

British Prime Minister in Ottawa

Prime Minister Harold Wilson of Britain (left) and Prime Minister Pierre Elliott Trudeau discuss the world economic situation, the European Economic Community and other items in Ottawa on January 29. Mr. Wilson and Britain's Foreign Secretary James Callaghan stopped over in the capital for one day on their way to Washington to meet U.S. President Gerald Ford.

They stated at a news conference that Britain would give "any help it could" to ensure continuing relations between Canada, the European Economic Community and Commonwealth countries.

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Tax deduction to be removed for advertising in "Time" and "Readers Digest"

Secretary of State J. Hugh Faulkner informed the House of Commons on January 23 that two subsections of the Income Tax Act would be deleted during the present session which would remove the tax deduction for advertising in certain foreign publications.

In effect, the proposed legislation would mean that the Canadian editions of *Time*, *Reader's Digest* and other smaller publications, would cease to be treated as Canadian publications and Canadian firms advertising in them could no longer deduct their advertising expenditures for income tax purposes. Only advertising in Canadian publications will be regarded as tax deductible.

In his statement to the House, Mr. Faulkner explained as follows:

...The effect of these subsections as they stand is to accord to certain foreign magazines — of which the most important are *Time* and *Reader's Digest* — advantages in the field of advertising which are otherwise reserved to Canadian magazines and denied to all other foreign magazines. Canadian firms advertising in Canadian magazines are allowed, in calculating income tax, to deduct the costs of those advertisements at 100 per cent. Under the present law they can do the same with the cost of their advertisements in *Time* and *Reader's Digest*, which are foreign magazines.

The intent of Section 19, in the first place, was to support the Canadian magazine industry — then, as now, weakened by the virtual domination of the market by American publications. Instead of legislating against the entry of the American material, which would have been an interference with the free flow of information and ideas, the framers of Section 19 legislated an ad-

vantage, or incentive, for actual and potential Canadian magazines. However, the addition of Subsections 2 and 4, now to be deleted, vitiated the intent of the Section by exempting from its requirements the two main competing foreign magazines. The proposed amendment to the Income Tax Act will, as of January 1, 1976, restore to Section 19 the force and intent which its authors had in mind. I am confident that the enterprise and skill of the Canadian magazine industry will seize this opportunity. It is my hope and expectation that this decision of the Government will result in the creation of a Canadian news magazine.

Broadcasting also affected

I should also like to take this opportunity, Mr. Speaker, to inform the House, on behalf of my colleague, the Minister of Communications (Mr. Pelletier), that the Government also intends to recommend to the House a similar amendment to the Income Tax

Act in his area of responsibility, to the effect that no deduction against income be permitted for advertising time on a non-Canadian broadcasting station for an advertisement directed primarily to a market in Canada. Such an amendment would not, of course, come into effect until sufficient advertising time is available on Canadian stations to satisfy Canadian needs adequately.

The purpose of this amendment is to constrain the significant outflow, estimated at some \$20 million a year, by Canadian firms purchasing advertisements on U.S. border stations. These stations, Mr. Speaker, are not licensed in Canada, but in many cases they are designed and exist to serve the Canadian market. I should note that this amendment has been recommended to the Government by many organizations including a committee of this House and a committee of the other place. We believe that this amendment will have the effect of redirecting funds to Canadian broadcasters and as such will make Canadian broadcasting outlets economically more viable. Their economic strength, in turn, will ensure viewers a broader selection of Canadian programs, make possible better programming and improve the prospects of new or proposed Canadian stations. In short, it is our belief that this proposed measure will assist in improving the over-all quality of the Canadian broadcasting system.

In taking these steps, we in the Government are really not so much concerned with certain of the nation's in-