

The Budget

Mr. MacEachen: After a careful analysis of the representations, I have come to several conclusions.

First, there are a number of cases where taxpayers had completed or nearly completed financial undertakings before the budget and should be allowed to receive the tax treatment which existed before the budget.

Second, there are some areas where a transitional period is justified to allow individuals and businesses to adapt their affairs to the new tax rules.

Third, there are a number of measures which can be redesigned to bring them more closely in line with the over-all objectives of the tax package.

I am tabling today a document which describes the tax treatment which is to be accorded to arrangements completed or nearly completed before November 13. These changes affect, for example, the calculation of capital cost allowance, purchases of income-averaging annuity contracts, interest on non-resident loans, soft costs on real estate investments and reserves for property disposition. The document also lists measures for which there will be a transitional period. In particular, the provisions relating to professional work in progress and interest-free housing loans will be phased in over a three-year period.

● (1610)

Mr. Speaker, I am rather surprised at the reaction of the opposition who have been asking for adjustments for more than four weeks—

An hon. Member: You finally woke up.

Mr. MacEachen: —for changes to the measures that were tabled. Today they seem to find those adjustments objectionable.

Some hon. Members: Oh, oh!

Mr. MacEachen: I am proposing a one-year delay in measures relating to corporate organizations to allow for a thorough discussion prior to their implementation. Individuals who are members of an employee pension plan will be permitted to transfer retiring allowances to an RRSP of up to \$2,000 for each year of service. That will help low and middle-income Canadians who are members of pension plans and who receive severance pay in order to supplement their pension income. The reserve provision in the budget is being redesigned to accommodate genuine business circumstances while still limiting unwarranted deferrals of tax. An extended reserve period of ten years will be permitted in the case of inter-generation transfers of farm property and small business assets.

Mr. Clark: The budget is gutted.

Mr. MacEachen: To further assist farmers and small businesses, the 6 per cent threshold for small business bonds will be removed. This will permit a 3 per cent reduction in interest charges on such bonds.

Some hon. Members: Hear, hear!

Mr. Nielsen: Resign.

Mr. MacEachen: Finally, Mr. Speaker, I am redesigning the restriction on the deductibility of interest expense in order to increase the incentive for Canadians to acquire shares of Canadian corporations. They will now be able to offset against non-investment income up to \$10,000 of interest expense on loans to purchase shares of Canadian corporations. Interest expense incurred by significant shareholders of private corporations to acquire shares of such corporations will be excluded from the definition of the restricted interest expense.

Some hon. Members: Resign.

Mr. MacEachen: The same treatment will apply to interest expense incurred by employees of such corporations up to the limit of their remuneration from the corporation.

There will also be a transitional provision so that taxpayers will be able to offset the restricted interest expense against up to two thirds of their total income in 1982 and one third in 1983.

Mr. Epp: Why don't you resign?

An hon. Member: You should be fired for fraud.

Mr. MacEachen: In addition to what I have said, Mr. Speaker, given appropriate parliamentary arrangements, I am prepared to consider referring several matters to a parliamentary committee.

Some hon. Members: Oh, oh!

Mr. Andre: What were you saying about Jerusalem?

Mr. MacEachen: Mr. Speaker, I have not been saying anything—

Some hon. Members: Oh, oh!

Mr. Clark: You don't dare say anything.

Mr. MacEachen: I have not said anything about Jerusalem, but I have not decided yet to move the budget to Jerusalem.

Some hon. Members: Oh, oh!

An hon. Member: It is nothing you could stand behind anyway.

Mr. Nielsen: Just move it out.

An hon. Member: You have moved everything else.

Mr. MacEachen: These matters include rules relating to corporate reorganization, taxation of whole life insurance—

Some hon. Members: Two.

Mr. MacEachen: —charitable foundations—

Some hon. Members: Three.

Mr. MacEachen: —retirement allowances—