

63. This same principle applies in a special way to defence procurement. Admittedly defence preparedness is costly, just as war is costly, but its cost is lessened when defence stores are developed and produced to the greatest possible extent in Canada, contributing to the employment of Canadians and Canada's store of technical knowledge and experience, and returning a part of its cost, directly and indirectly through taxation, to the treasury. Let us not forget for a moment that the article we buy may be the key to our very own jobs.

*Recommendations:*

64. In the preceding paragraphs the association has expressed approval of and interest in the measures already enacted and contemplated by the Government to stimulate the economy and to better utilize Canada's manpower. In addition to what is in prospect and being done, the association summarizes below its recommendations, suggestions and views. These are amplified in the attached appendices "A" to "M".

*I Taxation:*

(a) The Income Tax Act—

1. It is recommended that corporation and personal income taxes be reduced materially.
2. It is recommended that accelerated capital cost allowances (1) for industries in areas where there is continued unemployment, (2) to aid the development of new products from processing operations not hitherto carried on in Canada and (3) to encourage the production of new types of goods, which were announced on December 20th, 1960 by the Minister of Finance, should be increased at least to the level of the accelerated capital cost allowances put into effect in 1951 at the time of the Korean War, under which it was possible in most cases to obtain a complete write-off in four years.
3. It is recommended that Canada adopt the United Kingdom practice of granting investment allowances as an inducement to capital investment, such allowances to be in addition to the present capital cost allowances.
4. It is recommended that as an incentive to the export of goods manufactured in Canada exporters receive more favourable tax treatment for increased exports, either by the application of a lower income tax rate or by the levying of no income tax on the proportion of the manufacturer's income attributable to the increased export business, or by a reduction in the amount of income tax based on the percentage of the increased value of manufactured goods exported.
5. It is recommended that encouragement be given to the carrying out of scientific research in Canada (a) by permitting corporations which so desire to write off in one year their expenditures of a capital nature on scientific research and (b) by removing entirely the limitation of 5 per cent of the taxable income of the preceding year on money expended on scientific research. At the same time, it is felt that there should be no limitation on research expenditures made outside of Canada for the purpose of bringing benefits to Canadian industry.

(b) The Excise Tax Act—

1. It is recommended that the Excise Tax Act be amended to provide statutory authority for the use of a wholesale value for the purpose of determining sales and excise taxes, thus removing a discriminatory section.