

*Income Tax Act***MOTIONS FOR PAPERS**

Madam Speaker: Notices of motions for the production of papers.

Mr. D. M. Collette (Parliamentary Secretary to President of the Privy Council): I would ask, Madam Speaker, that they all stand.

Madam Speaker: Is it agreed that they stand?

Some hon. Members: Agreed.

GOVERNMENT ORDERS

[English]

INCOME TAX ACT

MEASURE TO AMEND

The House resumed, from Tuesday, January 20, consideration of the motion of Mr. MacEachen that Bill C-54, to amend the statute law relating to income tax, be read the second time and referred to Committee of the Whole.

Hon. Charles Lapointe (Minister of State (Small Businesses)): Madam Speaker, I should like to address those aspects of Bill C-54 which would significantly benefit Canada's small businesses. Without doubt this bill of over 200 pages is a highly technical one—

An hon. Member: That won't take long.

Mr. Lapointe (Charlevoix): The hon. member says it will not be a long speech. I hope he will have the patience and interest to stay in his seat for the 40 minutes I intend to use.

Without doubt this bill of over 200 pages is a highly technical one. It is indicative of the complexity of our tax structure, a complexity that is necessary in order for our Income Tax Act to be effective, but at the same time a burden in terms of understanding its implications and putting them into effect. Very often it leads to a degree of unawareness of forgetfulness with regard to the benefits small businesses already receive under our tax structure. These benefits are among the most favourable of western nations.

I cite particularly the small business tax deduction which reduces the tax rate for small firms by some 21 percentage points. In terms of tax expenditures, the cost of this one measure alone is approaching some \$1 billion annually.

[Translation]

On the other hand, Mr. Speaker, various tax measures have been introduced in the last four years that apply specifically to small businesses. Among those measures, there are tax concessions to promote research and development, a sales tax exemption for all manufacturers whose annual sales do not exceed \$50,000, the tax exempt sale of a small business to the children

or grandchildren of the owner, and provisions for the deduction of capital losses. Those measures, in fact, represent almost \$1 billion in tax concessions. Small businesses also benefit from a number of tax measures that apply to businesses generally. I am thinking here of the provisions on accelerated capital cost allowances and inventory credit allowances.

That, however, Mr. Speaker, does not in any way mean that this is it where tax measures on small business are concerned. Bill C-54 is an example of what we can do, even now, to improve the conditions under which that sector of our economy operates and to open the door to further action at a later date.

[English]

This bill includes a number of provisions which, although not specifically intended for only small businesses, will nevertheless benefit this segment of our business community. I refer particularly to those provisions which allow Canadian firms to compete more effectively abroad by introducing a special tax treatment for their employees stationed outside Canada on longer-term projects. Small enterprises offer a significant potential for increased export activities, and many small Canadian enterprises are currently involved in turnkey projects abroad.

There are also provisions in this bill which could allow employees to deduct depreciation and interest expenses relating to automobiles required for use in their employment. Many of these employees work for small firms.

This bill also includes provisions aiming at increased participation in the energy industry by Canadian firms. Although this sector is dominated by large enterprises, it has also seen the start-up of many new small businesses.

[Translation]

In addition, of course, there is the 50 per cent investment tax credit on new plants and equipment for manufacturing or processing of products already granted under the Regional Development Incentives Act. This provision should prove quite valuable to small businesses thus allowing them to reduce their tax load. In view of the fact that in specially designated areas where this 50 per cent investment tax credit applies, small businesses truly are the spearhead and the backbone of all new economic development. I should like to add that by reintroducing the tax relief on MURBs we hope to stimulate the building industry which makes for an important part of the small business sector. This program makes it possible to use capital cost allowance on eligible rental buildings as a tax haven for revenues from others sources.

Furthermore, Mr. Speaker, under Bill C-54 small businesses will benefit from another excellent provision which is the extension of the tax relief for retailers converting their scales to metric. This tax relief has been extended from June, 1981, to the end of December, 1983. It represents a considerable saving for retailers who have not yet converted to metric. We can also mention the taxable grants offered to assist home owners to move off oil and convert their heating system to