

### *Income Tax*

first six months of last year. This is true particularly in the building industry.

I think we have to recognize that the working capital requirements and the cash flow problems of businesses are very critical, and I hope that in the weeks to come I will be able to talk to my colleague, the Minister of Finance, and encourage him to look at even more good works, beyond those he has been able to create for us through Bill C-11.

I would like to spend a few moments talking about the actual contributions the Minister of Finance and his predecessor have been able to make to the small business community because I think that there are a number of aspects of the bill which go a long way to helping that sector.

● (2102)

The 5 per cent investment tax credit which was to have expired this year will be subject to a three-year exemption. Also, there is the concept of recognizing regional disparities by providing in some areas 7½ per cent instead of 5 per cent, and 10 per cent in the Atlantic provinces and the Gaspé regions of Quebec.

In attempting to reduce the effects of inflation, all businesses, but particularly small businesses, face a cash flow problem, in part because of inflation. The tax system, to a certain extent, helps meet the problem in the area of capital equipment by special concessions such as fast write-offs and the investment tax credit. The proposal to allow a special deduction of 3 per cent of the cost of inventories will ease the cash flow problem by some \$300 million annually.

The bill expands the \$1,000 dividend and interest exemption to include capital gains. By introducing special rules for replacement of businesses and farm properties, and increasing the offset for capital losses, as well as guaranteeing a capital gains treatment on disposal of Canadian securities, businesses will be substantially assisted. I welcome them as being particularly helpful to the small business sector.

Of all the items in the bill of special value to small business are those measures to stimulate investment. These include the increase in the dividend tax credit from 33½ per cent to 50 per cent beginning next year, the special inventory allowance of 3 per cent, and the extension of the investment tax credit.

The bill will also contribute to the small business sector by facilitating the expansion by Canadian-controlled private companies through joint ventures, business acquisitions, and plant replacement. Special provisions are contained for employee stock options and share purchase loans. These are designed to permit smaller companies to compete better in attracting managerial expertise. The Minister of Finance has further provided encouragement of funds for small business by the guarantee of capital gains treatment for investors and the special accommodation of provincial venture investment corporations.

These are steps taken by the minister and I know that they enjoy support from those opposite who have taken the trouble to acquaint themselves with these measures and their benefits.

[Mr. Abbott.]

I suppose I get even greater support for these measures from my friends opposite when I say this, and I know my colleague, the minister, would agree, that we must do more. I think as we go into this difficult year I want to try to convince my colleagues and other people in the community of the great importance of the creation of small business enterprises, particularly those of a high technology nature. I think it is clearly evidenced by the experience of the past that it is in these areas that enormous increases in employment can take place.

A study done in the United States some time ago contrasted the mature corporations, resource-oriented corporations, and high technology innovative corporations. For very heavy investment in the mature or resource based industries there was a very modest increase in hiring and employment. It showed what a dramatic effect can take place in a successful, innovative high technology type of company. Thousands were employed for a fraction of the investment in the other. I think the case can readily be made that the former minister of finance, given the circumstances he found himself in last spring and the circumstances his successor found himself in this fall, did the maximum possible to achieve the results we have.

I submit, Mr. Speaker, that we must look with new eyes, new sympathy, new enthusiasm on the small business sector. We must recognize that it is in this area that perhaps the greatest opportunities for the future and of Canada and its citizens lie.

**Some hon. Members:** Hear, hear!

**Mr. Walter Baker (Grenville-Carleton):** Mr. Speaker, I am honoured—I think I am honoured—to follow the Minister of State (Small Business) (Mr. Abbott) in his first speech in that portfolio. I want to congratulate him on ascending to the portfolio, but that really depends on which direction he was pointed at the outset, whether he is ascending or descending. The proof of the pudding will be his performance in the portfolio. That will best be judged by the small businessmen of Canada whom he is now equipped to serve, at least in terms of jurisdiction. I hope for his sake, but more for their sake, that they do not have a repeat by the minister of the unfortunate handling of the consumer and corporate affairs portfolio under his jurisdiction. I am thinking particularly of the competition policy which was so complicated, so out of touch that it had to be withdrawn and the department had to go back to the drawing board in order to deal with it again.

**Mr. Abbott:** Mr. Speaker, on a point of order, I feel certain the hon. member would not want to mislead the House even unintentionally. I wonder if, in his very profound study of the competition bill—although I do not recall his being in the committee but he speaks of its great complexity—he was aware that the bill was introduced last year with the clearly announced purpose of withdrawing it after the session for the particular reason of enjoying the comments of the committee. I hope it will re-introduced, but I just wanted to take issue with that.