

The basic 7 per cent tax credit is being extended to investment in equipment for rail, air, water and long-haul road transport.

Resource taxation

In mining, the write-off for development expenditures is being raised from 30 to 100 per cent, and townsites and social assets required for new mines will qualify to earn depletion.

The incentive for oil and gas drilling funds will be extended to December 31, 1981, from the scheduled expiry date on June 30, 1979.

Provision for fast write-off of outlays for pollution-control equipment, due to expire at the end of 1979, will be extended indefinitely. This will particularly benefit the mining and pulp and paper industries.

Effective dates

Immediate

- Federal sales tax cut to 9 per cent from 12.
- Increased investment tax credit for qualifying property and R & D expenditures.
- Extension of investment tax credit to transportation equipment investments.
- Fast write-offs for costs incurred for the development of new mines.
- Depletion allowed for townsite and social asset investments for new mines.
- Amended treatment of income debentures and term preferred shares.

January 1, 1979

- Increase in the personal tax deduction for employment expense to a maximum \$500 from \$250.
- Indexing of personal income tax increases personal exemptions and widens tax brackets by 9 per cent.
- Reduction in unemployment insurance premiums.

Dates extended

- Investment tax credit, due to expire June 30, 1980, extended indefinitely.
- Special incentive for multiple-unit residential buildings extended one year beyond January 1, 1979.
- Fast write-off for pollution control equipment, due to expire at the end of 1979, extended indefinitely.

Research and development

The basic investment tax credit for research and development (R & D) will be doubled from 5 to 10 per cent. It will be doubled to 20 per cent in the Atlantic provinces and the Gaspé.

A special R & D tax credit of 25 per cent will apply for small business corporations in all parts of Canada.

Housing

The tax incentive for multiple-unit residential buildings will be extended for one year.

Developers will be allowed to deduct carrying charges on their land inventory.

Other tax changes

There will be a more precise definition of those businesses who may qualify for the very favourable small business tax rate. This will ensure that the incentives will serve their original purpose of promoting small business expansion and not be used as a tax shelter for personal, professional and investment income of individuals.

The budget proposes to change the tax treatment of new issues of income debentures and term preferred shares. Income earned on such securities by financial institutions will in future be taxed in the same way as income on loans. This is because they are essentially debt obligations.

Impact on the economy

The sales tax reduction will reduce the advance in the consumer price index by one-half of 1 per cent. This comes on top of the proposed postponement of the oil price increase, and last summer's reduction in the gasoline excise tax.

The resulting lower rate of price increase, combined with the benefits to individuals from tax indexing, a higher tax deduction for employment expense and lower unemployment insurance premiums, should help to relieve pressures for large increases in incomes.

Investment will be stimulated by the enriched investment tax credit and other changes in resource and R & D taxation.

Fiscal outlook

Total financial requirements of the Government in fiscal 1979-80, exclusive of foreign exchange transactions, are forecast at \$10,750 million. This would be down from the expected \$12,100 million this year. If account is taken of special factors relating to Canada Savings Bond interest, financial requirements would in-

Canada/U.S. tax comparison

A comprehensive comparison of Canadian and United States' tax systems shows that the personal tax system in Canada compares most favourably with that of the U.S. Canadian taxes on business are fully competitive, while manufacturing in Canada enjoys effective income tax rates averaging some ten to 12 percentage points lower.

Further information regarding *The Tax System of Canada and the United States* may be obtained from the Tax Analysis and Commodity Tax Division, Department of Finance, Ottawa, Ontario K1A 0G5, Canada.

crease by about \$350 million.

Budgetary and non-budgetary outlays in 1979-80 are forecast at \$52.6 billion, an increase of 8.9 per cent which would be well below the expected growth of gross national product. Budgetary revenues are forecast at \$38.1 billion with a further \$3.7 billion available from non-budgetary transactions.

Financial data on universities

Financial Statistics, a recent publication by Statistics Canada, provides comprehensive data on Canadian university finances for the year 1976-77.

Its highlights include:

- Total university expenditures rose 10.0 per cent to \$2.6 billion in 1976-77. The average annual rate of growth of university operating expenditures for the period 1971-72 to 1976-77 ranged between 7.9 per cent and 17.4 per cent depending on the province, with a national average of 13.2 per cent.
- Government operating grants accounted for 75 per cent of total operating income.
- Student fees accounted for 8 per cent to 15 per cent of university operating income depending on the province. At the national level, they represented 10.9 per cent.
- Approximately 10.6 per cent of total operating income was allocated to sponsored research.
- Salaries and benefits accounted for 74 per cent of total operating expenditures.
- Capital expenditures in Canada decreased by almost 25 per cent in 1976-77.