ment of a national centre for productivity and employment growth.

The accelerated funding under the special recovery capital projects program will include $290 million for research and training facilities and $180 million will be spent on high-technology procurement.

A two-year commitment of $100 million will fund priority work in areas of new technology that are vital to Canada's competitive strength and productivity.

An additional $155 million in federal funding over the next two years will go into training and human resource programs aimed at developing the skilled workers needed for future economic growth.

A budget document, put forward for consultation, sets out two proposals to enhance the ability to claim research and development tax incentives, to make them more effective and simpler, and to aid in the financing of research and development companies, particularly smaller companies. The two proposals are: an additional tax credit of 10 percentage points for all research and development expenditure, in place of the current 50 per cent tax deduction for increased research and development and a measure to allow research and development companies to transfer the value of research and development tax incentives to outside investors in the form of a 50 per cent tax credit so as to attract additional capital to finance their growth.

**Small business measures**

The Federal Business Development Bank's mandate will be expanded to provide broader support for small businesses, including a new investment banking capability to help meet the capital needs of promising small companies.

The budget contains general tax incentives of assistance to farmers and fishermen and some special tax incentives specifically addressed to these groups. In addition, a further $100 million in loans will be extended over the next year to farmers in financial distress through a special program administered by the Farm Credit Corporation. Eligible recipients benefit from interest rate reductions of 4 percentage points for the first two years of their loans.

The budget sets out proposals for a new plan to exempt from tax the inflationary portion of capital gains on publicly-traded common shares in Canadian companies. It will go into effect October 1, 1983 following private sector consultation on its details.

The indexed security investment plan is designed to offset the distorting impact of inflation on the tax liabilities of individual investors. When fully matured, the plan will mean estimated savings to individuals of $300 million a year in federal taxes. It will also assist the economic recovery by encouraging Canadians to invest more of their savings in common shares of Canadian companies. This should facilitate public share issues and thus help reduce the excessive debt load on corporate balance sheets.

New tax measures will give businesses and investors more scope to carry over losses incurred in one year to reduce taxes in other years. The changes will provide increased cash flow to businesses in the early phase of the recovery, and over the longer term will allow firms and investors to claim tax deductions more effectively for tax losses that they sustain.

Under the measures business losses will be allowed to be carried back three years, instead of one, and carried forward for seven years instead of five. The full three-year carryback will take effect immediately for small business corporations and unincorporated businesses. It will be phased in for other corporations.

Farming and fishing losses will be allowed a three-year carryback and ten-year carryforward. Taxpayers will be allowed to carry back three years, instead of one, the deductibility of capital losses against capital gains. This change will be phased in.

The budget proposes several changes to the system of child benefits to better target the benefits to families needing them most.

The new proposals include a doubling in 1983 of the limit on child care expenses that can be deducted from taxable income effective for 1983. Deductions will now be allowed up to $2 000 a child, to a maximum $8 000 for a family. A change will ensure that the deduction does not discriminate between men and women.

In addition, the child tax credit will be extended for the 1983 taxation year to $343, rather than the $326 set by existing law. Future indexation will be applied starting from the $343 base. The threshold of family income, above which the child tax credit is phased out, will be held at its 1982 level of $26 330 for the current and subsequent taxation years.

The tax exemption for children and

*(Continued on P. 8)*

## Canada-Japan nuclear agreement

Canada and Japan have signed an agreement in the form of an exchange of notes concerning the reprocessing by Japan of Canadian-origin spent nuclear fuel.

Canada and Japan have a nuclear relationship of long standing with the existing agreement for co-operation in the peaceful uses of atomic energy dating back to 1959. A protocol amending this agreement came into force in September 1980.

The most recent agreement determines how the amended agreement which, amongst other things, provides controls over reprocessing of spent nuclear fuel and over the retransfer of spent fuel for the purpose of reprocessing, will be implemented by the two parties on a long-term basis.

**Largest uranium customer**

By obtaining an approval in advance for reprocessing to be carried out, Japan will be able to plan its nuclear fuel cycle activities with more certainty. Japan is Canada's largest uranium customer and this agreement will make Canadian uranium more attractive to Japanese utilities because of its contribution to Japan's energy security.

Canada has signed similar agreements with Sweden and Euratom.

Diplomatic Post

*Deputy Prime Minister and Secretary of State for External Affairs Allan J. MacEachen* (right) *and Japanese Ambassador to Canada Kiyohisa Mikanagi shake hands following the exchange of notes forming the agreement on Japanese reprocessing of Canadian-origin spent nuclear fuel.*