the job-creating programs of Canada Works and Young Canada Works.

The budget announces a $100-million expansion of these programs, bringing the total commitment in 1977-78 to $458 million. Over-all, this is expected to create 600,000 man-months of employment and significantly reduce the number of unemployed people.

Expenditure control

The policy of restraint in expenditures is bearing down on every department of Government. Spending has been cut below the predicted level for the fiscal year just ending. Next year spending will increase significantly less than the expected growth of the economy generally.

Many useful and desirable programs are having to be delayed or curtailed.

Monetary and fiscal policy

Both monetary and fiscal policies are encouraging the economy to grow moderately and produce more jobs while winding down inflation. Wide swings in policy are being avoided.

To attempt to cut the Government's deficits too soon would threaten the recovery. Indeed, with present levels of unemployment, further stimulus to the economy is needed.

However, it is essential to avoid placing too much pressure on capital markets when we are seeking to encourage new private investment.

Budget measures

The budget measures will create employment, encourage investment and foster regional growth. They will improve the equity market and improve the cash flow of business as sources of funds for expansion. They will give more help to small business and venture enterprises. They will help sustain consumer spending and provide further tax relief, particularly to Canadians with modest incomes. All of these measures will lead to more jobs.

To encourage investment and regional growth:

The existing 5 percent investment tax credit, due to expire June 30, will be extended an additional three years.

The credit will be extended to include capital and operating expenditures on scientific research and development.

The credit will be increased in slower-growth regions designated under the Regional Development Incentives Act: to 7.5 per cent in Saskatchewan, Manitoba, Northern Ontario and designated regions in Quebec other than the Gaspé; to 10 per cent in the Atlantic provinces and the Gaspé region.

Other measures: tax incentives for frontier oil and gas exploration, and for improvements in rail transport facilities.

As a partial offset to the distortion of business income from inflation, 3 per cent of the opening value of inventories will be deductible in calculating business income each year.

Equity investment, business finance

The dividend tax credit will be increased to 50 per cent from 33 1/3 per cent. Starting January 1, 1978, dividends from taxable Canadian corporations will be grossed-up by one-half, as opposed to one-third currently, and taxpayers will claim against tax a credit equal to the higher amount. (Under the old rule, a taxpayer with a marginal tax rate of 40 per cent would pay net tax of $60 on a $300 dividend. Under the new rule he would pay $30. For taxpayers with lower marginal rates, the reduction in tax is even greater; for taxpayers with higher marginal rates, the increase in the value of the credit is proportionately less.)

Many of the complex rules designed to prevent surplus stripping (i.e., the avoidance of tax on distribution of corporate surplus) will be abandoned or simplified. This will remove blocks to business reorganization and expansion.

Capital losses a taxpayer can set off against other income in any year will be doubled to $2,000.

Capital gains will be included in the present $1,000-exemption for interest and dividends.

The current exemption from non-resident withholding tax for interest on government and long-term corporate bonds will be extended four years to the end of 1982.

Stock dividends from public corporations will not be taxed until disposed of, and then only at capital gains rates.

Specific help for small business

Substantial benefits will flow to small business from the measures noted above.

Stock option plans established for employees of Canadian-controlled private companies will be given special tax treatment.

Ordinary taxpayers will be assured that they can have their gains on most Canadian securities taxed as capital gains rather than as ordinary income.

After January 1, 1978, tax will be deferred on any capital gain from the sale of a business or farm to the extent that the proceeds are reinvested for the same purpose.

Measures and programs will be introduced to ease costs of conversion to the metric system.

Income tax measures

The existing credit against federal tax (9 per cent of tax with a minimum of $200, maximum of $500) will be increased in 1977 for parents.

Taxpayers will be allowed to claim an additional credit of up to $50 for each dependent child under 18 years of age resident in Canada.

The existing $500-limit will be maintained so that most of the benefit will be reserved for taxpayers with larger families and modest incomes.

The employment expense allowance (now 3 per cent of wage and salary income with a miximum deduction of $150) will be increased to $250 effective for 1977 and subsequent years.

The combined effect of these two measures will be to eliminate completely the federal tax on married taxpayers with two children and earnings of less than $7,360. The comparable income level for a family with four children is $8,295.

Other measures

Rules for the Registered Home Ownership Savings Plan (RHOSP) will be tightened up. Contributions to a RHOSP will not be deductible if the spouse with whom the taxpayer is living owns a home. Home furnishings will be excluded from property eligible for RHOSP funds.

Current tariff reductions on a wide range of consumer products will be extended for another year to June 30, 1978.

Tariff concessions will be introduced for imports from developing countries, including processed coffee, orange juice concentrate and bananas....