

Employees at Remote Work Sites

The Income Tax Act specifies that free board and lodging provided to an employee is a benefit subject to tax. However, it allows an exemption for persons working at remote locations far from their homes who have married or equivalent status. Single persons in similar circumstances are deemed to have a taxable benefit. Typical remote work sites are logging camps, construction projects and drilling locations.

It is now proposed to apply the exemption to all workers at remote sites.

Part IV Tax

Another budget measure concerns the special Part IV tax — that is, the tax of 25 per cent on intercorporate dividends. To assist small business financing and joint venture operations, the 1977 budget removed this tax from dividends received on any shareholding that represented an interest of more than 10 per cent in a corporation provided that the investor corporation's cumulative deduction account did not exceed \$750,000. A change is proposed to eliminate the Part IV tax on all dividends received by a private corporation from another corporation in which it has an interest in excess of 10 per cent.

The change described above would by itself permit an inappropriate increase in the amount of business income that qualifies for the special low rates of corporate tax. To prevent such an unintended increase, a consequential change is proposed that will prevent the deduction by a payor corporation in determining its cumulative deduction account of dividends paid by it to any other corporation (other than an associated corporation) that owns more than 10 per cent of its shares.

Deferred Profit-Sharing Plans

The Income Tax Act imposes a special refundable tax on the acquisition by a deferred profit-sharing plan of certain non-qualified investments. Interest is charged where the tax is not paid at the time the investment is made. A change will ensure that interest on any such unpaid taxes ceases to accrue on the refundable portion of the tax as of the date the non-qualified property is disposed of.

Employee Loans

Rules were introduced in 1977 to treat as taxable the benefit an employee enjoys on loans that do not require him to pay a reasonable rate of interest. Certain housing loans and loans to enable an employee to purchase shares were exempted from these new rules. However, the exemption for such loans was available only if the loan was made by the employer. A change will ensure that the exemption will apply on loans made by a person other than the employer. This is needed because in