I shall propose a measure to disallow in full capital cost allowances in respect of a passenger automobile acquired after tonight at a cost in excess of $5,000. I expect that this measure will produce some increased demand for less expensive cars, most of which are made in Canada and whose manufacture provides jobs for Canadian workmen.

Another type of tax avoidance about which the government is particularly concerned is the proliferation of methods of moving undistributed income from a corporation into the hands of its shareholders without the payment of tax. This abuse, and it is an expensive abuse to the public treasury, has become increasingly prevalent in recent years. It is time something was done about it.