6.27 **9. We recommend that the status quo be maintained for private investment in Canadian film and television production.** We feel that it is important for Canadian culture and for the industry that private funds not be curtailed and we note that prior to the White Paper proposals, significant new private funds were in fact being invested in Canadian productions. We feel that the retention of the alternative minimum tax and the proposed rules relating to cumulative net investment losses offers the Government sufficient protection to ensure that the current generous rules, if retained, will not be abused.

6.28 We would also note that there is an uncharacteristic element of retroactivity with regard to the proposals relating to Multiple Unit Residential Buildings (MURBs) contained in the White Paper. In essence, the preferential tax rules relating to such investments will cease at the end of 1990 even where an owner purchased the property before the announcement of the White Paper proposals. We also note that a subsequent purchaser who acquires a MURB before 1991 will receive no tax benefits, which makes it difficult for a current owner to sell his or her interest.

6.29 **10. We recommend that the current rules relating to MURBs be retained for those who owned or were legally committed to a MURB purchase on June 18, 1987. We also recommend that the first subsequent purchaser of a MURB from an individual be treated as though the property were acquired on or before June 18, 1987.** We believe that these proposals would undo the offensive element of retroactivity and believe that the Government can devise rules to ensure that the benefits which might accrue to the first subsequent buyer are limited in such a way that abusive tax practices do not develop.

6.30 Flow-through shares have become an increasingly important source of risk capital for exploration activities in recent years. Several submissions to the Committee made the point that this financing vehicle would be very adversely affected as an indirect – and apparently inadvertent – result of the proposed tax reforms. The proposals having a negative effect on flow-through financing include the reduction of the amount of capital gains exemption by the cumulative "net investment losses" after 1987, the increase in the proportion of capital gains that will be taxable, the capping of the capital gains exemption at $100,000, and the elimination of mining earned depletion. Taken together, these changes would make it impossible to issue flow-through shares at a premium, thereby eliminating the