

# Canada Weekly

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## Budget measures aim at holding on to gains and stimulating growth

Reductions in federal sales tax, personal income tax, unemployment insurance premiums, as well as offers of new incentives for research and development, were among budget proposals tabled by Finance Minister Jean Chrétien in the House of Commons on November 16.

Canada's most immediate challenge, said the minister, was "to hold on to gains we have been making in our competitive position as we come to the end of mandatory controls over prices and incomes".

The federal sales tax is cut from 12 to 9 per cent, effective immediately, with tax savings of \$1 billion in a full year. Manufacturers and importers are expected to pass this through to consumers in the form of lower prices.

Mr. Chrétien said that this cut in manufacturers' sales tax would affect all goods subject to the 12 percent rate with the exception of alcoholic beverages and tobacco. Gasoline, not subject to the 12 percent *ad valorem* rate, would not be affected. Construction materials would continue to be taxed at the low rate of 5 per cent.

### Personal income tax, UI premiums

The budget doubles to \$500 the maximum employment expense deduction that taxpayers can claim, effective for the 1979 tax year — a tax saving of \$270 million. Over 6,200,000 taxpayers will benefit.

A further \$1.2-billion reduction in federal taxes next year will result from the indexing provision now in the Income Tax Act. This will come from a 9 percent increase in personal exemptions and tax brackets, and in the child tax credit.

A further \$400-million reduction in provincial income taxes will occur in those provinces with tax-collection agreements.

Tax rules affecting registered retirement savings plans will provide relief in cases where both parents die leaving minor or disabled children.

Unemployment insurance premiums in 1979 will be cut — a total \$300-million saving for workers and employers. For employees, the weekly rate will be reduced from \$1.50 to \$1.35 per \$100 of insurable earnings; the employer rate will decline from \$2.10 to \$1.89.

### Commodity taxes

Special excise taxes on marine engines, private aircraft and motor-cycles are not having an important effect on energy conservation and thus are being dropped. The special excise tax on gasoline of 7 cents a gallon is extended to non-commercial aviation fuel.

Solar-powered water heaters are exempted from sales tax, and the exemption for insulation materials is being restricted to those with genuine insulating properties.

### Air transport tax

The air transportation tax, earmarked for financing air transport services, will be increased after March 31, 1979. For flights within Canada and to the United States an increase in this tax to 15 per cent of the air fare, with a maximum of \$15 is proposed. For international flights, the tax will be increased to \$12 with provision for a subsequent increase to \$15. This is another step in an ongoing process to shift the costs of airport services from the general taxpayer to those who use the airports.

### Regional incentives

The investment tax credit, which supports industrial expansion and modernization, will be extended indefinitely beyond its scheduled expiry date of June 30, 1980.

The basic rate of tax credit will be raised from 5 to 7 per cent, with larger increases in areas of slower growth: to 10 per cent in most areas designated for regional expansion and to 20 per cent in the Atlantic provinces and the Gaspé.

### Late news

As this issue went to press, November 22, a Canadian immigration official announced that from 150 to 175 Vietnamese refugees stranded aboard a Malaysian freighter would be on their way to Canada by November 25. Earlier, a spokesman for the United Nations High Commissioner for Refugees said that Canada, France and the United States would help resettle the 2,500 migrants, who had been cramped for about a month aboard the 1,580-ton *Hai Hong* anchored just off the Malaysian coast.

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