

The Budget

taxpayer is entitled to a tax credit of 8 per cent of his federal tax, with a minimum reduction of \$200 and a maximum of \$750.

This evening I am proposing to roll back the increase in the \$750 maximum to its 1974 level of \$500. No change is proposed to the 8-per-cent rate nor to the minimum tax credit of \$200. This ensures that taxes will increase only for those who are most able to bear the increase. For example, in the case of a married wage earner with two children under sixteen, his before-tax income would have to be in excess of \$27,000 before he would be affected by this change. The increase in federal revenues in a full year will be about \$50 million.

● (2110)

Tariff, Sales and Excise Tax Changes

There are certain measures relating to the Customs Tariff which I wish to announce. Many of the requests which have been received for tariff changes will have to be considered in the course of the negotiations now underway in Geneva. I am, nevertheless, proposing a number of tariff changes of a relieving nature. These changes will become effective tonight.

Free entry for petroleum products such as gasoline, aviation fuels, fuel oils and diesel fuel will be extended until June 30, 1977; this was scheduled to expire on October 23, 1975. Free entry for aircraft and aircraft engines of types or sizes not made in Canada, due to expire at the end of this month, will be extended for a further year. Duty-free entry will also be extended to a number of other goods either by the amendment of existing tariff items or by the introduction of new ones.

I would also like to announce three sales and excise tax changes of significance. The first is a special step to assist in energy conservation. Effective tonight I propose to remove the remaining 5-per-cent sales tax on building insulating materials. It has been amply demonstrated that good insulation can effect savings of 20 to 40 per cent in the annual costs of space heating for homes and buildings. The complete elimination of the tax will affect all purchases of insulating materials as well as double-pane glass, storm windows and storm doors.

Second, I have also been persuaded by many representations that the increased excise imposed last fall on wine is seriously affecting the domestic wine and grape growing industry of the country. The excise will therefore be reduced to its previous level effective tonight.

Third, I propose this evening that the Excise Tax Act be amended to effect a modest increase in the air transportation tax to help lessen the heavy deficits in airport construction and operation. The increases, to be effective August 1 this year, are essential to reflect the general policy that those who benefit most directly from facilities provided by the government help to pay for them.

Full details of these and other tariff items changes will be found in the Ways and Means motions tabled tonight.

Further Steps in Tax Reform

Mr. Speaker, may I take a moment to speak about the next stages in the process of tax reform.

[Mr. Turner (Ottawa-Carleton).]

Last January, I stated in the House that a public review of the commodity tax system would shortly be initiated and that a timetable for public participation would be announced before the end of the current session. Tonight, I am formally initiating the review program by tabling a discussion paper on federal sales and excise taxation. The analysis and proposals contained in this paper are intended to provide a focal point for public discussion which ultimately should lead to significant improvements in the commodity tax system.

The discussion paper analyzes the major problems with the present federal sales tax. Our evaluation of alternatives leads us to believe that shifting the federal sales tax from the manufacturing to the wholesale level would have distinct advantages. I would like to emphasize, however, that the government is not committed to this course of action. Representations from the general public and from groups with particular problems on all aspects of commodity taxation, including alternative approaches, are welcome.

I am also tabling a discussion paper on the treatment of charities under the Income Tax Act. This paper had its genesis in the many letters I have received and public discussion about the role of charities in our society. The paper contains proposals dealing with such matters as fund-raising expenses, the public's right to know about the operations of charities to which they contribute, and the distribution of funds by charities. I hope that both individuals and charitable organizations will respond to the discussion paper by submitting their views. Once I have had a chance to assess the public response to these proposals, I shall proceed with the necessary legislation.

Government of Canada Annuities

I turn now to the situation facing holders of Government of Canada annuities.

Hon. members will be aware that inflation and high interest rates in recent years have left holders of these annuities at some disadvantage relative to persons who bought private annuities having more flexible contractual terms.

Mr. Speaker, I am pleased to announce that the government will be introducing legislation to increase the rate of return on existing Government of Canada annuities, which are held by more than 270,000 Canadians. This will bring the rate of return closer in line with that in the private sector and increase benefit payments.

When combined with recent tax provisions for interest and private pension income, this will help to protect those who have been prudent and provided for their own retirement.

Sales of government annuities have been on a small scale in recent years in the light of attractive alternatives from financial institutions. I am therefore announcing that the sale of Government of Canada annuities will be discontinued.

[*Translation*]

Oil and Gas Pricing

I would now like to turn to the critical issue of oil and gas prices.

Honourable Members will be familiar with the events which have led up to our present situation. When interna-