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Budget Papers

Supplementary Information and
Notices of Ways and Means Motions
on the Budget

Tabled in the House of Commons
by the Honourable Allan J. MacEachen
Deputy Prime Minister and Minister of Finance

November 12, 1981

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Federal Revenue Impact of Budget Tax Changes

Item	Effective date	Fiscal year revenue effect				
		81/82	82/83	83/84	84/85	85/86
(\$ millions)						
Major Measures Affecting Individuals						
Repeal deduction for income-averaging annuities	1982 tax year	—	—	895	475	445
Repeal capital gains reserve provisions	Immediate	—	—	150	150	150
End general averaging and introduce new forward averaging	1982 tax year	—	40	250	250	250
Tax accrued interest income every three years	Various	—	—	—	—	60
Reduce federal dividend tax credit from 37.5 to 34 per cent of cash dividends	1982 tax year	—	15	140	155	175
Limit deduction for interest costs on investments to the amount of investment income in the year	1982 tax year	—	35	190	205	225
Prevent excess transfer of claims for \$1,000 investment and pension income exemptions	1982 tax year	—	—	25	26	27
Restrict \$1,000 pension deduction to retired persons	1982 tax year	—	10	20	22	25
Restrict claims for support of non-resident dependants to spouses and children of taxpayers	1982 tax year	—	5	20	23	25

Federal Revenue Impact of Budget Tax Changes—(Cont'd)

Item	Effective date	Fiscal year revenue effect				
		81/82	82/83	83/84	84/85	85/86
(\$ millions)						
Restrict tuition fee and education deductions to post-secondary and vocational courses	1982 tax year	—	2	10	11	12
Change taxation of employee benefits from cars, health plans and transportation passes	1982 tax year	—	—	175	195	220
Change taxation of low-interest loans to employees and shareholders	1982 tax year	—	—	50	60	70
Require professionals to inventory work in progress for tax purposes	Tax years ending after 1981	—	—	75	10	10
Allow one-half CCA in year assets acquired (unincorporated businesses)	Acquisitions after budget night	5	35	100	85	45
Require soft costs on real estate investments to be capitalized	Immediate	—	—	10	10	10
Major Measures Affecting Corporations						
Allow one-half CCA in year assets are acquired	Acquisitions after budget night	110	1,100	840	435	435
Extend corporate surtax for 1982 and 1983 at 5% and 2½% rates	1982	15	465	255	—	—
End reserve deductions on sales of properties	Sales after budget night	—	60	60	60	60
Require professional corporations to inventory work in progress	Tax years ending after 1981	—	30	5	5	5

Federal Revenue Impact of Budget Tax Changes—(Cont'd)

Item	Effective date	Fiscal year revenue effect				
		81/82	82/83	83/84	84/85	85/86
(\$ millions)						
Increase income qualifying for low small business tax rate	1982 tax year	—	-50	-55	-60	-65
End deductibility of dividends from cumulative small business income limit	Jan. 1, 1982		small revenue gain			
Impose 12.5% tax on dividends paid by small businesses from income taxed at lower rates	Immediate	45	90	110	125	140
Extend small business bond provision for one year for corporations and unincorporated businesses in financial difficulty	Immediate	—	-20	-20	-20	-20
Restrict after-tax financing through term preferred shares	Immediate		preventive measure			
End reduction in withholding tax on dividends from corporations with degree of Canadian ownership	Immediate	5	35	40	45	50
Restrict refund of Part I Tax for private corporations	Tax years starting after budget night	5	10	12	15	20
Other Measures						
Broaden tax exemption for board and lodging benefits at remote work sites	1981 tax year		small revenue reduction			
Permit tax-free transfers of RRSP funds between spouses on a marriage breakdown	1982 tax year		small revenue reduction			

Federal Revenue Impact of Budget Tax Changes—(Cont'd)

Item	Effective date	Fiscal year revenue effect				
		81/82	82/83	83/84	84/85	85/86
		(\$ millions)				
Restrict tax-free transfer of retiring allowances to an RRSP	Immediate					small revenue gain
Extend tax to all job termination payments	Immediate					small revenue gain
Limit capital gains exemptions to one principal residence per family	Gains after 1981					small revenue gain
Extend carry-forward and carry-back of undeducted charitable contributions	1981 tax year					small revenue reduction
Raise the rate of additional federal tax on income not earned in a province	1982 tax year					revenue gain of under \$5 million a year
Provide added flexibility for payouts from RRIFs	Payouts after 1981					no revenue consequence
Disallow corporate contributions to deferred profit-sharing plans for principal shareholders	Tax years starting after budget night					small revenue gain
Reduce RRSP limit for DPSP members	1982 tax year					revenue gain of approximately \$15 million a year
Impute interest on low-interest loans from corporations to their foreign subsidiaries	January 1 1982					revenue gain depends on behavioural response
Reduce terminal loss deduction on demolition of buildings	Immediate					small revenue gain
Restrict deferral of capital gains tax and trading of tax losses when control of a corporation changes	Immediate					uncertain

Federal Revenue Impact of Budget Tax Changes—(Conc.)

Item	Effective date	Fiscal year revenue effect				
		81/82	82/83	83/84	84/85	85/86
(\$ millions)						
Defer changes in the definition of exploration expenses until 1983	Jan. 1 1982	revenue loss of \$40-\$70 million in first year				
Redefine iron ore mining for purposes of the resource allowance	Tax years starting after budget night	small revenue gain				
Apply Part IV Tax to all closely held companies	Tax years starting after budget night	small revenue gain				
Net impact of changes in tax rules affecting individuals		5	140	2,110	1,675	1,750
Reduction in marginal tax rates for individuals	1982 tax year	- 180	- 1,120	- 1,295	- 1,470	- 1,660
Changes to federal tax reduction ⁽¹⁾	1982 tax year	135	655	35	405	420
Total individuals		- 40	- 325	850	610	510
Total corporations		180	1,720	1,245	605	625
Changes in federal sales tax		no revenue impact				
Grand Total		140	1,395	2,095	1,215	1,135

⁽¹⁾ Year-to-year changes in the revenue impact reflect the fact that transfers between spouses will not be reflected in deductions at source during 1982 but will be claimable when tax returns are filed early in 1983.

Income Tax Changes Affecting Individuals

Tax Indexing in 1982

The budget announces that full income tax indexing will apply for 1982.

Since 1974, personal exemptions and tax bracket limits have been increased each year in line with the consumer price index (CPI). Indexing has also applied to the refundable child tax credit since its introduction in 1978. Indexing eliminates the tax increases that would otherwise arise from inflation interacting with a progressive tax system. It ensures that taxpayers are not pushed into higher tax brackets by increases in income that merely keep pace with inflation. Indexing the refundable child tax credit maintains its real value in the face of inflation.

For the 1982 taxation year, personal exemptions, tax brackets and the refundable child tax credit will rise by 12.2 per cent. Tax indexing in 1982 will raise personal exemptions as follows:

Table 1

Effect of Indexing on Personal Exemptions in 1982

	1981 levels	1982 levels	Increase ⁽¹⁾
		(dollars)	
Basic personal exemption	3,170	3,560	390
Married exemption	2,780	3,110	330
Exemption for dependants under age 18.....	590	670	80
Exemption for dependants age 18 or over.....	1,090	1,220	130
Age exemption.....	1,980	2,220	240
Deduction for the blind and disabled	1,980	2,220	240

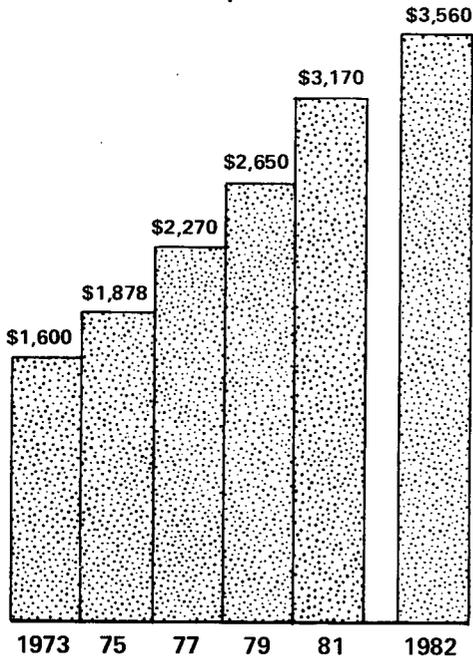
⁽¹⁾ The indexing adjustment for each year is based on the average annual increase in the CPI for the 12-month period ending in September of the previous year.

The increase in exemptions since indexing began in 1974 is shown graphically in the chart.

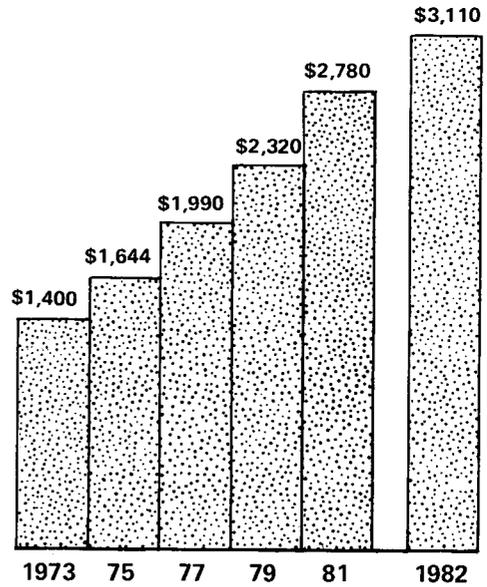
As a result of indexing, the refundable child tax credit for the 1982 taxation year will rise from \$261 to \$293 per child. The threshold family income level up to which full child tax credit benefits are paid will rise from \$23,470 to \$26,330.

Increases in Various Exemptions and Deductions as a Result of Indexing, 1973 – 1982

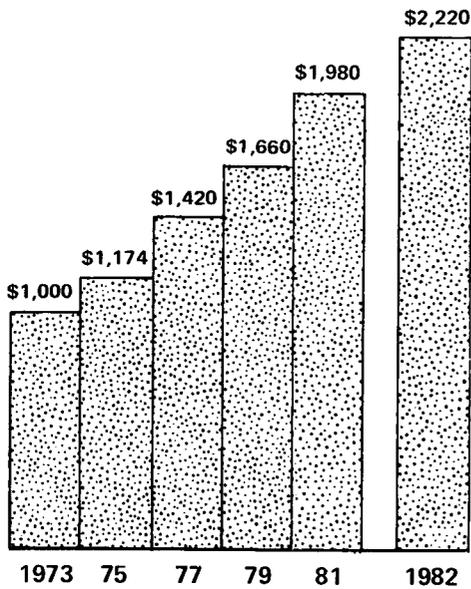
Basic Personal Exemption



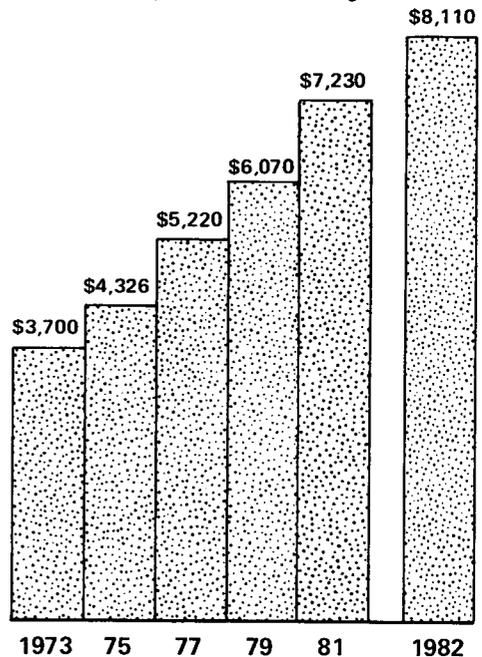
Married or Equivalent Exemption



Age Exemption



Exemptions Applicable to a Married Couple With Two Dependents Under Age 18*



* This includes the basic personal exemption, the married exemption, the standard \$100 deduction in respect of medical and charitable contributions and the exemption applicable to children under age 18 in 1980 to 1982 and under the age of 17 in 1979 and under the age of 16 for the preceding years. No account is taken of other exemptions and deductions applicable to the family such as the employment expense deduction of 3 per cent of wage and salary income to a maximum of \$500 or the deductions in respect of CPP/QPP and UI contributions.

Savings for Typical Taxpayers

The benefits of indexing for typical taxpayers are shown in Table 2. All taxpayers benefit from indexing. While the dollar amounts of tax savings increase with income, the percentage tax savings are more significant for lower-income groups.

Table 2

Federal and Provincial Tax Saving in 1982 as a Result of Indexing

Earned income	1982 federal and provincial tax		Tax savings	
	Without 1982 indexing	With 1982 indexing	Amount	Per cent
	(dollars)			
Single taxpayer—no dependants				
7,500	569	450	119	20.9
10,000	1,186	1,054	132	11.1
15,000	2,506	2,346	160	6.4
20,000	4,017	3,766	251	6.3
25,000	5,790	5,452	338	5.8
30,000	7,628	7,290	338	4.4
50,000	16,293	15,679	614	3.8
100,000	41,170	40,192	978	2.4
Married taxpayer — two dependants under age 18				
7,500	-509	-586	77	—
10,000	-354	-494	140	—
15,000	845	498	347	41.1
20,000	2,242	1,861	381	17.0
25,000	3,919	3,371	548	14.0
30,000	5,992	5,267	725	12.1
50,000	14,631	13,800	831	5.7
100,000	39,312	38,090	1,222	3.1

Note: Tax savings include those arising from indexing of exemptions, tax bracket limits and the refundable child tax credit. Negative amounts of tax represent a payment of the refundable child tax credit.

Taxpayers are assumed to be under age 65, to receive earned income and to claim standard exemptions and deductions.

The provincial tax is calculated at the average provincial rate of 47 per cent of federal basic tax. As rates of provincial tax vary from province to province, taxpayers in some provinces will experience tax savings that differ from those given above. No provision is made in the calculations for any provincial tax credits or surcharges.

Revenue Impact

The additional indexing of exemptions and tax brackets by 12.2 per cent will reduce federal revenues by some \$2,050 million for the 1982 taxation year. Revenue of the provinces under the tax collection agreements will be reduced by some \$840 million.

The indexing of the child tax credit will reduce federal revenues by \$250 million for the 1982 taxation year. The total reduction in federal revenue from 1982 indexing is thus some \$2,300 million. The current-year federal tax savings to individuals, associated with the cumulative increase in exemptions and tax brackets since indexing began in 1974, amount to some \$14.6 billion. The cumulative federal cost in 1982 of indexing the refundable child tax credit since 1978 is some \$660 million. Indexing of the refundable child tax credit does not affect provincial revenues.

Distribution of Aggregate Index Savings

Table 3 provides a distribution by income class of aggregate federal and provincial tax savings to individuals from indexing exemptions and tax brackets in 1982. Indexing is progressive, as taxpayers with incomes under \$30,000 receive 58.6 per cent of indexing benefits while they contribute only 44.8 per cent of tax. For taxpayers with incomes above \$30,000 the share in indexing benefits is less than their share in taxes payable. The benefits of indexing the child tax credit accrue mostly to families earning less than \$25,000, but this is not reflected in the table.

Table 3

Distribution of Aggregate Federal Tax Savings from 1982 Indexing of Exemptions and Tax Brackets⁽¹⁾

Individual income level (dollars)	Savings in federal tax from 1982 indexing		Share in federal tax
	Amount (\$ millions)	Share in total (per cent)	
Under 10,000	141	6.9	1.5
10,000 — 20,000	493	24.0	17.3
20,000 — 30,000	567	27.7	26.0
30,000 — 50,000	587	28.6	31.0
50,000 — 100,000	213	10.4	14.5
100,000 and over	49	2.4	9.7
Total	2,050	100.0	100.0

⁽¹⁾ Figures do not include the indexing of the child tax credit.

Reductions in Tax Rates and Changes in the Federal Tax Reduction

The budget reduces tax rates for all those with taxable incomes above \$11,120 in 1982. This reduction in marginal tax rates will apply to some 5.8 million taxpayers. Of particular importance, the budget reduces the top marginal rate of federal income tax to 34 per cent from the current level of 43 per cent. When provincial taxes are added the new level corresponds to a maximum tax rate of approximately 50 per cent of income compared to the 60 to 65 per cent now applicable. The 50-per-cent tax rate will apply to 1982 taxable income in excess of \$53,376. Table 4 shows the new schedule of federal marginal tax rates.

In order to better target its benefits, the federal tax reduction that was begun in 1972, now 9 per cent of federal tax otherwise payable with a minimum cut of \$200 and a maximum cut of \$500, is being restructured starting in 1982. The new tax reduction will no longer increase with income but will be set at a flat \$200 per taxpayer. Higher-income taxpayers will thus receive a smaller tax reduction. In order to ensure that a married couple with one wage-earner obtains the same benefits as a couple where both spouses work and file tax returns, any amounts of tax cut unused by one spouse in a family will be transferrable to the other spouse to reduce his or her tax.

Table 4

Proposed 1982 Federal Marginal Tax Rates

Taxable income bracket ⁽¹⁾ (dollars)	Rate proposed in budget (percent of income in bracket)	Old rate
under 1,112	6	6
1,112 — 2,224	16	16
2,224 — 4,448	17	17
4,448 — 6,672	18	18
6,672 — 11,120	19	19
11,120 — 15,568	20	21
15,568 — 20,016	23	23
20,016 — 24,464	25	25
24,464 — 31,136	25	28
31,136 — 53,376	30	32
53,376 — 86,736	34	36
86,736 — 133,440	34	39
133,440 and over	34	43

⁽¹⁾ The taxable income ranges reflect the 12.2-per-cent indexing for 1982.

The results of these changes are substantial. Among the more important are:

- The top rate of individual income tax on wage and salary income in Canada will average 50 per cent, ranging from 47 per cent to 54 per cent in provinces with tax collection agreements with the federal government.
- Some 5.8 million taxpayers with 1982 taxable incomes of at least \$11,120, which corresponds to gross earnings of some \$20,000 for a married couple with two children and approximately \$15,000 for a single taxpayer, will now face lower tax rates.
- Lower-income taxpayers who do not make use of tax preferences will see their federal tax reduction increased, if they are married with a dependent spouse, or unchanged in other cases.
- The reductions in tax rates taken by themselves will reduce federal taxes by \$1,090 million in 1982.

- Even after the cutbacks in tax expenditures and preferences for individuals proposed in the budget, more taxpayers at most income levels will experience tax reductions than tax increases. Indeed, many individuals who did take advantage of those tax preferences that are being removed will still see their taxes fall as a result of reductions in tax rates.

The changes in the federal tax reduction and the cuts in marginal tax rates will affect tax deductions at source starting January 1, 1982.

Overall Impact of Budget Tax Changes For Individuals

As detailed in the following supplementary information, the budget reduces or eliminates a number of tax expenditures and preferences for individuals. At the same time it lowers marginal tax rates across a wide range of income levels, and limits the top federal marginal tax rate to 34 per cent – equivalent, when provincial taxes are added, to a top tax rate of about 50 per cent depending on the particular province.

As noted in the budget document, the result is a less distortionary tax system with more incentives for a broad range of Canadians to work, to save and to invest in productive endeavours, knowing that the tax rate on the fruits of their efforts will be lower. Another result is a tax system that contains fewer incentives or opportunities for upper-income individuals to shelter their income from tax.

The result is also a fairer tax system. As detailed in the budget paper on tax expenditures, the preferences that are curtailed were generally of most benefit to higher-income groups. They also led to significant inequities between taxpayers at the same income level, and played a large part in certain high-income individuals escaping federal tax altogether. They generally provided large tax savings to only a few individuals. In contrast, the cuts in tax rates will benefit a wide range of taxpayers.

The following table shows the estimated impact of the cutbacks in tax expenditures and reductions in marginal tax rates in 1982.

- At lower-income levels virtually all taxpayers experience no change in tax or a small tax reduction.
- At middle- and upper-income levels the number of taxpayers who experience tax increases is smaller in each income bracket than the number whose taxes are reduced.
- Many of those in middle- and upper-income brackets who were benefitting from the special tax preferences now eliminated will not be fully compensated by the cuts in tax rates and will thus see their tax increased, some by a very substantial amount.

- Those who were not taking advantage of the tax expenditures that are terminated will benefit from the cutbacks in tax rates.
- Overall, the final column of the table shows that the net effect of the tax expenditure cutbacks and the rate reduction is to leave the total amount of tax collected from lower- and middle-income brackets virtually unchanged but to raise tax collected from upper-income brackets by 6 to 12 per cent of tax otherwise payable in these income ranges. It is thus clear that these changes increase the progressivity of the tax system.

Table 5

Federal Tax Impact of Cutbacks in Tax Expenditures and Reductions in Marginal Tax Rates, 1982 Taxation Year

Income range (dollars)	Filers with no change in tax ⁽¹⁾ (000)	Filers with tax reduction		Filers with tax increase		Total change in tax as a per cent of tax otherwise payable in the income range (per cent)
		Number (000)	Average amount (dollars)	Number (000)	Average amount (dollars)	
0— 15,000	9,070	10	110	295 ⁽²⁾	100	0.9
15,000— 20,000	1,300	450	30	170	125	0.2
20,000— 30,000	280	2,180	40	255	255	-0.3
30,000— 40,000	20	860	100	340	405	0.8
40,000— 50,000	5	315	280	140	705	0.3
50,000— 75,000	5	210	465	75	1,580	0.7
75,000—100,000	1	45	775	25	4,320	6.5
Over 100,000	0	45	4,970	25	23,045	11.8
Total	10,680	4,115	155	1,325	835	1.4

⁽¹⁾ The No-Change group represents filers with less than \$15 of variation in federal basic tax.

⁽²⁾ These are individuals with apparently low incomes who benefitted from tax expenditures being cut back.

Note: Certain of the tax expenditure cutbacks could not be simulated on individual tax returns and are thus not included in the table. The more important of these are the tax expenditures affecting retiring allowances and job termination payments, the restriction of the capital gain exemption to one principal residence per family and the removal of general averaging and introduction of the new forward-averaging scheme. The impact of a number of other measures such as taxation of low-interest housing loans, company-provided automobiles and the provisions affecting work-in-progress of professionals could not be estimated precisely but is simulated on the basis of assumptions about their impact. For this reason the table tends to understate the impact of the changes, particularly for those in the upper-income ranges.

Table 6 shows the impact on typical single and married taxpayers of the changes in the federal tax reduction. Higher-income individuals will see their tax cut reduced by as much as \$300, while the tax cut for single taxpayers at lower-income ranges will be unchanged at \$200. Married couples with one earner at lower- and middle-income levels will now be able to benefit from the transferability of the tax cut and will find that their federal taxes fall by \$200. Overall, more of the benefits of the federal tax reduction will be targetted to lower- and middle-income taxpayers.

Table 6

**Effect on Typical Taxpayers⁽¹⁾
of Modifying the Federal Tax Reduction, 1982 Taxation Year**

	Single taxpayer			Married taxpayer with non-taxpaying spouse		
	Current	Proposed	Change	Current	Proposed	Change
	(dollars)					
15,000	200	200	0	200	400	200
20,000	242	200	-42	200	400	200
25,000	346	200	-146	334	400	134
30,000	459	200	-259	427	400	27
50,000	500	200	-300	500	400	-100
100,000	500	200	-300	500	400	-100

⁽¹⁾ Taxpayers are assumed to claim the standard exemptions and deductions, and to obtain their income from wages and salaries.

Income-Averaging Annuity Contracts

The budget will end deductions for individuals for purchase of income-averaging annuity contracts (IAACs) starting with the 1982 taxation year. Deductions for IAACs will continue to be allowed for the 1981 tax year but IAACs purchased after November 12, 1981 must have a term that does not extend beyond 1982. Amounts used to purchase IAACs after budget night will be deductible in 1981 but the full amount and any interest thereon will be required to be included in income and will be taxed in 1982. Interest on loans for the purchase of IAACs after November 12, 1981 will not be deductible.

The IAAC enables taxpayers to spread out over a number of years the taxation of certain types of income, such as the taxable half of capital gains, incomes of athletes and entertainers, employee stock option benefits and other specified types of income that might otherwise push a taxpayer into a higher tax bracket. A taxpayer with eligible income has been able to claim a tax deduction for the purchase price of an IAAC and pay tax later as future payments from the annuity are received.

In addition to this income-averaging effect, however, IAACs also permit a significant tax deferral, resulting in a lower effective rate of tax on the eligible income. IAAC benefits go predominantly to high-income taxpayers. In 1979, some 12,500 tax filers with incomes over \$50,000 made IAAC deductions averaging \$55,300. They accounted for 87 per cent of all IAAC deductions made in that year. As the budget paper on tax expenditures shows, IAAC deductions were one of the major tax preferences responsible for some 3,400 persons with 1979 incomes over \$50,000 paying no federal tax.

Taxpayers with incomes previously eligible for IAAC deductions will benefit significantly from the proposed reduction in the top rate of income tax to 50 per

cent. They may also take advantage of the new forward-averaging mechanism provided in the budget, which allows income to be spread out and taxed over a number of years, permitting income-averaging without the tax deferral inherent in the IAAC provisions.

Reserve Provisions for Capital Gains and Other Properties

The budget proposes to end the opportunity now available for individuals and corporations to defer income tax on capital gains by claiming reserves. Currently, taxpayers who sell assets can avoid having to pay tax immediately on the capital gain by arranging to receive the sale proceeds over a number of years, and the taxable portion of the gain is taxed pro rata as the proceeds are received. In effect the seller, in disposing of the asset, makes a loan to the purchaser which is repaid over several years. Since the seller has disposed of the asset, he should be liable for tax on the gain at that point, as is generally the case when assets are disposed of. The substantial deferral of tax through the reserve provision is in addition to the tax deferral which already occurs prior to sale of an asset because of the fact that capital gains are taxed only when realized rather than as the value accrues over time. The deferral available through reserve provisions has primarily benefitted higher-income individuals. It is similar to the system of income-averaging annuity contracts, which the budget is also ending.

In a related measure the budget proposes that taxpayers who sell resource properties or other business properties will no longer be able to defer tax by claiming a reserve for proceeds not receivable in the year.

Withdrawal of these tax provisions will apply to dispositions of property after November 12, 1981. To avoid difficulty for individual taxpayers who do not receive the full proceeds when an asset is sold, they will be permitted to pay the tax in instalments, with interest, over a three-year period provided they furnish acceptable security to Revenue Canada.

Many of the individual taxpayers who previously made use of the reserve provisions will benefit from the reduction in marginal tax rates and the resulting reduction in the top rate on capital gains to an effective 25 per cent. They may also take advantage of the new forward-averaging provision in the budget to spread the taxation of their income over future years.

New Income-Averaging for Individuals

Starting in 1982, the budget repeals the general averaging provisions and replaces them with a new forward income-averaging mechanism to permit taxpayers with large income increases in any year to average these increases over future years when they expect to be in a lower tax bracket.

The current general averaging provision reduces tax according to a fixed formula only in the year an individual's income increases – it does not allow part of this income to be recognized for tax purposes in a future year. It is thus of no benefit to an individual whose income falls from one year to the next. Moreover, general averaging can provide inappropriate benefits in cases where averaging is not warranted, such as when a taxpayer experiences a permanent increase in income. The new forward-averaging formula will work as follows.

Any taxpayer whose income rises significantly may elect to exclude an amount from his taxable income in any year. The excluded portion may not exceed the difference between his current-year income and a threshold level that is based on his incomes for each of the previous three years adjusted upwards by the indexing factor to put them on a current dollar basis. This threshold will be 110 per cent of the taxpayer's average inflation-adjusted net income over the previous three years. To be eligible for forward averaging the excluded portion must exceed \$1,000. The taxpayer will be required to pay a special refundable federal tax of 34 per cent of the income being averaged. This is equivalent to the proposed top marginal rate of federal income tax. Provincial tax will also be applied, so that the total refundable tax will be about 50 per cent of the income being averaged. In any following year the individual may choose to report the income for tax purposes. At that time he will pay tax on the income in the year at regular tax rates and will claim a tax credit for the approximately 50-per-cent federal and provincial tax previously paid. If the refundable tax exceeds his tax otherwise payable in the year, the excess will be paid to him as a tax refund.

To recognize inflation, the amount of income which is forward-averaged will be increased by the indexing factor before it is brought back into income for tax purposes and the available tax credit will also be indexed by the same indexing factor.

Table 7 illustrates the operation of the proposal for an individual who receives a lump sum income receipt and chooses to forward-average one-half of it. It shows that individuals with large income receipts in a year who forward-average this income over future years can receive significant benefits as compared to paying tax in the year the income is earned. Individuals can also benefit from forward averaging if their regular income declines in future.

The result of the introduction of the new forward-averaging measure and the repeal of general averaging and tax deferrals through IAACs and the reserve provisions will be that the tax system will contain one averaging mechanism generally available to all. As illustrated in the example, the new forward-averaging scheme will also provide significant benefits to those who previously were eligible for IAACs or capital gains reserve deductions without opening up opportunities for tax deferral.

Table 7

Impact of Proposed Forward-Averaging Mechanism⁽¹⁾

	Year 1 Year of Averaging	Year 2 Following Year When Income Reported
	(dollars)	(dollars)
Regular income	30,000	33,000
Extraordinary income receipt	20,000	—
Total income	<u>50,000</u>	<u>33,000</u>
Less personal exemptions	-8,000	-8,800
Less amount forward-averaged	-10,000	—
Plus averaged income (indexed)	—	11,000
Taxable income in year	<u>32,000</u>	<u>35,200</u>
Tax on taxable income	9,825	10,830
Plus refundable tax on amount averaged (50% of 10,000)	5,000	—
Less refund of averaging tax previously paid (50% of 11,000)	—	-5,500
Total Tax	<u>14,825</u>	<u>5,330</u>
Tax if no forward averaging	14,135	6,715
Net difference in taxes paid	690	-1,385
Tax savings (nominal dollars)		695
Tax savings (year 1 prices)		570

⁽¹⁾ It is assumed that the taxpayer chooses to forward-average one-half of his extraordinary income receipt, that the amount forward-averaged is brought into income in the next year and that inflation between the two years is 10 per cent. Taxes are calculated at the new rates proposed in the budget and are net of the federal tax cut of \$200. Provincial taxes at the average rate of 47 per cent of federal tax are included in the computations. No account is taken of special federal or provincial tax credits.

Employee Benefits

The tax law and Revenue Canada's administrative policy will be changed to end the tax exemption for a number of benefits provided to employees, effective January 1, 1982. The tax-free status of these benefits is inequitable for employees who cannot receive them, and encourages the substitution of these benefits for taxable forms of remuneration for no particular business purpose but at a cost to the federal treasury. The tax exemption for these benefits is also concentrated in the larger corporations since employees of small businesses typically receive most of their remuneration in the form of wages and salaries which are fully taxable.

Among the benefits to become taxable are:

- Employer contributions to private health service plans and dental plans on behalf of employees. These payments will now be treated in the same way as employer contributions to government health insurance plans. The taxable benefit will be counted as part of the employee's medical expenses which are deductible to the extent they exceed 3 per cent of his income.
- Free travel passes or discount rates for transportation company employees and others who receive transportation passes by virtue of their office and use them for personal travel. Travel passes used by retired employees of transportation companies will not be affected.
- The full value of subsidized board and lodging and other personal expenses provided by employers, much of which is now excluded altogether or has an unrealistically low value attached to it.

However, the budget proposes to change the tax law so that all employees who can demonstrate that they continue to maintain a residence elsewhere while on temporary job assignment at a special worksite will be exempt from tax on the value of lodging, board and transportation provided by the employer. Previously this exemption applied only to employees at remote work sites who supported dependants who lived at their permanent residence.

Low-Interest Loans to Employees and Shareholders

At present, no tax is payable on the benefit to an employee from the first \$50,000 of low-interest or interest-free loan from his employer to buy a house when the employee is relocated. Nor is tax payable on subsidized loans to employees and shareholders to purchase company shares. In addition, on taxable employer loans the first \$500 of any interest subsidy is exempt from tax. These benefits are distributed very unevenly and accrue primarily to higher-income employees. To ensure that higher-income individuals bear their fair share of taxes, the budget proposes significant changes to the rules.

Effective for the 1982 and subsequent tax years, the \$50,000 and \$500 exemptions will be removed and the rules will also be extended to tax the benefit on loans made to employees and shareholders to purchase company shares. As a result, the benefits from interest subsidies on all employee or shareholder loans will be fully taxed. The new provisions, which will apply to loans whether issued before or after November 12, 1981, are as follows.

As a general rule a benefit will be taxed on a loan to the extent that the interest rate on the loan is less than the prescribed rate of interest for the year – the rate used for determining interest on over-payments or under-payments of tax. However, no tax will apply unless the interest rate is below that generally available on comparable loans in financial markets at the time the loan was made.

For home purchase loans an additional rule is also proposed to exempt these loans from taxation provided the interest rate on the loan is at or above the prescribed rate of interest in the year the loan was made. As mortgage loans are generally renegotiated at least every five years, a housing loan made by an employer to an employee for a longer term will have to qualify every five years for tax-exempt status under the rules.

Under a further provision applying to loans to shareholders to purchase stocks, interest imputed on these loans will be treated as an interest expense of the individual and will thus, under other budget proposals, be deductible against any investment income that he includes in his taxable income in the year.

Housing loans mainly provide benefits to mobile, high-income employees and officers of corporations and amount to an indirect subsidy for industries who regularly relocate their employees. These high-income employees can achieve even greater tax savings where the loan is made in the name of lower-income spouses. The budget proposal will put an end to this income-splitting technique by requiring the taxable benefit on the loan or other indebtedness to be included in the income of the employee.

To ensure a proper measure of the benefit from subsidized loans, it is also proposed that the prescribed rate used to calculate the value of benefits be set more in line with prevailing interest rates, and that the prescribed rate of interest applicable from January 1, 1982 also apply to housing loans made after November 12, 1981. This new rate will be 19 per cent.

Many employers find it necessary to offer subsidized loans in order to attract employees to certain high-cost regions of the country. The measures proposed in this budget will in no way constrain their ability to do so. It is the case, however, that such benefits are no different from, and are a direct substitute for, cash remuneration and as such should be taxable in a uniform fashion.

Retiring Allowances and Job Termination Payments

A limit is proposed on the amount of a retirement allowance that can be received and reinvested tax-free in a registered retirement savings plan (RRSP). Under present law there is a limit of \$60,000 per annum on the pension that can be funded out of tax-deductible contributions by employers and employees. This limit, however, can be circumvented for those senior executives who typically arrange to receive a large lump-sum payment upon retirement (called a retiring allowance), which they may then contribute tax-free to their RRSP. The employer obtains a tax deduction for the allowance over and above the deduction for pension plan contributions he has previously made, and the employee defers tax until funds are later withdrawn from his RRSP. The amount of these retiring allowances has increased dramatically in recent years and in some instances amounts to several hundreds of thousands of dollars.

The amount of retiring allowance an employee will now be able to contribute tax-free to his RRSP will be limited to \$3,500 for each year the employee was with the employer and was not covered by the employer's pension plan. This limit recognizes that had the employee been a pension plan member in those years his employer could have contributed \$3,500 to the plan on his behalf.

Since 1978, all job-termination payments amounting to less than six months' salary have been taxable, regardless of their form, whereas the tax status of larger payments has depended on whether they could be considered to be damages. This has led higher-income individuals who receive large payments on termination of an employment to attempt to have them appear as damages for wrongful dismissal, and thus be tax-exempt. In fact the full amount of all job termination payments represents remuneration or a substitute for remuneration and should thus be taxable. Effective for employees who terminate employment after November 12, 1981, the entire amount of all job termination payments will be required to be included in income.

Use of Company Automobiles

For employees who have personal use of a car provided by an employer, the budget proposes tighter rules to ensure taxation of the value of this perquisite. While the law requires the taxpayer to report the value of this benefit in his tax return, it provides for at least a minimum "standby charge" to be added to income – 12 per cent of the value of the car if owned by the employer or one-third of its lease cost. This minimum is the benefit actually reported in most cases and is far below the true value of a car to the user. Starting in 1982, therefore, the budget proposes to increase this minimum charge to 2 ½ per cent per month or five-sixths of the leasing costs, and to apply it in all cases where personal use is made of a company car. An exception will be made where it is demonstrated that the standby charge exceeds the fair value of the benefit to the employee and a general valuation formula will be provided for this purpose.

Incorporated Executives and Senior Employees

Executives and highly-paid employees of business firms can gain valuable tax advantages by incorporating themselves and continuing to provide services to their former employer through a personal corporation. A federal corporate tax rate of 23 1/3 per cent, rather than personal income tax rates, now applies to the corporation's earnings in such cases. There are other tax advantages in personal incorporations, including the possibility of income splitting among family members. This type of incorporation permits the conversion of employment income into business income of the personal corporation. The budget proposes to increase the federal corporate tax rate on such incorporated executives and employees to the general corporate tax rate of 36 per cent, effective for taxation years commencing after November 12, 1981. As a result, the combined federal and provincial corporate tax rate on such personal service corporations will be approximately 50 per cent, equivalent to the maximum marginal tax rate that the budget proposes be applied to individuals.

To further ensure that individuals who can channel their employment income through a private corporation do not receive undue advantages, the budget proposes that such corporations no longer be allowed tax deductions which are unavailable to ordinary employees. The deduction will generally be restricted to wages and salaries or other employment benefits paid to the person providing the services.

Professional Firms — Work in Progress

In contrast to other businesses, professional firms receive a tax advantage in that they are allowed to exclude from income the value of their work that has been done but not billed by year-end, even though they have deducted the related expenses. This failure to match costs with revenues for tax purposes results in a deferral of tax which is not available to other taxpayers. The budget proposes that, for fiscal periods ending after December 31, 1981, professionals, both incorporated and unincorporated, be required on their tax returns to value unbilled work in progress at year-end at the lower of its cost or realizable value, and carry the amount into the next year's accounts rather than claiming it as an expense in the old year. This means that professionals will be able to deduct the costs of work in progress only in the year they receive the related revenues. As work in progress is essentially the inventory of professionals, this change will put them on the same basis as other businesses.

Deferred Profit-Sharing Plans

Currently an employer may deduct up to \$3,500 of contributions per employee to a deferred profit-sharing plan (DPSP), and these contributions, plus the plan's investment income, are taxed only when distributions are eventually made to DPSP members. Though the purpose is to encourage plans under which employees share in the profitability of their company, many of these plans have been set up for a company's principal shareholders, who already participate in profits through their share ownership. It is estimated that over 90 per cent of the deferred profit-sharing plans currently registered have no more than three members, who in many cases are principal shareholders of the corporation. Effective for tax years starting after November 12, 1981 the budget will disallow deductions to employers for payments into a DPSP where a principal shareholder is a beneficiary.

Under present tax law the maximum tax-deductible contribution to an RRSP is \$5,500. For employees who are members of an employer-sponsored pension plan, this maximum is reduced to \$3,500 in recognition of the fact that their employer may make tax-deductible pension contributions on their behalf. However, if an individual is a member of a deferred profit-sharing plan to which his employer contributes, his maximum RRSP contribution remains at \$5,500. To put DPSP members on the same basis as others, the budget proposes to reduce the maximum RRSP contribution for individuals who are members of DPSPs to \$3,500, the same as for other pension plan members. These changes go into effect for the 1982 taxation year.

Tax Deferral on Interest Income

The budget will place a three-year limit on the deferral of tax on accrued interest income. The measure will potentially affect only individuals who have investments that pay interest at more than three-year intervals.

Under present law individuals have the option of reporting interest income for tax purposes each year as it accrues or when they actually receive the interest payment. Lower- and middle-income individuals with modest amounts of investment income would normally report interest as it accrues in order to make use of the \$1,000 annual exemption for such income. However, higher-income individuals who purchase certain term deposits, guaranteed investment certificates or other interest-earning assets may defer tax on their interest income. This deferral amounts to a significant reduction in the effective tax rate on this income.

Recently, moreover, several financial institutions have offered new instruments such as deferred annuities and deposit certificates which allow substantially longer deferral of tax over 20 or 30 years and can be attractive to higher-bracket individuals. To prevent such tax deferral, it is proposed that the taxpayer be required to report accrued investment income on any given instrument every third year from the date he acquires it. This will have little impact on low- and middle-income individuals who normally report interest income each year on an accrual basis so as to claim the \$1,000 investment income exemption. Even if they are not reporting on this basis they may find that the accrued interest when added to their income will not be taxable as a result of the exemption.

The new rules will apply to all investment instruments acquired, and life insurance policies issued, after November 12, 1981. Investments acquired earlier will generally be considered to have been acquired on December 31, 1984 so that only interest not already taxed before December 1987 will be affected by the new provisions, and accrued but untaxed interest up to that time will be included in individuals' 1987 tax returns.

Life Insurance — Taxation of Policyholder

Current tax law gives preferential treatment to income on funds invested through a life insurance policy, in comparison with other types of financial investments. Any such investment income on the savings element of a policy is completely tax-free if received on the death of the policyholder. It is taxable if the policy is disposed of before death.

The budget proposes that, on life insurance policies issued, or annuities acquired, after November 12, 1981, an individual policyholder will be required to report accrued investment income on his policy or annuity every three years for tax purposes, and any remaining investment income will be taxed on the eventual termination of the policy or annuity. Information on accrued amounts

will be provided to the taxpayer by the insurance company. Corporations will generally be required to accrue such income annually.

The budget also includes a provision that will adjust the cost of life insurance policies to exclude any portion of premiums relating to the insurance element of the policy. As a result, individuals who dispose of life insurance policies after November 12, 1981 will be taxable on the amount by which the cash surrender value of the policy exceeds the investment portion of premiums. Previously the full amount of premiums was treated as a cost, thus providing a tax deduction for their insurance costs for individuals who disposed of a policy.

Interest Costs on Investment Income

The budget will limit the annual tax deduction for interest on investments to the amount of investment income earned in the year. Under present law, full deductibility is allowed for interest expense incurred in a year to earn investment income, even though the resulting income may be tax-deferred until future years or is taxed at less than full tax rates. For example, the law allows immediate deduction of the interest cost of money borrowed to purchase guaranteed income certificates or bonds on which interest income may not be received and taxable until maturity in a later year. Where money is borrowed to buy securities, the interest cost is immediately deductible whereas taxation is deferred on any accruing capital gain until the asset is sold, and then only half of the gain is subject to tax.

This tax preference has mainly benefitted higher-income individuals. The budget paper on tax expenditures shows that individuals with incomes over \$50,000 in 1979 are estimated to have deducted carrying charges on average \$3,500 in excess of investment income, and for those in this income group who paid no taxes the excess deduction averaged \$43,000. Almost one-third of the total excess deductions claimed in 1979 were claimed by the one per cent of individuals with incomes over \$50,000 in that year.

The budget will limit the deduction of interest cost to the amount of investment income (excluding capital gains) that is taxable in the year. Taxpayers will then be able to treat any excess remaining as a capital loss, one-half of which will be deductible against taxable capital gains and against up to \$2,000 of other income. Any interest expenses not applied in the year may be carried forward as a deduction against future investment income and capital gains.

This measure will apply to the 1982 and subsequent taxation years. It will not affect interest costs on loans used to finance or re-finance residential rental property in Canada that was acquired by the taxpayer on or before November 12, 1981.

Interest on Money Borrowed for Deferred Income Plans

The budget proposes to disallow deductibility of interest on money borrowed to contribute to registered retirement savings plans (RRSPs) and other income-deferral plans.

Allowing deduction of interest costs on borrowings for RRSPs and similar plans has permitted a substantial tax deferral, in that both the interest costs and the contributions are deducted immediately whereas the income is not taxed until much later and generally then at a lower tax rate. The purpose of tax deductions for RRSPs is to encourage people to save for their retirement. The proposed rules will ensure that individuals do in fact contribute their own savings to their RRSP.

The deductibility of interest on funds borrowed to contribute to RRSPs, registered pension plans and deferred profit-sharing plans will be withdrawn for loans taken out after November 12, 1981. There remains an important tax incentive for these plans since taxation is deferred on the annual permissible contributions to such plans and on money earned in them, and tax is collected only when payments are made out of the plan – normally when the taxpayer is retired and paying lower rates of income tax. Taxpayers who contribute their own savings to these plans will be unaffected.

Dividend Tax Credit

Dividends are paid out of the after-tax income of corporations. Currently, shareholders who receive dividends are required to include in income their cash dividends plus an amount representing the corporate tax underlying their dividend (called the dividend gross-up). They pay federal and provincial personal income tax on the grossed-up dividend and are then allowed a federal and provincial tax credit equal to the gross-up. The purpose of this tax credit system is to provide incentives for share ownership by Canadians and to partially offset double taxation of corporate-source income.

In 1978 the rate of gross-up and credit was raised from 33 ⅓ per cent to 50 per cent. However, due to rounding adjustments and subsequent changes in provincial income tax rates, the rate of the credit now amounts to some 55 per cent – larger than the gross-up amount included in income. To remove this anomaly the federal rate of the dividend tax credit will be reduced from 37.5 per cent of cash dividends received to 34 per cent. When the provincial credit is added, the combined credit will average the 50-per-cent rate intended under the system. This change will affect dividends paid after 1981.

Investment Income and Pension Income Deductions

The budget tightens the rules for claiming the \$1,000 exemption for pension income, to ensure that the benefit is limited to retired and non-working individuals. It also corrects an anomaly in the law which allows excessive

amounts of unused pension deduction and \$1,000 investment income deduction to be transferred from one spouse to another. These changes will commence with the 1982 taxation year.

At present, an employee who takes an early retirement pension and continues work, say, as a consultant, is able to claim the pension deduction for the first \$1,000 of pension income and then contribute the balance into his registered retirement savings plan (RRSP). In another situation, an employee who changes jobs and gets a return of his pension plan contributions can contribute all but \$1,000 of the lump sum into his RRSP, and claim the pension deduction so as to get \$1,000 of tax-free income, even though he is not retired.

In order to limit the benefit of the \$1,000 pension income deduction to those who are in fact retired, as originally intended, the deduction will only be allowed on periodic ordinary pension receipts and will not apply in any year that the taxpayer makes a contribution to his RRSP.

Under current law, income received by a taxpayer's spouse in excess of \$550 is effectively taxable, since it reduces the marital exemption claimable by the supporting taxpayer. To ensure that the benefits of the \$1,000 deductions for investment or pension income of a spouse are not lost through reduction of the marital exemption, unused amounts of these deductions may be transferred to the supporting taxpayer for use in reducing his or her tax. Currently the transfer over-compensates for the reduction in the marital exemption. The budget proposes to end this anomaly by providing that the deduction for investment or pension income that can be transferred between spouses cannot exceed the amount by which the marital exemption of the supporting taxpayer is reduced.

Principal Residence Exemption

Under present law the taxation of capital gains does not apply to gains on the sale of a taxpayer's principal residence. However, some married couples have, for example, arranged for one spouse to own the family home while the other owns the family's vacation property so that both properties qualify for the tax exemption on capital gains. The law is being modified to prevent the exemption from applying to more than one residence per married couple. In addition, to prevent the new rule being circumvented, unmarried children under age 18 will not be allowed to designate a house as a principal residence. As a result of the proposal, only one residence of a family will qualify for the tax exemption after 1981. Other family residences will, on disposition, be subject to tax on half of the gains accrued after 1981.

Soft Costs on Building Projects

Under present tax law, investors in rental or commercial developments have been able to obtain an immediate write-off in full of "soft costs" incurred prior to completion of construction. These include expenses such as promotion

expenses, legal and accounting fees, mortgage fees, interest expense during construction, and interest and property taxes related to real property. These soft costs can amount in total to a significant portion of the value of the project. They are expenses that are capital in nature, laid out to secure future income, and relate to either the land or the building being constructed. The budget proposes that such costs incurred after November 12, 1981, to the extent that they relate to the real property or the acquisition of the real property, be added to the capital cost of the land or building. The costs added to the building will therefore be written off at the same rate as the building – 5 per cent a year. Capitalization of these costs will ensure that such amounts can be recaptured when the building is sold.

Charities

Currently, charitable donations of up to 20 per cent of income may be deducted in the year. Any excess donation may be carried forward for one year. The budget extends the one-year carry-forward to five years. As well, donations that exceed the 20-per-cent limit in the year of death will be permitted to be carried back to reduce tax in the previous year. These changes should increase the tax incentives for charitable giving for individuals making large gifts and for those corporations who do not have taxable income in a year against which to claim a current deduction.

Several other changes in tax rules affecting charitable organizations and foundations are proposed to ensure that the existing requirements for disbursement of their receipts and incomes are not bypassed.

Some of the more important of these will:

- require private foundations to disburse at least 10 per cent, rather than the present 5-per-cent minimum, of the value of their non-qualified investments in the year, so as to ensure that they disburse a reasonable amount in respect of non-arm's-length investments they hold;
- require private foundations to include investments in corporations controlled by the foundation in the non-qualified category, thus preventing them from avoiding the disbursement rules by holding assets that do not pay current income and also lessening opportunities for tax abuse;
- require charitable foundations to include the full amount of capital gains in their income that is subject to the disbursement rules;
- introduce rules to prevent charities avoiding the disbursement rules by making donations to related charities or by changing their status from charitable organizations to charitable foundations;
- introduce a tax on charities on any deficiency in the amount of their disbursements. The tax will be refundable over the following three years to the extent the charity makes up the deficiency.

Social Assistance Payments

Proposed amendments will provide uniform treatment for various types of social assistance payments. Receipts of payments that are made on a means- or needs-test basis, which are now excluded from income, will be included in income, effective with the 1982 taxation year. This will not mean an increase in the recipient's tax payable since the amount will also be deductible in computing taxable income. However, it will mean that this income is taken account of in determining whether another taxpayer may claim a personal exemption for supporting the recipient. It will also affect the entitlement to Guaranteed Income Supplement benefits and the computation of income for the Child Tax Credit. This procedure will be identical to the current treatment of payments made under the Guaranteed Income Supplement, and the amendment will put all similar federal and provincial programs on the same basis for income tax purposes.

Tuition Fees and Education Deduction

Starting in 1982, several changes are proposed in the deduction for tuition fees and the \$50-per-month deduction for students at university or vocational college or their supporting relatives.

One change will clarify that the \$50 monthly education deduction does not apply to attendance in non-educational, recreational-type courses even though these courses are given in certified vocational institutions which otherwise qualify their students for the deduction. In addition, the minimum fee for education courses to qualify for the tuition fee deduction will be increased to \$100 from the present \$25. These changes will ensure that the tax deductions are limited to post-secondary and vocational job-training courses.

The Income Tax Act now exempts from tax any allowance received by an employee from his employer for costs of schooling his children in the official language used by the family when local schooling in that language is not available. However, the Act also allows a tuition fee deduction to the child for the same costs. An amendment is proposed to remove this unintended dual benefit.

Non-Resident Dependants

Beginning in 1982, the personal exemptions allowed to Canadian taxpayers who support dependants living outside Canada will be limited to payments made to the taxpayer's spouse and children. Claims for non-resident dependants have been extremely difficult to verify. Indeed, an extensive audit by Revenue Canada revealed significant abuse in this area, including a large number of fictitious relatives and bogus payments. Experience in other countries has been similar and their tax laws generally restrict claims for non-resident dependants.

Income Not Earned in a Province

Canadian residents living abroad now pay a special federal tax of 43 per cent of the regular federal income tax. This is in lieu of provincial income taxes they otherwise would pay if they lived in Canada. To bring this tax more in line with current provincial tax rates it will be raised to 47 per cent starting in the 1982 taxation year. This rate equals the average prevailing rate of provincial income taxes for provinces having tax collection agreements with the federal government.

Registered Retirement Income Funds (RRIFs)

RRIFs were introduced in 1978 in order to provide more flexibility to RRSP owners upon retirement. RRIFs, in effect, provide an indexed term annuity to age 90 where the indexing factor equals the rate of return earned on the assets each year. For example, if the assets inside an RRIF earn a return of 15 per cent, the payments to the owner of the RRIF will increase by approximately 15 per cent each year. While RRIF pay-outs rise each year, the initial pay-outs to the pensioner may be significantly lower than those paid under a level-payment life annuity. This factor has discouraged the use of RRIFs.

In order to improve the attractiveness of RRIFs, the indexing pattern will be made more flexible. Each year, the RRIF owner will be able to designate a figure between zero and 6 per cent as the amount by which he wants to slow down the indexing of his future RRIF receipts. If, for example, he designates 6 per cent and the return earned on the fund's assets is 15 per cent, the pay-out to him in that year will be higher but the pay-outs in the following year will increase by only 9 per cent (15 minus 6). Such an indexing pattern will still afford substantial inflation protection but will at the same time increase the pay-outs in the initial years of the RRIF.

Prescribed Interest Rate

The interest rate which is charged on tax arrears and paid on tax overpayments will be adjusted more frequently to reflect current market rates more closely. At present the rate is adjusted annually on the basis of interest rates between June and August of the previous year. The prescribed rate for 1981 is 12 per cent. This low rate of interest encourages individuals and corporations to delay their tax remittances, and results in an under-valuation of the benefits to employees and shareholders on low-interest or interest-free loans they receive. Starting in 1982, the prescribed interest rate will be adjusted every three months. It will be set in relation to the average interest rate on 90-day treasury bills during the first month of the preceding quarter. For the first quarter of 1982 the prescribed rate of interest will be 19 per cent per annum.

Important Corporate Tax Measures

Capital Cost Allowances — First Year Rate

The budget proposes an important modification to the capital cost allowance (CCA) system which allows businesses to deduct depreciation costs. The general principle of matching costs with revenues in determining income would require that depreciation write-offs only commence once an asset is put into use and reflect only the amount of time that the asset was used in the year. Under present rules, however, taxpayers who acquire plant or equipment in a year are allowed a deduction for a full year's depreciation even though the asset is purchased only part way through the year or even on the last day of the year, and even though the asset is not put into use at all in the year. The current system allows costs to be recognized well before the associated revenue, thus providing possibilities for firms to reduce or defer tax and creating biases in the capital investment process.

The budget proposes to limit the capital cost allowance deduction in the year an asset is acquired to one-half the normal rate of write-off currently provided. The portion of the first-year CCA disallowed will be available to be written off over future years. The change will generally apply to assets acquired after November 12, 1981 by corporations and unincorporated businesses. For investments in Canadian films and multiple-unit residential buildings, which are normally purchased in December, the change will not take effect until 1982.

Even with this change the system of capital cost allowance will continue to be generous. The two-year write-off for manufacturing and processing assets and other incentive provisions will permit claiming of depreciation write-offs at a much faster rate than warranted by the economic life of the assets. Moreover, firms will continue to be able to start claiming capital cost allowance in the year they acquire assets. They will not have to wait to start claiming depreciation until the assets are put into use. Thus the Canadian depreciation system will still compare favourably to the U.S. tax law which does not permit full depreciation in the first year and also postpones depreciation claims until the asset is put in use.

Corporate Surtax

The 5-per-cent corporate surtax that was introduced in 1979 to apply in 1980 and 1981 will be extended for two years, remaining at 5 per cent in 1982 and declining to 2½ per cent in 1983. The surtax applies broadly to the federal Part 1 tax payable by corporations. However, after 1981 it will not apply to the tax payable by small Canadian corporations on earnings that are eligible for the small business deduction. The extension is estimated to yield \$465 million and \$255 million in fiscal years 1982-83 and 1983-84 towards reduction of the federal budget deficit.

Small Business Measures

The budget proposes a package of measures affecting the way small business profits are taxed. They include structural changes that will strengthen the tax incentive for internal financing of small business growth, correct tax inequities and distortions, and provide relief for small businesses from the corporate surtax. The combined impact of the changes would leave overall taxes on small businesses lower next year than this year, and will concentrate and increase the tax relief for growing small businesses.

Exemption from Corporate Surtax

The two-year extension of the corporate surtax beyond December 31, 1981 will not apply to the tax on business income of Canadian-controlled private corporations eligible for the small business tax rate. This exemption from the surtax will save small businesses an estimated \$100 million over the two years.

Small Business Deduction

Since 1972, small Canadian-controlled private corporations have benefitted from a special low tax rate – at present 25 per cent on the first \$150,000 of annual income earned by eligible corporations (20 per cent for manufacturing and processing profits). The tax benefit is limited to corporations with cumulative earnings of less than \$750,000. This “small business deduction” costs some \$1.5 billion a year in forgone federal revenues, and benefits about 175,000 corporations. Its primary purpose has been to aid in the expansion of small businesses through retained earnings. The budget proposes to further enrich this benefit while at the same time restructuring it so as to focus it more strongly on the goal of facilitating expansion of small businesses.

The annual limit on income qualifying for the low tax rate will be raised from \$150,000 to \$200,000 and the cumulative limit will be raised from \$750,000 to \$1,000,000. This increase in the limits will reduce taxes for small businesses by \$50 million a year.

Currently, the cumulative limit applies to income retained by the corporation, that is, income after payment of dividends. The ability of small businesses to maintain their eligibility for the low tax rate by paying out dividends has led to certain anomalies. One problem is that small businesses can avoid this limit by paying out dividends to shareholders who then loan the funds back to the company. As a result, corporations continue to qualify for the low rate long after

they have exceeded any reasonable definition of a small business. As well, small business owners can stay under the \$750,000 limit by paying out dividends to themselves for their personal use; the funds are thus not used for business expansion, yet the business can continue to qualify for the low tax rate.

To target the benefits of this important incentive to growing small businesses and businesses in their start-up phase, dividends paid out after December 31, 1981 will no longer regenerate the firm's entitlement to the small business deduction.

Small Business: Corporation-Shareholder Tax System

Under the present system of corporate and individual taxation, shareholders pay personal income tax on dividends received plus an amount representing the corporate tax paid underlying the dividend. They then receive a dividend tax credit to compensate for the corporate tax paid.

The purpose of this system is to tax small business shareholders as if they themselves had received the corporate income underlying the dividends. Achieving this concept, called integration, is desirable as it addresses what would otherwise be double taxation of corporate-source income, and leaves decisions as to whether or not an unincorporated business should incorporate to be based on the business advantages of so doing rather than on tax considerations alone. The present system of corporate and shareholder taxation is defective, particularly as it applies to small business, resulting in significant anomalies, inequities and economic inefficiencies.

Before 1977, small business shareholders received a dividend tax credit of about 25 per cent to compensate for the 25-per-cent corporate tax paid on the firm's earnings. This tax integration meant that, after paying personal income tax, the shareholders would pay approximately the same overall tax as if they had earned the money directly rather than through the corporation. However, in 1978 the dividend tax credit was increased to a rate that now compensates many small business shareholders for more tax than their corporation actually pays. The over-compensation can amount to \$8,000 to \$12,000 per year for each \$100,000 of income. It creates a significant bias for owner-managers of small businesses to artificially convert their wages and salaries into dividends to obtain tax savings, and induces individuals to incorporate solely to obtain these tax savings rather than for any particular business purpose.

As part of the restructuring of the incentives, the budget proposes a tax of 12.5 per cent on dividends distributed out of income benefiting from the low small business tax rate. This will apply to dividend distributions after November 12, 1981. Small business earnings retained in the corporation will continue to benefit from the low tax rates now prevailing. The distribution tax will not apply to dividends paid by one small business corporation to another small business corporation within an associated group of companies. It will thus not affect the ability of associated companies to flow income within a group to take best advantage of business opportunities.

Table 8 illustrates the effect of this change, and of the reduction in the rate of dividend tax credit, for \$100 of income earned and distributed from a small business corporation to a shareholder in a 40-per-cent tax bracket. It shows that the current system results in total corporate and personal tax of only some \$29 compared to the desired tax of \$40 that would be payable if the shareholder received the \$100 of income directly. Under the proposed system the correct result is achieved, thus removing the bias in favour of distributing dividends from a small business corporation and removing the incentive to incorporate only for tax reasons. Even with these changes, many shareholders of small businesses will find that the tax on their dividends will be less than it is now, as a result of the reduction in marginal tax rates proposed in the budget. For example, a small business shareholder in the top marginal tax bracket will see the total corporate and personal tax on \$100 of income earned and distributed from his corporation fall from \$55 in 1981 to \$50 in 1982, even after the distribution tax.

Table 8

Current and Proposed Taxation of Small Businesses and their Shareholders for a Shareholder in a 40-per-cent Tax Bracket in 1982

	Current system	Proposed system
	(dollars)	
Corporation:		
Corporate income	100.00	100.00
Less: corporate tax	<u>25.00</u>	<u>25.00</u>
Equals: after-tax income	75.00	75.00
Less: 12.5% tax on dividends	—	8.33
Equals: dividends distributed	<u>75.00</u>	<u>66.67</u>
Shareholder in 40% tax bracket:		
Taxable dividends added to shareholder's taxable income (cash dividends times 1.5)	112.50	100.00
Tax before dividend tax credit (40% of taxable dividends)	45.00	40.00
Less: dividend tax credit ⁽¹⁾	<u>41.34</u>	<u>33.33</u>
Equals: net tax on shareholder	3.66	6.66
Total corporate plus shareholder tax	28.66	40.00

⁽¹⁾ Assumes a provincial tax rate of 47 per cent of federal tax which is the average rate in provinces with tax collection agreements with the federal government.

Small Business Bonds

The small business bond provision now allows small incorporated businesses to borrow before the end of 1981 at reduced interest rates for expansion and for refinancing in cases of financial difficulty. These reduced interest rates are made possible by the tax exemption now provided to lenders for the interest they charge on such loans. The budget proposes the following changes to increase access to the measure but to confine the benefits to those who need it most.

- Effective immediately unincorporated businesses and partnerships including farmers and fishermen will also be able to use the program.
- For both incorporated and unincorporated small businesses the measure is being extended for one year beyond its scheduled termination date and it will now apply to loans of one to five years taken out before the end of 1982. The requirement that eligible loans must be between \$10,000 and \$500,000 will continue to apply.
- The benefits of the measure will apply only to financing by firms in financial difficulty. This restriction on eligible loans commences immediately for unincorporated businesses and starts in 1982 for corporations, but does not affect any loans to incorporated businesses for expansion that are entered into before December 31, 1981 under the existing provisions.
- To ensure a wider distribution of funds to small business, the amount of tax exemption to lenders on small business bond financing will be reduced. On all such bonds issued to incorporated or unincorporated businesses after November 12, 1981, lenders will be able to obtain a tax exemption only on interest in excess of 6 per cent per annum. In effect, on eligible loans the tax system will be bearing half the cost of interest above 6 per cent through a tax break to lenders. The new provision results in an important reduction in interest costs to small businesses.

The broadening of small business bond availability means that small businesses, farmers and fishermen will not have to be incorporated to qualify for a loan to stave off financial difficulty. The program will continue to provide substantial interest cost savings to eligible small businesses. They will be able to borrow funds at 13 to 14 per cent interest rates, compared to the 20 to 21 per cent rates they would otherwise be required to pay.

Small Manufacturers Rule

The federal corporate tax rate of 15 per cent on small businesses is reduced to 10 per cent on the manufacturing and processing income of small businesses. To separate their manufacturing income eligible for this measure from their other income, small corporations must go through a complicated calculation if their total income is over \$50,000 in the year. Businesses primarily in manufacturing whose total income is now less than \$50,000 do not have to perform the calculations and thus obtain the lower manufacturing tax rate on all their income. To reduce tax complexity for small businesses the budget proposes that manufacturers whose income does not exceed \$200,000 will now also be free from the requirement to separate their manufacturing income from their other income for purposes of the low tax rate benefits. This measure will apply for 1982 and subsequent taxation years.

Other Corporate Tax Measures

Works of Art and Antiques

The budget disallows depreciation write-offs for works of art and antiques purchased by businesses and professionals after November 12, 1981. At present, art work and antiques bought by business and professional firms can be written off at 20 per cent a year, the same depreciation rate as office furniture. However, such purchases typically appreciate in value and often are in fact personal investments rather than serving the normal operations of the firm. There is thus no reason to allow their cost to be deducted against the firm's income. This measure will not apply to the first purchaser of art produced by living Canadian artists.

Terminal Losses

Currently when a taxpayer demolishes a building, any unclaimed capital cost allowance is deductible as a terminal loss. Often buildings are demolished because the land on which they stand would be more valuable if used for another purpose. The tax treatment is inappropriate, since the decline in the value of the demolished building is deductible in full but the gain in the value of land is only half taxable as a capital gain. The tax rules thus provide an indirect incentive to demolish buildings. To correct this, the budget modifies the terminal loss rules to deny a full deduction for demolitions or other dispositions of buildings after November 12, 1981. Where the same taxpayer has another building before the end of the taxation year following that when the loss arises, the loss will be added to its capital cost and depreciated. Otherwise the terminal loss will be added to the cost base of any land owned by the taxpayer and thus half of the loss will offset the capital gain when the land is eventually sold. In any other case, one-half of the loss on destruction of the building will be treated as a business loss, deductible in the year. This measure will lend support to the preservation of historic buildings.

Iron Ore Mining and Processing

The income tax provisions relating to the processing of iron ore will be changed effective for taxation years commencing after November 12, 1981. Income from the processing of the ore beyond the primary pellet stage will now be treated as manufacturing and processing income rather than resource income. This treatment provides for a federal tax rate of 30 per cent and special accelerated depreciation for machinery and equipment.

Income from the mining and processing of iron ore to the primary pellet stage will continue to be included in income that is subject to the resource allowance. The resource allowance – 25 per cent of resource profits – is provided in lieu of the non-deductibility of government mining taxes and royalties.

These new rules will have no effect on the taxable income calculation for companies that mine iron ore and process the ore up to the pellet stage. For those companies that mine iron and process the ore beyond the pellet stage, the new rules will provide a more accurate allocation of the total income between the manufacturing and resource activities. Iron ore companies are generally required to process their ore into a pellet in order to have a product that is readily saleable. Therefore, the pellet stage is the appropriate point at which resource profits should be determined.

Term Preferred Shares

Several measures are proposed to restrict the use of preferred shares for so-called “after-tax financing” by larger corporations.

Despite restrictions introduced in 1978, large amounts of corporate financing have continued to be done through preferred shares which are issued at relatively low cost due to the tax exemption to banks and other financial institutions on income from these securities. Under tax law, dividends on shares received by one corporation from another are not taxable. As a result, lenders can provide financing through preferred shares carrying low dividend rates, even though these shares are in essence ordinary debt or loan financing, interest on which would be fully taxable. The dividend rate on these issues typically fluctuates directly with the prime rate, as in the case of ordinary debt.

While restrictions were introduced in 1978 on term preferred shares, the rules allowed banks and other financial institutions to continue receiving the tax benefit on new preferred share issues of more than 10-year terms, and in practice many of these issues amounted to tax-subsidized financing for corporate takeovers. The preferential tax treatment of dividends on preferred shares has resulted in a substantial reduction or elimination of tax for a number of larger banks and other financial institutions. Moreover, non-financial corporations have recently begun taking up short-term preferred share issues of other corporations, thus allowing reduced financing costs at a loss to the federal treasury from tax exemptions. In effect, these shares substitute for financing by short-term commercial paper.

Under proposed new rules, for shares issued after November 12, 1981, dividends received by financial institutions on term preferred shares with terms longer than 10 years will no longer be exempt from taxation. Similarly, dividends received by any corporation on shares that are redeemable within five years will no longer be tax exempt. Intercorporate holdings of shares within a group of commonly-controlled corporations will be exempt from this rule. Financial institutions will be able to offer after-tax financing in cases of financial difficulty

where the preferred share or income bond has a term of five years or less. For such issues after budget night, only dividends in excess of 6 per cent per annum will qualify as tax-exempt to the lender. This threshold is similar to the one proposed for small business bonds issued to banks by firms in financial difficulty.

Tax Deferrals on Dispositions of Property

The budget proposes to tighten up on tax deferrals available to those who dispose of property. Normally under present law, one-half of any realized capital gain is taxed in the year a property is disposed of. This rule does not, however, apply in a number of cases when property is disposed of in exchange for other property rather than for cash. In these cases no capital gain is realized until the property received in the exchange is subsequently sold. The resulting tax deferral occurs most commonly in corporate reorganizations, mergers and takeovers when shares of one corporation are exchanged for shares of another, or in cases where physical assets are exchanged for shares of a corporation. Such transactions are equivalent in their economic effect to selling one property for cash and using the proceeds to purchase the new asset. However, the tax system has not treated them equally – cash transactions give rise to immediate tax on any capital gain while a barter exchange of properties does not.

Under the budget proposals, such a tax deferral will no longer be permitted in certain circumstances for dispositions after November 12, 1981. In particular, where on an amalgamation or other corporate reorganization persons exchange their shares in one corporation for other shares and where control of the corporation changes, they will be required to pay tax on half of their accrued capital gains at that time. These rules will also apply to any share transactions in a series that result in a change of control. As well, when taxpayers contribute property other than shares to a corporation in exchange for shares, any gain on the property will be taxed at that time unless the taxpayer contributing the property already controls the corporation or the taxpayer transfers property to a corporation eligible for the small business tax rate.

The new rules will not apply to reorganizations within a corporate group where control of the corporations does not change and thus will continue to allow business reorganizations within corporate groups without tax consequences. They will not apply to estate freezes.

Transfer of Losses on Change of Control

Under current tax law when control of a corporation changes, unused business losses and resource expenses may in certain circumstances be deducted by the corporation acquiring control. Similarly, unused capital cost allowance of the acquired corporation can also be deducted by the acquiring corporation. This can lead to unprofitable corporations becoming targets for takeover bids solely because of tax considerations and not because of the underlying economic profitability of their businesses.

The budget alters this feature of the tax law. It provides that where control of a corporation changes after November 12, 1981, business losses sustained up to the time of change in control will only be deductible against the future income of the business that sustained the loss. Any bank of undepreciated capital cost of properties in the loss corporation will be adjusted down to their fair market value, and the deductibility of resource expense claims will be restricted to post-acquisition income from the related resource properties.

Taxation of Insurance Companies

Several changes are proposed in the taxation of life insurance companies. The objective of these changes is to bring the taxation of their income more in line with general tax principles. First, insurance companies will be required to report interest income on policy loans on an accrual basis. While this is a general requirement for all corporations, life insurance companies have until now been exempt from this requirement. Second, changes will be made to ensure that insurance companies are exempt from income they earn outside Canada only if this income is from a life insurance business conducted outside Canada. Normally, corporations resident in Canada are taxable on their worldwide income. An exception is made in the case of life insurers because of their practice of operating internationally through branches rather than subsidiaries. However, there is no reason why this exception should apply to the non-life insurance business that life insurance companies conduct outside Canada. Third, when properties are shifted in or out of the Canadian life insurance portion of an insurer's business, the normal deemed disposition rules will apply. This change will prevent the possibility, for example, of an insurer shifting an appreciated property on its books from its Canadian to its non-Canadian life insurance business in order to avoid paying Canadian capital gains tax.

Lastly, current tax rules allow insurers a special additional reserve deduction in respect of qualified annuities – generally annuities payable on deferred income plans such as RRSPs and DPSPs. A special reserve is no longer required, and amendments to the Income Tax Regulations will be made to repeal it effective for taxation years ending after November 12, 1981.

Degree of Canadian Ownership

Effective November 12, 1981, the budget repeals the provisions in the Income Tax Act which allow a lower rate of withholding tax on dividends paid to foreign shareholders by companies with "a degree of Canadian ownership". This qualification generally required at least 25 per cent of equity shares to be owned by Canadians, and has permitted a reduction of five percentage points in the standard rate of withholding tax – from 15 to 10 per cent for dividends paid to shareholders in most countries where Canadian tax treaties apply. These provisions were originally intended to encourage foreign parent companies to increase Canadian equity ownership of their subsidiaries in Canada. The 1982 revenue cost of the reduction is estimated at \$35 million. The incentive is not effective. Indeed, in most instances a significant part of the benefits serve only to transfer tax revenue to foreign governments by reducing their foreign tax credit in respect of Canadian dividends. In other cases it amounts to a windfall gain to foreign shareholders.

Foreign Affiliate Provisions

A number of important amendments are proposed to the foreign affiliate provisions.

The rules relating to reorganizations of foreign affiliates will be amended to be consistent with the rules applicable to domestic reorganizations and will be extended to allow a rollover of all capital property on certain mergers and liquidations of foreign affiliates in which a taxpayer's equity percentage is at least 90 per cent. At the same time the provisions for the adjustment of the surplus accounts on reorganizations and certain other corporate transactions of foreign affiliates will be amended to be based on the cumulative surplus entitlement of the Canadian owner of foreign affiliate shares rather than the annual entitlement. The rules will also be modified to remove a number of anomalies.

Amendments will be introduced to clarify the currency of calculation of capital gains and losses realized on the disposition of capital property by foreign affiliates. The amendments will also have the effect of excluding, from the computation of foreign accrual property income, capital gains and losses of controlled foreign affiliates arising on the disposition of shares of other foreign affiliates where all or substantially all the property of the other affiliates is used in an active business. The taxation of any such gains will be deferred until repatriation to Canada. In addition an amendment to the regulations will put half the gain from the disposition of active business assets used in a non-treaty country into taxable surplus.

In situations where foreign affiliates compute their foreign tax liability as part of a consolidated group or make subvention payments to purchase losses of other foreign affiliates, rules will be provided to adjust the surplus accounts and to create foreign accrual tax where appropriate.

These amendments will require changes to both the Income Tax Act and Income Tax regulations. The changes to the regulations will generally be effective from November 12, 1981.

Loans to Non-Residents

Canadian corporations now can advance funds to their foreign subsidiaries through low-interest or interest-free loans without tax consequences. As a result Canada loses tax revenues it would have obtained if the loan had carried a reasonable rate of interest. After 1981 Canadian corporations will be required to pay tax as if the low-interest loan to their foreign subsidiaries had been advanced at the prescribed rate of interest.

Canadian corporations are now required to pay tax on the basis of a reasonable rate of interest on loans to non-residents other than subsidiaries. This requirement will be extended to apply to all forms of debt.

Extension of Part IV Tax

While dividends received by a corporation are generally exempt from income tax, a special 25-per-cent tax is imposed on certain portfolio dividends received by a private company. This tax is refundable when the dividends are subsequently paid out to the private company's shareholders. The purpose of this system is to prevent higher-income individuals sheltering their personal investment income from individual income tax by having their corporation hold their portfolio. The tax can now be avoided if a closely-held company lists one class of shares on a stock exchange, thereby technically becoming public. To prevent this, the tax will be extended to apply to all companies which are under the control of an individual or a related group of individuals.

Tax Changes Affecting Oil and Gas

Petroleum and Gas Revenue Tax

As part of the agreement with Alberta on energy prices and taxation, amendments to the Petroleum and Gas Revenue Tax Act will be introduced.

The basic rate of the tax will be increased to 16 per cent effective January 1, 1982. This applies generally to net revenue from producing oil or gas and to net revenue from processing petroleum to a crude oil stage. A special resource allowance deduction of 25 per cent of income will be provided to those whose income is affected by the non-deductibility of Crown royalties and similar taxes. This allowance will reduce the effective tax rate to 12 per cent. The regulation will be amended to require taxpayers to make their instalment payments after 1981 on the basis of the 12-per-cent rate.

A special allowance will also be provided that will reduce the effective tax rate from 12 per cent to 8 per cent on the Alsands and Cold Lake synthetic oil projects and on the proposed upgrading project in Saskatchewan. This rate will apply to each of these projects until they achieve pay-out of the original investments.

A new tax on "incremental oil revenue" will be introduced effective January 1, 1982. This tax will apply generally to oil which was known to exist prior to 1981. The tax will be 50 per cent of incremental oil revenue less government levies and resource royalties that are applicable to the incremental revenue. The incremental oil revenue will generally be the difference between the revenue from the production of old oil under the price structure introduced in the National Energy Program and the price of oil that will apply under the federal-provincial agreements. Income subject to this new tax will not be taxable for income tax purposes. This new tax will be effected through amendments to the Petroleum and Gas Revenue Tax Act.

Natural Gas and Gas Liquids Tax

The budget contains several changes to this tax pursuant to agreements reached with producing provinces. The excise tax on domestic sales of natural gas will be established at a rate such that the wholesale price to local distributors of natural gas at Toronto will average approximately 65 per cent of the price of crude oil at the Toronto refinery gate. The present rate of 42 cents per gigajoule will remain in effect until February 1, 1982 and will be increased to 63 cents per gigajoule at that time. Changes in the tax rate will be made every six months thereafter by regulation as oil prices increase.

The tax rate on exports of natural gas which originate in Alberta and British Columbia will be set equal to zero for the period October 1, 1981 to December 31, 1986.

The tax rate on natural gas liquids (ethane, propane and butanes) will be set equivalent, on a heat content basis, to the rate on natural gas. The new rates for these products which will apply as of February 1, 1982 are contained in the ways and means motion. Exports of ethane between October 1, 1981 and December 31, 1986 will be eligible for a refund of the tax.

Earned Depletion

Earned depletion on exploration expenditures on Canada Lands will be phased out. The current earned depletion rate of 33 $\frac{1}{3}$ per cent of exploration expenditures will continue until the end of 1982. It will be phased out according to the following schedule: 20 per cent in 1983, 10 per cent in 1984 and zero thereafter.

Depletion at 33 $\frac{1}{3}$ per cent, or an equivalent incentive, will be retained for new synthetic oil projects and for prescribed enhanced oil recovery projects. As a result of the Canada-Saskatchewan understanding, upgrading plants in that province will also continue to qualify for 33 $\frac{1}{3}$ per cent depletion or an equivalent incentive.

Resource Allowance

The resource allowance deduction of 25 per cent of resource profits is provided in lieu of deductibility of provincial levies. Effective January 1, 1982 the allowance for oil and gas will be restructured so that it applies to those who are directly affected by the non-deductibility of Crown royalties and taxes. It will apply to the total production profits of a taxpayer before deduction of royalties payable to other participants in the well. Those with an interest in production but whose royalty income is not directly subject to non-deductible Crown levies will no longer receive a resource allowance. This restructuring will not apply to existing or future bituminous sands mining projects but will affect *in situ* recovery projects such as the Cold Lake project.

Deductibility of Exploration Expenses

Under current law the definition of exploration expenses is scheduled to be modified after the end of this year to treat all wells drilled in a known accumulation of oil or gas, or wells drilled to determine the extent or quality of a known accumulation, as development wells, eligible for a 30-per-cent write-off rate, rather than the 100-per-cent write-off available for exploration. Currently, the costs of such production and delineation wells can qualify for the exploration write-off if the well is capped and does not produce oil or gas within 12 months of its completion. To aid gas producers, the budget proposes that

the scheduled modification to the law be postponed until January 1, 1983. As a result, the cost of gas wells that are drilled in 1982 but are capped for 12 months will continue to qualify for exploration treatment.

Taxation of Income from Major Projects

As agreed with producing provinces the Income Tax Act will also provide that income from a new synthetic oil project, a major expansion of such a project, or the proposed Saskatchewan upgrader may not be sheltered from tax by deductions stemming from expenditures which are not incurred in the construction, operation or maintenance of the project or the major expansion.

Sales and Excise Tax Provisions

Structural Change in the Sales Tax

The budget announces the government's intention to change the basis on which the federal sales tax is levied. Instead of being levied on the first sale of goods by domestic manufacturers or when imports first enter Canada, the tax will be imposed primarily at the point goods are sold to retailers.

The change will have relatively little impact on the majority of Canadian manufacturers who currently sell their products directly to retailers. However, it will address the existing bias in the system against domestic manufacturers as compared with importers of competitive goods. It will also address a number of inequities and anomalies that result from the present wide variations in the way goods are marketed.

Draft legislation to implement the change will be tabled early in 1982. To provide time for the business community to study the proposals and make constructive comments, implementation of the new system will be delayed until July 1, 1982.

Under the current legislation, the federal sales tax is applied on the domestic manufacturer's sale price and on the duty-paid value of imports. This structure gives rise to serious administrative difficulties and inequities in the application of the tax.

One problem arises in determining who the "manufacturer" is. For example, where a manufacturer produces a product for a wholesaler bearing the wholesaler's private brand label, it is not clear which person should pay the tax. Current practice is to collect the tax on the producer's price to the wholesaler, but this price reflects only the physical manufacturing costs and does not include warehousing, marketing and distribution costs subsequently incurred by the wholesaler. This situation is inequitable to other firms who manufacture goods for sale under their own brand name, paying tax on a sale price which includes marketing and distribution costs.

Another problem arises where manufacturers sell products at different trade levels – to wholesalers, retailers and direct to consumers – at different prices. A strict interpretation of the law would require that the tax be applied on the actual sale price irrespective of the trade level. Thus, a product sold for \$100 by a manufacturer to a wholesaler, and in turn sold for \$150 to a retailer, would attract tax of \$9 on the manufacturer's selling price to the wholesaler. However, if another manufacturer sold an identical product to the retailer for \$150, the tax would be \$13.50.

In the past, Revenue Canada has adopted a number of administrative adjustments to minimize such inequities in the application of the act. However, there is no legal sanction for these administrative practices and taxpayers have no avenue to appeal them.

Moreover, they have not mitigated the overall bias in the system against domestic manufacturers in comparison with importers of competitive goods. Imported goods typically carry a lower sales tax liability than do domestic goods because their duty-paid value does not include cost elements that are normally part of the Canadian manufacturer's sale price – costs such as inward transportation, marketing and distribution in Canada, and the distributor's profit. This is clearly illustrated in the following table which compares the effective rates of the federal sales tax on a range of domestic and imported products. The figures are based on the tax collected in a randomly-chosen set of actual transactions. While the examples cover a narrow range of consumer goods, they indicate the magnitude of the tax bias that is faced by domestic manufacturers.

Table 9

Comparison of Federal Sales Tax on Domestic Products and Imports⁽¹⁾

	Effective Federal Sales Tax as a Percentage of Sale Price to Retailers		
	Domestic	Imports	Difference
	(per cent)		
Kitchenware	8.3	3.6	4.7
Cutlery	8.3	5.1	3.2
Small household appliances	8.0	6.0	2.0
Household freezers	6.4	5.2	1.2
Brooms	8.3	5.0	3.3
Household pet products	8.3	4.2	4.1
Novelty paper products	6.9	4.3	2.6
Household textiles	8.3	6.5	1.8
Toys	7.4	3.3	4.1
Sporting goods	7.8	4.6	3.2
Outboard motors	7.2	6.8	0.4
Billiard tables	8.3	6.8	1.5
Record and tape players	8.3	6.3	2.0
Power tools	8.3	6.2	2.1
Building fasteners ⁽²⁾	4.8	3.7	1.1

⁽¹⁾ Based on 1980 data.

⁽²⁾ Building products are taxable at a 5 per cent sales tax rate.

This reform of the federal sales tax system completes an in-depth analysis done over the past several years. The study commenced with the publication of a Discussion Paper which was tabled with the June 23, 1975 budget. Subsequent review of almost 200 submissions from trade associations and other interested persons culminated in the tabling of a report by an interdepartmental group in

1977. More recently there have been numerous meetings with trade associations, individuals and representatives of various government departments to discuss the issues.

These studies and discussions have led the government to the conclusion that the only viable option is to impose the tax, for both imported and domestic goods that are normally marketed to retailers, on their sale price to retailers. Those few goods that are mainly or exclusively sold directly to consumers will be taxed on their actual sale price.

The new system will reduce variations in the ultimate cost to consumers of the sales tax caused by differences in marketing and distribution practices, and remove the substantial competitive disadvantage now suffered by domestic manufacturers in relation to importers.

While details of the proposed change will be spelled out in the draft legislation, the new system will include the following features:

- Expanded appeal provisions will be included in the revised Act to cover questions on valuations including notional values – valuations determined by Revenue Canada on sales by a manufacturer or wholesaler directly to users – and other areas where the person's tax liability is affected.
- The tax rate will be reduced so as to generate the same amount of revenue as now.
- Wholesalers who sell their goods to users in competition with wholesalers who sell to retailers will be able to account for the tax on determined values equivalent to prices charged to retailers.
- Firms that are essentially retailers but also make some sales by wholesale will be allowed to carry their inventories on a tax-paid basis if they wish to do so. Proceeding in that manner will relieve them of any additional tax on their sales to users. However, they will be liable for tax on the wholesale value added in the case of sales to other retailers.
- An additional tax will be imposed upon purchases by large retailers to equalize the tax burden on their goods to that borne by small retailers.
- Transportation costs incurred in getting foreign goods to the point of customs clearance will be included in the value for tax. Transportation costs beyond the manufacturer's door in Canada will be excluded from the sale price in calculating the tax.
- Taxes on alcohol and tobacco products will continue to be levied at the manufacturers' level.

The new system will have little or no impact upon manufacturers of taxable goods who are already licensed. These persons will be required to account only

for the tax on their sales to retailers and users. Their sales to wholesalers will be exempt of tax and the wholesaler will account for the tax on his subsequent resale to retailers and users.

Wholesalers of taxable goods not already licensed under the Excise Tax Act will be required to be licensed. However, these new licensees will be able to acquire goods for resale on a tax-free basis. It is estimated that in total these firms will enjoy a \$400 million reduction in their inventory financing requirements as a result of this relief. This will provide a substantial ongoing saving.

Other Commodity Tax Changes

The budget proposals include three other changes in the area of sales and excise taxes. Effective December 1, 1981, the penalty for failure to pay sales and excise tax by the due date is increased from 1 per cent to 1.5 per cent per month.

Henceforth, small manufacturers of taxable goods who are entitled to acquire production equipment exempt of sales tax will be required to submit refund claims to obtain tax relief. Prior to November 12, 1981, suppliers to these firms have been required to submit claims on their sales to these persons.

Effective immediately, the excise tax on wines having an alcoholic content not more than 1.2 per cent of absolute ethyl alcohol by volume is reduced to 1.1 cents per litre and indexed in the same manner as other alcoholic beverages.

Customs Tariff Changes

The budget implements most of the recommendations made by the Tariff Board in its report on Part 1 of Reference No. 158 dealing with improvements in the General Preferential Tariff (GPT) for developing countries. The Board recommended broadened product coverage under the GPT as well as reduced duty rates on a range of products of interest to developing countries. The budget also provides for the removal of duties on goods covered by the GPT when imported from the least developed of the developing countries (LLDC). Authority for GPT tariff rate quotas is also being introduced.

The Customs Tariff is also being amended to implement a new Agreement on Trade and Economic Co-operation between Canada and New Zealand. The new agreement replaces the existing Canada-New Zealand Trade Agreement. A further amendment provides authority for the government to convert to the metric system those provisions in the Customs Tariff that are described in imperial measure.

A new tariff provision being introduced would authorize the government to provide duty-free entry for products that are designed for disabled persons. In addition, the duties are being removed on selector control devices used by disabled persons and electronic devices to aid persons with speech impediments.

A new tariff schedule is being introduced for dental materials. It will provide duty-free entry for certain dental materials which are not available from Canadian production, as well as reduced rates on certain other products. Duty-free entry is being extended to certain religious printed materials, unexposed instant film for hospitals, and seeds for growing green and yellow wax beans.

A number of technical tariff changes are also being made. One, covering canned tuna and bonito, is designed to restore tariff levels that existed prior to a change in tariff interpretation. Others are designed to clarify the intent of the statute without changing rates of duty.

**Notice of Ways and Means Motion —
Income Tax Act (1)**

Notice of Ways and Means Motion to Amend the Income Tax Act (1)

That it is expedient to amend the Income Tax Act and to provide among other things:

Employee Benefits

- (1) That for the 1982 and subsequent taxation years,
 - (a) the benefit determined under paragraph 6(1)(a) of the Act with respect to an automobile made available to an employee or to a person related to an employee be valued in accordance with prescribed rules,
 - (b) the reasonableness of any allowance under paragraph 6(1)(b) of the Act with respect to the use by an employee of an automobile be determined in accordance with prescribed rules, and
 - (c) an employer's contribution to a private health services plan with respect to any employee be required to be included in the income of the employee from an office or employment and be treated as a medical expense of the employee.

Automobile Standby Charges

- (2) That for the 1982 and subsequent taxation years, the provisions of the Act relating to the monthly standby charge for an automobile made available by an employer
 - (a) be applicable in any case where an employee or a person related to the employee made personal use of the automobile, and
 - (b) be modified to increase the minimum monthly standby charge to 2 1/2% of the automobile's capital cost or 5/6 of its leasing costs, as the case may be,

except that these provisions not apply where the Minister of National Revenue is satisfied that the minimum standby charge for the year exceeds the benefit with respect to the automobile that would be determined under paragraph 6(1)(a) of the Act had the employee or a person related to him not paid any amount to the employer for the use of the automobile in the year.

Special Work Site

- (3) That for the 1981 and subsequent taxation years, the exclusion from income of any benefit in respect of transportation, board and lodging provided to employees on a temporary work assign-

ment at a special work site be extended to all such employees who maintain a self-contained domestic establishment away from that site.

Employee Stock Options

(4) That for the purpose of subsection 7(1.1) of the Act, a share of a Canadian-controlled private corporation acquired by an employee not be treated as having been disposed of within a two-year period by reason only of the conversion of the share after March 31, 1977 on the amalgamation of the corporation.

Workmen's Compensation

(5) That for the 1982 and subsequent taxation years, a deduction be allowed to any employee who, out of the proceeds of a Workmen's Compensation Award paid to him in respect of a particular injury, reimburses his employer for any salary or wage paid to him.

Annuity Contracts

(6) That for the purposes of the provisions of the Act relating to annuity contracts and of the paragraphs of this Motion relating to life insurance policies, any premium paid by a person or partnership after December 19, 1980 under an annuity contract or after November 12, 1981 under a life insurance policy be deemed to have been paid to acquire an interest in a separate annuity acquired or policy issued at the time the premium is paid unless the amount of the premium was fixed and determined

(a) before December 20, 1980, in the case of an annuity contract to which the provisions of subsection 12(3) of the Act apply, and

(b) before November 13, 1981, in the case of a life insurance policy other than an annuity contract to which subparagraph (a) applies.

Employee Benefit Trusts

(7) That for the 1980 and subsequent taxation years, the income paid to an employer out of a trust governed by an employee benefit plan not reduce the amount of the employer's contributions to the trust that may subsequently be deducted in computing the employer's income when benefits are distributed to employees.

Accrued Interest Income

(8) That

(a) for taxation years commencing after November 12, 1981, rules be prescribed for the purpose of subsection 12(3) of the Act to determine the amount of interest accruing on any debt obligation, and

(b) subsection 12(5) of the Act cease to apply on and after December 31, 1984, and any interest accrued to that date with respect to an obligation to which that subsection applied be deemed for the purpose of subsection 12(3) of the Act to have accrued in the fiscal period that included that date to the extent that it had not previously been included in income.

**Accrued
Investment
Income**

(9) That a taxpayer (other than a taxpayer to which subsection 12(3) of the Act applies) be required every third anniversary from

(a) the date of issue of a life insurance policy (other than an annuity) issued after November 12, 1981,

(b) December 31 of the year of issue of any debt obligation where the interest reasonably attributable to that obligation is paid at intervals exceeding three years, and

(c) the date of issue of an interest in an annuity acquired by the taxpayer,

to include in computing his income for the taxation year in which such anniversary occurs the income accrued to such anniversary date in respect of the policy, obligation or annuity, as the case may be, that has not previously been included in his income and, for this purpose,

(d) the initial third anniversary for a debt obligation acquired by a taxpayer on or before November 12, 1981 shall be considered to be December 31, 1984 in any case where the taxpayer and the issuer do not deal with each other at arm's length and December 31, 1987 in any other case,

(e) the initial third anniversary for an annuity acquired by a taxpayer on or before November 12, 1981 shall be considered to be its anniversary date in 1984 in any case where the taxpayer and the issuer do not deal with each other at arm's length, and its anniversary date in 1987 in any other case, and

(f) rules be prescribed to determine the amount of income accruing on any debt obligation or life insurance policy.

**Accrued
Income**

(10) That

(a) the provisions of subsection 12(4) of the Act relating to the accrual of income on an annuity contract be extended to apply to any interest in a life insurance policy (other than an annuity contract) issued after November 12, 1981, and

(b) the exclusion in subsection 12(4) of the Act for an annuity contract acquired before December 20, 1980 be withdrawn effective on and after December 31, 1984 and any income accrued to that date with respect to an annuity contract to which the exclusion applied be deemed for the purpose of subsection 12(3) of the Act to have accrued in the fiscal period that included December 31, 1984 to the extent that it had not previously been included in income.

**Leaseback
Arrangements**

(11) That for the purpose of subsection 13(5.2) of the Act, a building rented under a lease-leaseback arrangement by a taxpayer and owned by him after November 12, 1981 be deemed to have been acquired by him at the earlier of the date on which he disposed of the building and the date on which the lease is terminated.

**Shareholder
Loans**

(12) That for the 1982 and subsequent taxation years, the provisions of subsection 15(2) of the Act apply not only to loans but also to other forms of indebtedness and, where an amount owing by a person who is connected to a shareholder is to be included in income by virtue of that subsection, the amount be included in the income of the shareholder.

**Small
Business
Bonds**

(13) That the provisions of section 15.1 of the Act relating to small business development bonds be modified

(a) to extend the deadline for issuing qualifying small business bonds to December 31, 1982,

(b) to permit a qualifying small business bond to be issued after November 12, 1981 and before 1983 by

(i) an individual (other than a trust) who has not, or is not a member of a partnership that has, previously made a joint election in respect of a small business bond or who does not control or is not a member of a related group that controls a corporation that had previously made such an election, or

(ii) a partnership where all of its members are individuals who are entitled to make a joint election

provided that the funds are used exclusively in Canada by the individual or partnership in an active business that is in financial difficulty,

(c) to permit an eligible small business corporation to issue a qualifying small business bond after November 12, 1981 only if no person who controls or is a member of a related group that controls the corporation or no partnership that owns shares of the corporation had previously made a joint election in respect of a small business bond,

(d) to permit an obligation issued after 1981 by an eligible small business corporation to be a qualifying small business bond only if the funds are used exclusively in Canada in an active business that is in financial difficulty, and

(e) with respect to small business bonds issued after November 12, 1981, to treat only those payments of interest in excess of 6% per annum as taxable dividends unless the

bond was issued by an eligible small business corporation pursuant to an agreement in writing to do so entered into before November 12, 1981.

**Loans to
Non-Residents**

(14) That for any period commencing after 1981, the provisions in section 17 of the Act be amended

(a) to extend the interest imputation requirement to any form of indebtedness regardless of its term,

(b) to remove the exception for loans to a subsidiary controlled corporation, and

(c) to require the imputation of interest at a prescribed rate on non-arm's length indebtedness.

**Real Estate
Costs**

(15) That soft costs (other than landscaping costs) incurred after November 12, 1981 with respect to real property of a taxpayer, other than a corporation whose principal business is the leasing, rental, development or sale of real property, and before the completion of a building thereon be included in the capital cost of the land or building, as the case may be, rather than treated as a deductible expense.

**Disallowed
Royalties**

(16) That paragraph 18(1)(m) of the Act be amended to clarify that the disallowance of Crown royalties and similar government levies applies to any amount described in that paragraph that is paid or payable at any time after May 6, 1974.

**Thin
Capitalization
Rules**

(17) That for taxation years commencing after November 12, 1981, the capital invested in a corporation resident in Canada by shareholders other than specified non-residents be excluded from shareholders' equity for the purposes of the thin capitalization rules.

**Lease
Cancellation
Payments**

(18) That any payment relating to the cancellation after November 12, 1981 of a lease of property of a taxpayer to which paragraph 20(1)(z) of the Act applies, be treated for the purpose of subsection 18(9) of the Act as a prepaid expense relating to the term of the lease, including any renewal period, remaining immediately before the lease was cancelled and be treated for the purpose of subsection 13(5.2) of the Act as a payment made by the taxpayer for the right to use the property before its acquisition by him.

**Warranty
Reserves**

(19) That for the 1979 and subsequent taxation years, a taxpayer who has with respect to property manufactured by him undertaken in a contract relating exclusively to the provision of extended warranty or other similar services beyond those normally provided with respect to such property be allowed a reserve in respect of the portion of the lesser of

(a) the consideration received by him under the contract, and

(b) the expense incurred by him after December 11, 1979 to insure the risk under such contract with a licensed insurer

that relates to the period after the end of the year.

**Interest on
Money
Borrowed**

(20) That no deduction be allowed in respect of interest paid or payable on indebtedness with respect to

(a) the acquisition after November 12, 1981 of an income-averaging annuity contract,

(b) contributions after November 12, 1981 to a registered retirement savings plan, or

(c) contributions after November 12, 1981, other than employer contributions, to a registered pension plan or a deferred profit sharing plan.

**Contributions
to Pension
Plans**

(21) That for taxation years commencing after November 12, 1981, the deduction by a member of a related group of employers in respect of his contributions to one or more registered pension plans for the benefit of an individual who is employed by him be restricted to that proportion of the amount that would be deductible by the member if all such contributions by members of the group in respect of the individual and all remuneration paid to the individual by all such members for the year were paid by the member that

(a) the aggregate of all such contributions by the member to such plans in respect of the individual for the year

is of

(b) the aggregate of all such contributions by members of the group in respect of the individual for the year.

**Terminal
Losses**

(22) That for any disposition after November 12, 1981 by a taxpayer of a building, the terminal loss rules be modified to provide that

(a) where another building that is depreciable property is owned by the taxpayer at the end of the taxation year in which the terminal loss occurs or the following year, the taxpayer be denied the deduction of the loss and be required to add the amount thereof to the capital cost of the other building,

(b) where the terminal loss of the taxpayer is not added to the cost of a building, the taxpayer be denied the loss and be required to add the amount thereof to the cost of any other capital property that is land owned by him at the time of the disposition or acquired by him before the end of the taxation year in which the loss occurs, and

(c) where the terminal loss is not added to the cost of a building or of land, one-half of the loss be denied as a deduction.

**Restricted
Interest
Expense**

(23) That for the 1982 and subsequent taxation years, the provisions of the Act relating to the deduction of interest be amended to provide that in computing the income of an individual or a partnership

(a) any interest expense otherwise allowable as a deduction in computing the income of the individual or partnership from property for a year (referred to in this Motion as "restricted interest expense") be deductible only to the extent of the income from property for the year,

(b) the individual or partnership may elect to treat as a capital loss for the year any portion of the restricted interest expense for a year that is not deductible in the year, and

(c) the amount by which the restricted interest expense of the individual or partnership for a year exceeds the aggregate of the amount thereof that was deductible for the year and the amount thereof that was treated as a capital loss for the year may be carried forward and treated as interest expense incurred in the following taxation year,

and for this purpose,

(d) any benefit required by virtue of section 80.4 of the Act to be included in computing the income of an individual for a year will be treated as interest expense incurred by him in the year,

(e) except where all or substantially all the property of a partnership is used in an active business or a non-qualifying business, any interest expense incurred by an individual or partnership in a year on loans made to invest in the partnership will be treated as an expense incurred to earn income from property, and

(f) the restricted interest expense of an individual or partnership will not include interest incurred on a loan (other than a non-arm's length loan) the proceeds of which were used to finance the acquisition by it on or before November 12, 1981 of a residential rental building in Canada or at any time to refinance such acquisition.

**Specified
Investment
Business**

(24) That for taxation years commencing after November 12, 1981, the provisions of this Motion relating to restricted interest expense apply for the purpose of computing the income of any corporation for a year from a specified investment business as defined in paragraph 125(6)(h) of the Act.

Ceasing to Carry on Business

(25) That where a taxpayer elects after 1979 under subsection 25(1) of the Act to extend the fiscal period of a business, any income (other than a capital gain) arising from a disposition in the extended fiscal period of eligible capital property or depreciable property related to the business be included in the taxpayer's income for that fiscal period.

Employee Benefit Payments

(26) That for the 1980 and subsequent taxation years, benefits under an employee benefit plan paid to the estate or heirs of an employee qualify for allocation to employers for the purposes of subsection 32.1(2) of the Act.

Work in Progress

(27) That in computing the income for fiscal periods ending after 1981 from a professional business, the work in progress relating to the business at the end of the period be included at the lesser of its cost and its net realizable value.

Scientific Research

(28) That the rules in section 37 of the Act governing the deductibility of expenditures in respect of scientific research be modified for taxation years ending after January 12, 1981 to clarify that the accumulated research expenditures are not reduced by twice the accumulated claims in respect of scientific research expenditures of a capital nature.

Capital Property

(29) That for the 1980 and subsequent taxation years, the Act be amended to clarify that an insurance policy other than a life insurance policy is not a capital property.

Capital Gains Elections

(30) That

(a) after Royal Assent to any measure giving effect to this paragraph, capital gains elections under subsection 39(4) of the Act be required to be made in prescribed form, and

(b) capital gains elections under subsection 39(4) of the Act not apply with respect to any disposition of property after November 12, 1981 by an insurance corporation or any person whose principal business is the purchasing of mortgages or similar debt obligations.

Capital Gains and Other Reserves

(31) That for dispositions of property after November 12, 1981, no amount be deductible in a taxation year as a reserve under paragraph 20(1)(n), subparagraph 40(1)(a)(iii) or section 64 of the Act with respect to any portion of the proceeds of disposition not due before the end of the year.

Foreign Affiliate

(32) That where at any time after November 12, 1981 a foreign affiliate of a taxpayer becomes resident in Canada, the affiliate's taxation year be deemed to have ended immediately before that time and the affiliate be deemed to have disposed immediately before the end of that year of all its capital property, other than taxable Canadian property, at fair market value and a rule be

applicable to counter the avoidance of tax on the accumulated taxable surpluses of the affiliate and each other affiliate of the taxpayer in which the affiliate has an equity percentage.

**Tax-Free
Dispositions**

(33) That the tax-free disposition provisions in sections 51, 85, 86 and 97 of the Act not apply with respect to a disposition or exchange after November 12, 1981 in any case where the disposition or exchange is of a convertible property or a share of the capital stock of a corporation and is part of a transaction or event or series of transactions or events which results in the control of a corporation being acquired by a person or any group of persons that did not control the corporation immediately before the transaction or event or series of transactions or events.

**Metric
Measures**

(34) That effective after 1981, the measurements referred to in the Act be converted into their metric equivalents.

**Non-Resident
Trusts**

(35) That subparagraph 54(c)(v) of the Act not apply to any transfer after November 12, 1981 of property to a non-resident trust.

**Share
Conversions**

(36) That effective after November 12, 1981, clause 54(c)(ii)(C) of the Act be amended to clarify that a disposition includes any conversion of a share of the capital stock of a corporation on a merger.

**Principal
Residence**

(37) That with respect to the portion of any capital gain that accrues after 1981, the provisions of the Act relating to a principal residence be modified to provide that

(a) only one residence per family be permitted to be designated as a principal residence for a taxation year and, for this purpose, "family" means a taxpayer and his spouse (other than a spouse living apart and legally separated from the taxpayer), and

(b) the principal residence exemption not be available to an individual in respect of any year throughout which he was unmarried and under 18 years of age.

**Capital Gain
Strips**

(38) That

(a) effective after April 21, 1980, the exemption in subsection 55(2) of the Act not apply in respect of dividends that are subject to the Part IV tax where such tax is refunded as part of the transaction or event or series of transactions or events referred to in that subsection and subsection 55(1) of the Act not apply in such circumstances,

(b) effective with respect to dividends received after November 12, 1981, for the purposes of subsection 55(2) of the Act, the income earned or realized by a corporation after

1971 include only that income earned or realized after 1971 and before the transaction or event or the commencement of a series of transactions or events referred to in paragraph 55(3)(a) of the Act, and

(c) effective with respect to any distribution of property by a corporation to one or more other corporations that is part of a series of transactions or events described in paragraph 55(3)(b) of the Act that commenced after November 12, 1981, rules be provided to allocate the corporation's cumulative deduction account.

**Maintenance
Payments**

(39) That for purposes of the income tax treatment of maintenance payments made after December 11, 1979, authority be provided in the Act to prescribe the provincial laws requiring persons, other than spouses, to provide support.

**Spousal
Transfers**

(40) That for the 1982 and subsequent taxation years, a taxpayer be allowed to transfer funds on a tax-free basis from his registered retirement savings plan to a registered retirement savings plan for his spouse or former spouse from whom he is living apart where a court orders a division of the plan between spouses on or after the breakdown of the marriage, unless they cease to live apart within 12 months from the date of the order.

Tuition Fees

(41) That for the 1982 and subsequent taxation years,

(a) the deduction of a student's tuition fees be reduced by any amount in respect of such fees that was excluded from income by virtue of subparagraph 6(1)(b)(ix) of the Act,

(b) for courses offered at educational institutions certified by the Minister of Employment and Immigration, the \$50 monthly student allowance and the deduction for tuition fees paid be restricted to adult occupational training courses, and

(c) the threshold for deductible tuition fees be increased to \$100.

**Retiring
Allowances**

(42) That the maximum amount that qualifies for a tax-free transfer to a registered pension plan or a registered retirement savings plan in respect of all retiring allowances received by a taxpayer after November 12, 1981 from one or more members of a related group of employers be restricted to \$3,500 multiplied by the number of years during which the taxpayer was employed by, and was not a member of a registered pension plan or a deferred profit sharing plan of, one or more members of the group.

**Income-Averaging
Annuity Contracts**

(43) That no amount be deductible by an individual in respect of any payment made after November 12, 1981 as consideration for an income-averaging annuity contract unless the contract provides

that all amounts receivable thereunder are to be paid to him on or before December 31, 1982.

Exploration Probes

(44) That the definition of an oil or gas well be amended to clarify that an expense incurred after 1980 in drilling an exploratory probe qualifies as an exploration expense.

Canadian Exploration Drilling Expenses

(45) That the provisions of subsection 66.1(6) of the Act relating to the costs incurred before 1982 in drilling an oil or gas well in Canada that are included in the definition "Canadian exploration expense" be extended to include such costs incurred before 1983.

Disposition of Canadian Oil and Gas Property

(46) That the provisions of the Act relating to the disposition of a Canadian oil and gas property acquired by a successor corporation from a predecessor corporation be changed to allow the proceeds on a disposition thereof after 1980 to be offset by the cumulative Canadian development expense acquired from the predecessor corporation.

Exploration and Development Shares

(47) That section 66.3 of the Act be amended to remove the requirement to treat as inventory a share of the capital stock of a corporation acquired after November 12, 1981 as consideration for incurring Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses.

Spousal Trusts

(48) That any trust created as a consequence of the death of a taxpayer after December 31, 1980, including a trust created as a consequence of a taxpayer dying intestate, be considered to have been created by the taxpayer's will for the purposes of subsections 70(6) and 104(4) of the Act.

Repossessions

(49) That section 79 of the Act be amended to provide that the cost to a taxpayer of property acquired by him after November 12, 1981 as a consequence of the failure of another person to pay an amount owing to the taxpayer in respect of the property be the amount by which the cost to the taxpayer of the amount owing exceeds any amount deducted by him for the immediately preceding taxation year under subparagraph 40(1)(a)(iii) or paragraph 20(1)(n) of the Act in respect of the property.

Inter-Corporate Debt

(50) That inter-corporate indebtedness which would otherwise be extinguished on an amalgamation or liquidation after November 12, 1981 be deemed to have been settled, before the amalgamation or liquidation, for the net cost to the holder of the indebtedness.

Employee and Shareholder Loans

(51) That for the 1982 and subsequent taxation years, the provisions of section 80.4 of the Act relating to employee and certain other loans be modified

(a) to apply not only to loans but also to other forms of indebtedness,

(b) to withdraw the exclusion for amounts owing in respect of a purchase of shares,

(c) to remove the \$500 threshold for all loans and the \$50,000 exclusion for housing loans,

(d) to not apply to any indebtedness on which the interest rate is not less than the rate that would have been available in the open market at the time the debt was incurred having regard to its term,

(e) to require the taxable benefit for a year in respect of any indebtedness, other than a loan made to an employee or his spouse to assist in the acquisition of a dwelling for his habitation (in this paragraph referred to as a "home purchase loan"), outstanding in a taxation year to be calculated by reference to the prescribed rate of interest for the year,

(f) to provide that on home purchase loans the taxable benefit for the year be calculated by reference to the lesser of the prescribed rate of interest applicable when the loan was made and the prescribed rate of interest for the year and, for this purpose, a home purchase loan having a term exceeding five years shall be deemed to be a new loan made on its fifth anniversary date and the prescribed rate of interest in respect of a home purchase loan made on or after November 12, 1981 and before 1982 shall be deemed to be that in effect for January, 1982,

(g) to require the inclusion in an individual's income of the amount of any benefit provided to any person or partnership with respect to any loan or other form of indebtedness that can reasonably be considered as having been provided by virtue of the individual's employment or shareholding,

(h) to require the inclusion in the income of a corporation that carries on a personal services business the amount of any benefit with respect to a loan or other form of indebtedness extended by reason of the performance of such services, and

(i) to provide that the amount of the benefit determined for a taxation year with respect to indebtedness be reduced by the interest payable for the year that is paid within 30 days from the end of the year rather than that paid before the end of the subsequent year.

**Employee
Loans**

(52) That for the 1980 and subsequent taxation years, subsection 6(9) and paragraphs 80.4(1)(d), (2)(a) and (b) of the Act be amended to refer to the individual or loan described in paragraph 80.4(1)(a.1) of the Act.

**Exempt
Income**

(53) That for the 1982 and subsequent taxation years, the treatment accorded the guaranteed income supplement and similar

provincial payments, whereby the amount is included in the recipient's income and deducted in computing his taxable income, be extended to payments under any social assistance program based on a means, needs or income test (other than payments under a prescribed program) and to certain payments to individuals that are excluded from income under section 81 of the Act.

**Deemed
Dividends**

(54) That effective after November 12, 1981, subsections 84(1) to (4) of the Act not apply to a shareholder (other than a private corporation) resident in Canada in respect of any shares of the capital stock of a public corporation with which he deals at arm's length.

**Non-Arm's
Length Sale
of Shares**

(55) That where a corporation acquires shares after November 12, 1981 in a transaction to which section 84.1 of the Act applies, that section apply in respect of the increase in the corporation's paid-up capital by virtue of the acquisition.

**Transfers to
a Corporation**

(56) That section 85 of the Act apply with respect to dispositions after November 12, 1981 by a person or a partnership of property only where paragraph 33 of this Motion is not applicable and where the property is transferred to a corporation that is controlled by the transferor or by a person who controlled the transferor or is transferred by an individual, other than a trust, or a partnership all of the members of which are individuals, other than trusts, to a Canadian-controlled private corporation eligible for the small business deduction.

**Transfers of
Depreciable
Property**

(57) That where, after November 12, 1981, a taxpayer or partnership has transferred depreciable property of a prescribed class to a person who controls the transferor, to a corporation controlled by such person or the transferor or to a partnership of which the transferor is a majority interest partner and the proportion of the undepreciated capital cost of the property of that class that the fair market value of the transferred property is of the fair market value of all properties of the class exceeds the fair market value of the transferred property,

(a) the property be deemed to have been disposed of by the transferor and to have been acquired by the transferee for an amount equal to that proportion of the undepreciated capital cost of the property of the class,

(b) the capital cost of the property to the transferee be deemed to be the amount that was the capital cost thereof to the transferor,

(c) the amount by which the capital cost of the property exceeds the cost thereof to the transferee be deemed to have been previously allowed to him as depreciation, and

(d) the cost to the transferor of any consideration received by him in respect of the transfer be deemed not to exceed the fair market value of the property at the time of the transfer.

Share for Share Exchanges

(58) That subsections 85.1(1) and (2) of the Act not apply with respect to share for share exchanges occurring after November 12, 1981.

Short Form Amalgamations

(59) That subsection 87(1.2) of the Act be amended to permit a new corporation formed on an amalgamation after December 14, 1975

(a) to deduct the exploration and development expenses on the same basis as would have been available to the predecessor parent corporation, and

(b) to be treated for the purposes of the rules relating to joint exploration corporations as a continuation of the parent corporation that was a shareholder corporation within the meaning of paragraph 66(15)(i) of the Act.

Amalgamations

(60) That

(a) subsection 87(4) of the Act not apply to shareholders of a predecessor corporation where a person or any group of persons that controls the new corporation immediately following an amalgamation occurring after November 12, 1981 did not control the predecessor corporation immediately before the amalgamation, or where the amalgamation is part of a series of transactions or events the result of which is that the new corporation is controlled by any person or group of persons that did not control the predecessor corporation immediately before the commencement of the series of transactions or events, and

(b) subsection 87(9) of the Act not apply with respect to amalgamations occurring after November 12, 1981.

Control on a Winding-Up

(61) That in respect of a winding-up commencing after November 12, 1981, where a taxpayer has acquired control of a corporation from an individual in a non-arm's length transaction, the taxpayer be deemed for the purposes of paragraphs 88(1)(c) and (d) of the Act to have last acquired control of the corporation at the time the individual or another person related to the individual acquired control of the corporation.

Capital Dividend Account

(62) That the definition "capital dividend account" be amended with respect to dispositions by a corporation of property after November 12, 1981 to exclude the portion of any capital gain or loss from the disposition that may reasonably be considered to have accrued while the property or any property for which it was substituted was held by a corporation other than a private corporation.

Foreign Affiliate Trusts

(63) That for taxation years commencing after November 12, 1981, the rules in section 94 of the Act be extended to apply in circumstances where a person resident in Canada has purchased an

interest in a non-resident trust or has, through one or more non-resident trusts, a beneficial interest in a trust that would, if held directly, be subject to those rules.

**Foreign
Affiliate
Reorganizations**

(64) That

(a) subsection 85.1(3) and paragraph 95(2)(c) of the Act be amended to apply to a disposition of shares of a foreign affiliate of a taxpayer after November 12, 1981 only where the disposition is to a foreign affiliate controlled by the taxpayer,

(b) effective after November 12, 1981, a definition "foreign merger" be added to the Act similar to the definition of amalgamation in subsection 87(1) of the Act read without reference to the exception for a merger by means of the acquisition of property,

(c) effective after November 12, 1981, subsection 87(8) and paragraph 95(2)(d) of the Act relating to mergers of foreign affiliates of a taxpayer be amended to apply only to foreign mergers and be extended to apply to foreign mergers of other non-resident corporations,

(d) changes similar to those proposed in this Motion to subsection 87(4) of the Act be made applicable to foreign mergers after November 12, 1981,

(e) a rule be introduced to allow a tax-free transfer of any capital property on a foreign merger after November 12, 1981 of two or more foreign affiliates of a taxpayer in each of which the taxpayer's equity percentage was at least 90% to form a new foreign affiliate in which the taxpayer's equity percentage was at least 90% where such property was transferred free of foreign tax from the predecessor affiliates to the new affiliate,

(f) subsection 88(3) and paragraph 95(2)(e) of the Act relating to the liquidation of foreign affiliates of a taxpayer be amended to apply only to liquidations after November 12, 1981 of a foreign affiliate that was controlled by the taxpayer, and

(g) a rule be introduced to allow a tax-free transfer of any capital property on a liquidation after November 12, 1981 of a foreign affiliate of a taxpayer if the taxpayer's equity percentage in the foreign affiliate was at least 90% and the property was transferred free of foreign tax to another foreign affiliate of the taxpayer.

**Excluded
Property of
Foreign
Affiliates**

(65) That

(a) after November 12, 1981, the expression "excluded property" of a foreign affiliate be defined in the Act to mean property of an affiliate that is used in an active business of the affiliate, shares of the capital stock of another foreign affiliate all or substantially all of the property of which is excluded property and interests of the affiliate in partnerships, other than limited partnerships, in which the affiliate has at least a 10% interest where all or substantially all of the partnership property is used in an active business,

(b) any gain or loss of a foreign affiliate realized after November 12, 1981 with respect to indebtedness incurred for the purpose of acquiring excluded property be treated as a gain or loss from the disposition of excluded property,

(c) taxable capital gains and allowable capital losses of a foreign affiliate from the disposition after November 12, 1981 of excluded property (other than a disposition of shares to which paragraph 95(2)(c), (d) or (e) of the Act applies) be excluded from its foreign accrual property income,

(d) where at any time after November 12, 1981 a foreign affiliate disposes of shares of a second foreign affiliate that are excluded property (other than in a disposition to which paragraph 95(2)(c), (d) or (e) of the Act applies), an election under subsection 93(1) of the Act be deemed to be made in respect of such shares for a prescribed amount equal to the lesser of the proceeds of disposition and the amount that represents the portion of the net surplus of the second affiliate at that time that would be attributable to the shares sold if each foreign affiliate in which the second affiliate had an equity percentage had paid out its net surplus immediately before that time as a dividend, and

(e) a general anti-avoidance rule be introduced to deny the application of subsection 85.1(3) of the Act on a disposition after November 12, 1981 by a taxpayer of shares of a foreign affiliate, all or substantially all of the property of which is excluded property, to another foreign affiliate where the disposition is part of a transaction or series of transactions for the purpose of disposing of the shares to a person with whom the taxpayer deals at arm's length.

**Foreign
Accrual Tax**

(66) That for the 1982 and subsequent taxation years, prescribed rules be provided to determine the foreign accrual tax in respect of an amount included in a taxpayer's income under subsection 91(1) of the Act where the foreign tax liability of two or more foreign affiliates of the taxpayer is determined on a consolidated basis or where in determining its foreign tax liability a foreign affiliate of the taxpayer deducts a loss of another foreign affiliate of the taxpayer.

Foreign Partnerships

(67) That effective after November 12, 1981, the adjusted cost base of an interest in a partnership owned by a foreign affiliate of a taxpayer be such amount as is prescribed.

Gains and Losses of Foreign Affiliates

(68) That effective after November 12, 1981, the capital gains and losses of a foreign affiliate of a taxpayer be calculated

(a) in Canadian currency in the case of property, other than excluded property, of a controlled foreign affiliate, and

(b) in the relevant foreign currency in all other cases,

and the provisions of paragraphs 95(2)(g) and (h) of the Act be applicable for all purposes of the Act.

Foreign Accrual Property Income

(69) That the provisions of subparagraph 95(2)(b)(i) of the Act be extended to include any amount paid or payable after November 12, 1981 to a controlled foreign affiliate of a taxpayer by a person other than the taxpayer that may reasonably be considered to relate to an amount that was deductible by the taxpayer or by a person related to the taxpayer in computing income from a business carried on in Canada.

Transfers to a Partnership

(70) That the tax-free transfer provisions of section 97 of the Act with respect to transfers after November 12, 1981 of property apply only where paragraph 33 of this Motion is not applicable and where the property is transferred to a partnership in which the transferor has a majority interest or where all of the members of the partnership are individuals other than trusts.

(71) That for transfers after November 12, 1981 of property to a partnership, rules similar to those in section 85 of the Act apply

(a) with respect to the amount which may be elected in respect of the transfer, and

(b) to prohibit any tax deferral on a transfer to the partnership of real property, an interest therein or an option in respect thereof, owned by a non-resident or of real property inventory

and rules be introduced to permit the deduction by a majority partner of losses arising from the transfer after November 12, 1981 by him of inventory to a partnership.

Testamentary Trusts

(72) That for taxation years commencing after November 12, 1981,

(a) the provisions of subsection 104(8) of the Act be extended to apply to testamentary trusts, and

(b) the definition "testamentary trust" be changed to exclude a trust created after November 12, 1981 if before the end of

the year property has been contributed to the trust otherwise than as a consequence of the death of a person and to exclude a trust created before November 13, 1981 if before the end of the year property has been contributed to the trust, otherwise than on the death of a person, the fair market value of which exceeds the fair market value of the property of the trust contributed on the death of a person.

Trust Allocations

(73) That

(a) amounts flowed through a trust after November 12, 1981 to a beneficiary not retain their character except as otherwise expressly provided in the Act,

(b) for taxation years commencing after November 12, 1981, the provisions that allow the capital cost allowance or earned depletion of a trust to be flowed through the trust to a beneficiary cease to apply,

(c) for taxation years ending after November 12, 1981, the provisions that allow foreign taxes to be flowed through a trust to a beneficiary cease to apply to amounts deducted by the trust under subsection 20(12) of the Act,

(d) for taxation years ending after November 12, 1981, specified pension and death benefits retain their character when flowed through a trust to a beneficiary, and

(e) effective after November 12, 1981, a provision be introduced to counter tax avoidance where in a taxation year a trust distributes an amount to or designates an amount in respect of a beneficiary and one of the results thereof is an undue reduction or postponement of tax otherwise payable under the Act.

Deemed Dispositions by Spousal Trusts

(74) That in respect of a deemed disposition under subsection 104(4) or 107(4) of the Act after November 12, 1981 of property of a trust described in paragraph 104(4)(a) of the Act, no amount be deductible in computing the income of the trust in respect of any of the income arising as a result of the deemed disposition.

Trust Property

(75) That the provisions of subsections 104(4) and 107(4) of the Act relating to the deemed disposition of capital property by a trust be extended to apply after November 12, 1981 to resource properties and land inventories.

Employee Benefit Trusts

(76) That for the 1981 and subsequent taxation years, a trust governed by an employee benefit plan be denied a deduction in computing its income for a year for the portion of its income payable to beneficiaries that is not paid before the end of the year.

Interests in a Trust

(77) That effective after November 12, 1981, the Act be amended to clarify that the cost to a person or partnership of a capital or

income interest in a trust is nil unless the interest was acquired from a person or partnership that was the beneficiary in respect of the interest immediately before its acquisition.

**Non-Resident
Dependants**

(78) That for the 1982 and subsequent taxation years, an individual be entitled to a deduction for non-resident dependants only in respect of his spouse and children.

**Charitable
Contributions**

(79) That charitable contributions made by a taxpayer in the 1981 and subsequent taxation years that exceed the amount deductible in the year in which they are made

(a) be deductible in any of the five subsequent years to the extent not deductible in any preceding year, and

(b) be deductible in the preceding year where such contributions are made in the year of the taxpayer's death

but in no case shall the deduction in any particular year in respect of charitable contributions exceed 20% of the taxpayer's income for the particular year.

**Medical
Expense
Deduction**

(80) That for the 1982 and subsequent taxation years, the list of qualifying deductible medical expenses in paragraph 110(1)(c) of the Act be extended to include travel costs incurred by residents in isolated areas to get medical services not available in their region.

**Registration of
Charities**

(81) That for taxation years commencing after November 12, 1981, a registered charity be registered either as a charitable organization or a charitable foundation and, subject to appeal, the Minister of National Revenue be authorized to designate any charity registered on or before November 12, 1981 as a registered charitable organization or a registered charitable foundation.

**\$1,000 Pension
Income
Deduction**

(82) That for the 1982 and subsequent taxation years, the \$1,000 pension income deduction be denied to an individual

(a) with respect to pension payments that are not received under a pension plan as part of an annuity for life, or

(b) who has made a contribution in respect of the year to a registered retirement savings plan or to a registered pension plan (other than a contribution to a pension plan that was deducted at source from his employment income before the commencement of pension payments to him under the plan or from his pension).

**Transferable
Pension and
Investment
Income
Deductions**

(83) That for the 1982 and subsequent taxation years, the aggregate of a spouse's qualified investment and pension income deductions that may be transferred to a taxpayer not exceed the amount by which the taxpayer's personal exemption in respect of his spouse is reduced by virtue of the spouse's income.

Change of Control

(84) That where control of a corporation, other than a tax-exempt corporation, changes at any time after November 12, 1981 in a particular taxation year and at that time the undepreciated capital cost to the corporation of depreciable property of a prescribed class exceeds its fair market value, or its cumulative eligible capital exceeds one-half of the fair market value of its related eligible capital property,

(a) the aggregate of all such excesses be treated as a non-capital loss of the corporation for its taxation year preceding the particular year and no portion thereof be deductible in any year before that in which control was acquired,

(b) for the purposes of paragraph 13(21)(f) of the Act; the amount of the excess in respect of depreciable property of a prescribed class be deemed to have been allowed before that time to the corporation as depreciation in respect of property of that class, and

(c) for the purposes of paragraph 14(5)(a) of the Act, the amount of any excess in respect of the corporation's cumulative eligible capital be deemed to have been deducted before that time by the corporation under paragraph 20(1)(b) of the Act.

Change of Control

(85) That where control of a corporation changes at any time after November 12, 1981 in a taxation year,

(a) non-capital losses attributable to a business of the corporation for taxation years ending before that time be deductible in computing taxable income in taxation years ending after that time only to the extent of the income from the business in which the loss was sustained, and

(b) the corporation be deemed to be a successor corporation immediately after that time with respect to any exploration, development or Canadian oil and gas property expenses incurred by the corporation before that time.

Exempt Corporation Dividends

(86) That the inter-corporate dividend deduction cease to apply with respect to dividends received after November 12, 1981 from a corporation which is exempt from tax.

Losses on Shares

(87) That effective after November 12, 1981, the provisions of subsections 112(3) and (4) of the Act be expanded to apply to shares owned by a taxpayer, a person related to the taxpayer or any partnership or trust of which the taxpayer or a person related thereto is a member or a beneficiary.

Non-Resident Insurers

(88) That for dispositions of property after November 12, 1981, subparagraph 115(1)(b)(ii) of the Act be amended to include any capital property of a non-resident insurer that is determined for

the purposes of paragraph 138(12)(l) of the Act to be used or held by the insurer in carrying on its insurance business in Canada and to exclude any other capital property of the insurer used in carrying on its insurance business in Canada.

Personal Exemptions of Non-residents

(89) That for the 1982 and subsequent taxation years, section 115 of the Act be amended to deny a non-resident individual a deduction for personal exemptions except where all or substantially all of his employment and business income for the year is from employment in Canada and business carried on in Canada.

Life Insurance Proceeds of Non-Residents

(90) That the provisions of paragraph 115(1)(a) and section 116 of the Act be extended to apply to a life insurance policy in Canada disposed of or deemed to have been disposed of after November 12, 1981 by a non-resident.

Signing Bonuses

(91) That a signing bonus or similar amount received after November 12, 1981 by a non-resident from a source in Canada be subject to tax under Part I of the Act.

Dispositions of Property by Non-Residents

(92) That after Royal Assent to any measure giving effect to this paragraph, the certificate procedure under subsection 116(5.2) of the Act relating to the disposition of depreciable property and Canadian resource properties by non-residents be extended to apply to completed dispositions and that rules be introduced to permit the amount of tax payable under subsection 116(5.3) of the Act to be reduced by 50% of the portion of any gain that is deferred pursuant to section 85 of the Act.

Individual Tax Rates

(93) That section 117 of the Act be amended by adding the following schedule to determine the federal tax payable by an individual for the 1982 and subsequent taxation years:

(a) 6% of the amount taxable if the amount taxable does not exceed \$500,

(b) \$30 plus 16% of the amount by which the amount taxable exceeds \$500 if the amount taxable exceeds \$500 and does not exceed \$1,000,

(c) \$110 plus 17% of the amount by which the amount taxable exceeds \$1,000 if the amount taxable exceeds \$1,000 and does not exceed \$2,000,

(d) \$280 plus 18% of the amount by which the amount taxable exceeds \$2,000 if the amount taxable exceeds \$2,000 and does not exceed \$3,000,

(e) \$460 plus 19% of the amount by which the amount taxable exceeds \$3,000 if the amount taxable exceeds \$3,000 and does not exceed \$5,000,

(f) \$840 plus 20% of the amount by which the amount taxable exceeds \$5,000 if the amount taxable exceeds \$5,000 and does not exceed \$7,000,

(g) \$1,240 plus 23% of the amount by which the amount taxable exceeds \$7,000 if the amount taxable exceeds \$7,000 and does not exceed \$9,000,

(h) \$1,700 plus 25% of the amount by which the amount taxable exceeds \$9,000 if the amount taxable exceeds \$9,000 and does not exceed \$14,000,

(i) \$2,950 plus 30% of the amount by which the amount taxable exceeds \$14,000 if the amount taxable exceeds \$14,000 and does not exceed \$24,000, and

(j) \$5,950 plus 34% of the amount by which the amount taxable exceeds \$24,000

with the dollar amounts referred to above adjusted annually as provided in section 117.1 of the Act.

**Notch Provision
for Medical
Expenses**

(94) That for the 1980 and subsequent taxation years, the amount determined in paragraph 117(7)(b) of the Act be reduced to 68% of the amount by which the income referred to therein exceeds \$1,700.

**Income not
Earned in a
Province**

(95) That for the 1982 and subsequent taxation years, the amount added to the tax payable by an individual under subsection 120(1) of the Act with respect to income not earned in a province be 47% instead of 43% of that tax.

**General
Averaging**

(96) That for the 1982 and subsequent taxation years, the provisions of section 118 of the Act relating to general averaging cease to apply.

**Forward
Averaging**

(97) That for the 1982 and subsequent taxation years, forward averaging provisions be introduced in the Act under which

(a) an individual, other than a trust, resident in Canada throughout the year and the two preceding years may deduct in calculating his taxable income for a year such amount, not less than \$1,000, as he may claim (hereinafter referred to as his "averaging amount") not exceeding the amount by which his income for the year exceeds 110% of his average adjusted income for such of the three preceding years throughout which he was resident in Canada provided that he adds to the amount of his basic federal tax for the year an amount equal to the product obtained when his averaging amount for the year is multiplied by the highest marginal tax rate for individuals for the year, and

(b) an individual may elect to include in his taxable income for any taxation year throughout which he was resident in Canada such portion of his accumulated averaging amount with respect to preceding taxation years as he may choose, in which event the product obtained when the amount so included is multiplied by the highest marginal tax rate for individuals for the year will qualify for a deduction in calculating the individual's basic federal tax for the year and be refundable to the extent that it exceeds his basic federal tax otherwise payable for the year

and, for the purpose of these provisions, the adjusted income of an individual for any year means his income for that year adjusted to reflect the indexing factor provided in section 117.1 of the Act and similar adjustments be made in computing an individual's accumulated averaging amount at the end of each year.

**Block
Averaging**

(98) That for the 1982 and subsequent taxation years, an individual not be permitted to elect under section 119 of the Act in respect of a year where he has in respect of the year or any of the 4 preceding years referred to in that section claimed a deduction under the new forward averaging provisions in calculating his taxable income.

**Federal Tax
Credit**

(99) That for the 1982 and subsequent taxation years,

(a) the amount of the federal tax credit deductible under subsection 120(3.1) of the Act by an individual in computing his tax payable for the year be \$200, and

(b) where the individual is resident in Canada, the amount by which the \$200 federal tax credit exceeds his tax otherwise payable for the year under Part I of the Act be transferable to his spouse.

**Dividend Tax
Credit**

(100) That the amount of the federal dividend tax credit in respect of a dividend received after December 31, 1981 from a taxable Canadian corporation be reduced from 37 1/2% to 34% of the amount of the dividend.

**Tax Rates for
Inter-vivos
Trusts**

(101) That for the 1982 and subsequent taxation years, the tax payable for a year under Part I of the Act by an *inter-vivos* trust (including a mutual fund trust) be determined by reference to a rate of 34% of its amount taxable for the year instead of 35% thereof.

**Corporate
Surtax**

(102) That the corporate surtax be extended

(a) for the 1982 calendar year at a rate of 5%, and

(b) for the 1983 calendar year at a rate of 2 1/2%

but not apply to the tax payable, with respect to the period after December 31, 1981, by a Canadian-controlled private corporation on income eligible for the small business deduction.

**Business
Limits**

(103) That for the 1982 and subsequent taxation years, the business limit be increased to \$200,000 and the total business limit be increased to \$1,000,000 for the purposes of the small business deduction under section 125 of the Act.

**Incorporated
Employees**

(104) That for taxation years commencing after November 12, 1981,

(a) the small business deduction be denied in respect of income earned by a corporation from a personal services business and, for the purposes of this Motion, "personal services business" means a business of providing services where an individual who performs such services on behalf of the corporation or a person related to that individual is a specified shareholder of the corporation and, but for the existence of the corporation, the relationship between the individual and the person to whom the corporation provides such services could reasonably be considered to be that of an officer or employee and his employer, and

(b) in computing a corporation's income from a personal services business, no deduction be allowed except in respect of the salary, wages or other benefits provided to the individual who performed such services.

**Total Business
Limit**

(105) That for the purpose of computing the total business limit of a corporation or of allocating such limit among a group of associated corporations for the 1981 and subsequent taxation years, the total business limit be reduced by the aggregate of

(a) where any particular corporation was associated with the corporation or the group in any previous taxation year and is not associated, by reason of a transaction or event (other than a winding-up under subsection 88(1) of the Act or an amalgamation) that occurred after November 12, 1981, with the corporation or the group in the year, the particular corporation's cumulative deduction account determined at the end of its taxation year immediately preceding the last year in which it was associated with the corporation or the group, and

(b) $\frac{4}{3}$ (or $\frac{3}{2}$ in the case of dividends subject to the corporate distributions tax) of the amount by which dividends received from the corporation or from other corporations in the group by the particular corporation exceeds dividends paid by the particular corporation to the corporation or to other corporations in the group in the particular corporation's last taxation year in which it was associated with the corporation or the group.

**Cumulative
Deduction
Account**

(106) That

(a) the cumulative deduction account of a corporation not be reduced by dividends paid by it after December 31, 1981 other than taxable dividends paid by it to a Canadian-controlled private corporation with which it is associated,

(b) the reduction of the cumulative deduction account in respect of a dividend paid by a corporation after November 12, 1981 be equal to $\frac{3}{2}$ of the portion of the dividend subject to the corporate distribution tax referred to in this Motion and the cumulative deduction account of a recipient corporation be similarly increased,

(c) where a dividend paid by a corporation at any time after November 12, 1981 in its taxation year ending in a calendar year is received by an associated corporation in its taxation year that ends in another calendar year, for the purpose of determining the cumulative deduction account of the corporations after that time, the dividend be deemed to have been paid on the first day of the calendar year following that in which the dividend was paid, and

(d) where all or substantially all the property used by a corporation to carry on an active or non-qualifying business is transferred through one or more transactions or series of transactions to another corporation that is controlled by the same person or group of persons that controlled the corporation, the cumulative deduction account of the transferee be increased by the amount of the cumulative deduction account of the transferor immediately before such transfer except in those circumstances where the corporations are associated with each other.

**Specified
Shareholder**

(107) That for taxation years commencing after November 12, 1981,

(a) the definition "specified shareholder" of a corporation in section 125 of the Act be amended to include a taxpayer who owns, at any time in the year, 10% or more of the issued shares of any class of the capital stock of the corporation or of any other corporation that is related to the corporation, and

(b) for the purposes of the definitions "business connected" and "specified shareholder" in section 125 of the Act, each member of a partnership be deemed to own any shares of a class of the capital stock of a corporation that are property of the partnership in the same proportion as the member's interest in all the property of the partnership.

**Iron Ore
Processing**

(108) That for taxation years commencing after November 12, 1981, the expression "manufacturing or processing" be amended

for the purposes of section 125.1 of the Act to include any processing of iron ore beyond the primary pellet stage or its equivalent.

Foreign Tax Credit

(109) That for taxation years commencing after November 12, 1981, foreign taxes paid by a person or partnership qualify for a deduction in computing income rather than a credit to the extent that the amount thereof is repaid by the foreign jurisdiction to any other person or partnership.

Investment Tax Credit

(110) That the provisions relating to the investment tax credit be modified

(a) to extend to the beneficiaries of a trust and the members of a partnership the benefit of the 50% tax credit in respect of certified property acquired after October 28, 1980 for use in a designated area, and

(b) effective after November 12, 1981, to clarify that the deduction for expenditures by a partnership or trust on scientific research is reduced by the amount of the related credit allocated to the members or beneficiaries, as the case may be.

Refundable Dividend Tax on Hand

(111) That

(a) the definition "refundable dividend tax on hand" in section 129 of the Act be amended with respect to any disposition by a corporation of property after November 12, 1981 to exclude the portion of any capital gain or loss from the disposition that accrued while the property or any property for which it was substituted was held by a corporation other than a Canadian-controlled private corporation,

(b) for taxation years ending after November 12, 1981, the refundable dividend tax on hand of a corporation be calculated by reference to its net Canadian and foreign investment income for the year, and

(c) for taxation years commencing after November 12, 1981, the Canadian and foreign investment income of a corporation, other than a Canadian-controlled private corporation, not create refundable dividend tax on hand.

Non-Resident-Owned Investment Corporations

(112) That effective after November 12, 1981, a non-resident-owned investment corporation be treated as a Canadian corporation for the purposes of section 212.1 of the Act.

Deposit Insurance Corporations

(113) That for the 1981 and subsequent taxation years,

(a) the exemption with respect to premiums or assessments received in a year by a deposit insurance corporation from its

member institutions be extended to premiums and assessments receivable by it in the year, and

(b) the cost amount of stabilization loans made by a deposit insurance corporation to a member institution be excluded from the total property of the corporation for purposes of the 50% test which a deposit insurance corporation is required to meet.

**Foreign Income
of Life
Insurers**

(114) That for taxation years commencing after November 12, 1981, the business income or loss of a life insurer resident in Canada exclude only its income or loss from a life insurance business carried on by it outside Canada.

**Life Insurers
Policy
Dividends**

(115) That for the 1981 and subsequent taxation years, subparagraph 138(3)(a)(iii) of the Act be amended to permit a deduction in computing a life insurer's income for a taxation year for policy dividends payable by it before the end of the year out of income accumulated after 1968 from its participating life insurance business except to the extent that such amounts were deductible in previous taxation years.

**Income on
Policy Loans**

(116) That for taxation years ending after November 12, 1981, a life insurer's income that accrued or became receivable by it before the end of the year on its outstanding policy loans be included in its income for the year except to the extent that it was included in income for a preceding year.

**Multinational
Life Insurers**

(117) That a life insurer that carries on a life insurance business both in Canada and in a foreign country be required to include in its income for a taxation year the aggregate of profits or gains made in the year from the disposition after November 12, 1981 of securities that are determined under paragraph 138(12)(l) of the Act to be used or held by it in the year in the course of carrying on its life insurance business in Canada.

**Interest
Expense of
Insurers**

(118) That for taxation years ending after November 12, 1981, paragraph 138(5)(b) of the Act relating to the deduction of an insurer's interest expense

(a) not apply to a life insurer that carries on its life insurance business only in Canada, and

(b) be amended to allow a deduction to an insurer for interest in respect of deposits received or other amounts held by it in connection with policies insuring Canadian risks.

**Foreign Tax
Credit of
Insurers**

(119) That for taxation years commencing after November 12, 1981, a life insurer resident in Canada be allowed a foreign tax credit with respect to foreign taxes attributable to income from sources outside Canada other than its income from a life insurance business carried on outside Canada.

Foreign Tax Deduction of Insurers	(120) That for taxation years ending after November 12, 1981, a life insurer be denied a deduction under subsection 20(12) of the Act in respect of foreign taxes attributable to a life insurance business carried on by it outside Canada.
Property Used by an Insurer	(121) That for taxation years commencing after November 12, 1981, paragraphs 138(5)(b), (11.1)(b) and (c) of the Act be amended to clarify that the property referred to therein is the property of an insurer that is determined for the purposes of paragraph 138(12)(l) of the Act to be used or held by the insurer in carrying on its insurance business in Canada.
Change in Use of Property	(122) That <ul style="list-style-type: none"> (a) a resident life insurer be deemed to have disposed of and reacquired property for its fair market value at such time after November 12, 1981 as it either commences or ceases to use the property in its life insurance business outside Canada, (b) a non-resident insurer be deemed to have disposed of and reacquired property for its fair market value at such time after November 12, 1981 as it either commences or ceases to use the property in its insurance business in Canada, and (c) any loss resulting from a disposition referred to in subparagraph (a) or (b) be deferred to the taxation year in which the insurer disposes of the property to a person with whom it was dealing at arm's length.
General Insurers	(123) That for the 1981 and subsequent taxation years, the provision of the Act that deems an insurance corporation other than a life insurer not to be a private corporation be made applicable only for the purposes of section 129 and Part IV of the Act.
Capital Gains and Losses of Life Insurers	(124) That for dispositions of property after November 12, 1981, only those taxable capital gains and allowable capital losses from the disposition by a life insurer resident in Canada of capital property used in carrying on its life insurance business outside Canada be excluded in computing its income for a taxation year.
Retirement Annuities	(125) That annuities issued after November 12, 1981 under which payments increase to reflect the earnings on a specified group of assets qualify as retirement benefits under registered retirement savings plans.
Deferred Income Plans	(126) That a deferred income plan not qualify for registration after November 12, 1981 if any party to the plan, or a person who does not deal at arm's length with such a party, has entered or may enter into a contract or arrangement (other than a contract in respect of employment) the terms and conditions of which are dependent on the existence of the deferred income plan and,

where any such contract or arrangement whenever entered into is not terminated on or before June 30, 1982, any such plan that is a registered plan be deemed to be amended or revoked on that date.

**RRSP
Contributions**

(127) That for the 1982 and subsequent taxation years, where an individual has been a member of a deferred profit sharing plan at any time in the year, the maximum amount he may deduct for the year as a contribution to a registered retirement savings plan be the amount by which the lesser of \$3,500 and 20% of his earned income for the year exceeds the amount of his contributions for the year to registered pension plans.

**Registered
Retirement
Income Funds**

(128) That the amount to be paid in a calendar year after 1981 to an annuitant under a registered retirement income fund be determinable as the amount that would be payable in the year under a single premium annuity contract acquired at a cost equal to the value of the fund at the beginning of the year if

(a) the annuity provided for equal annual payments over the remaining term of the fund, and

(b) the interest rate used in computing the annuity payment were such rate not exceeding 6% per annum as the annuitant designates in respect of the year.

**Employer
Contributions
to DPSPs**

(129) That for taxation years commencing after November 12, 1981, the amount deductible by an employer who is a member of a related group of employers in respect of contributions for the year to one or more deferred profit sharing plans on behalf of an individual be restricted to the amount that would be deductible by the employer if all contributions for the year by that group to registered pension plans in respect of the employee had been paid by the employer.

(130) That for taxation years commencing after November 12, 1981, no deduction be allowed in respect of any contribution made by an employer to a deferred profit sharing plan which has as a beneficiary

(a) a person who is related to the employer,

(b) a person who is, or is related to, a specified shareholder (as defined in paragraph 125(9)(c) of the Act) of the employer or of a corporation related to the employer,

(c) where the employer is a partnership, a person who is related to a member of the partnership, or

(d) where the employer is a trust, a person who is, or is related to, a beneficiary under the trust.

**Part
Disposition of
a Life
Insurance Policy**

(131) That with respect to any disposition after November 12, 1981 of part of a taxpayer's interest in a life insurance policy, the amount by which the proceeds thereof exceed the portion of the adjusted cost basis of the policy that can reasonably be regarded as attributable to that part be included in the taxpayer's income.

**Payments
Under
Annuities**

(132) That the amount of any policy dividend or loan received after November 12, 1981 under an annuity contract in respect of which annuity payments have commenced be required to be included in the income of the recipient.

**Term-Certain
Annuities**

(133) That an owner of a term-certain annuity contract be required to include in income the amount by which the proceeds of any disposition after November 12, 1981 of the contract exceed its adjusted cost basis.

**Cost of Life
Insurance
Policies**

(134) That with respect to any disposition of a life insurance policy after November 12, 1981, the adjusted cost basis of the policy exclude that portion of any premium that is not reasonably attributable to the savings element of the policy.

**Life Insurance
Policies**

(135) That where a life insurance policy issued after November 12, 1981 (other than a policy issued pursuant to a registered pension fund or plan, a registered retirement savings plan, an income-averaging annuity contract or a deferred profit sharing plan) terminates as a consequence of the death of a person, the policyholder be required to include in his income the amount by which its cash surrender value immediately before death exceeds its adjusted cost basis.

**Exempt
Corporations**

(136) That where, at any time after November 12, 1981, a tax-exempt corporation becomes taxable

(a) the taxation year of the corporation be deemed to have ended at that time,

(b) each of its properties, other than its Canadian resource properties, be deemed to have been disposed of by it immediately before that time and be deemed to have been reacquired by it immediately after that time, for an amount equal to its fair market value at that time, and

(c) the corporation be deemed to be a successor corporation immediately after that time with respect to any exploration, development or Canadian oil and gas property expenses incurred by it during the period in which it was exempt from tax.

**Pension Fund
Resource
Corporations**

(137) That for taxation years commencing after 1978, the exemption in section 149 of the Act for pension fund corporations be extended to any corporation that is wholly-owned by pension funds and that was established exclusively for the purpose

of investing in Canadian resource properties provided that all its activities relate to such properties.

**Registered
Charities**

(138) That for taxation years commencing after November 12, 1981,

(a) each gift (other than a gift described in subparagraph 149.1(12)(b)(iii) of the Act) received in the preceding year from a registered charity, other than a related charity, be included in the receipts of a registered charitable organization or public foundation for purposes of computing the amount required to be devoted to charitable activities or given to qualified donees,

(b) a registered charity in receipt of a gift (other than a gift described in subparagraph 149.1(12)(b)(iii) of the Act) from a related charity be required to expend the amount thereof in the year of receipt on charitable activities or on gifts to qualified donees,

(c) a special tax be imposed on each registered charity equal to the amount by which the amount required to be expended in the year on charitable activities or on gifts to qualified donees exceeds the amount actually expended thereon and the tax be refundable to the extent that amounts expended in the three subsequent taxation years on charitable activities or on gifts to qualified donees exceed the amounts required in those years to be so expended,

(d) for the purpose of determining the disbursement quota for a private foundation, the 5% rate be increased to 10% and be applicable to the greater of the cost amount of the property and its fair market value at the commencement of the year, and

(e) the definition in subsection 149.1(1) of the Act of a qualified investment for a private foundation be altered to exclude

(i) investments in any corporation that is controlled by or does not deal at arm's length with the foundation,

(ii) any mortgage where the mortgagor is a proprietor, member, shareholder or settlor of the foundation or is a person with whom any such proprietor, member, shareholder or settlor does not deal at arm's length, and

(iii) shares of a class of the capital stock of a public corporation that are not listed on a prescribed stock exchange in Canada.

Income and Receipts of Registered Charities

(139) That where after November 12, 1981 in a taxation year,

(a) a registered charity chooses not to use or fails to use in accordance with the terms and conditions specified by the Minister of National Revenue any property or income accumulated with the Minister's consent,

(i) the amount thereof be deemed to be a receipted donation received by it in the year, and

(ii) for the purpose only of subsection 149.1(5) of the Act, the amount thereof be deemed not to have been expended on charitable activities during the taxation years while it was being accumulated,

(b) a registered charitable foundation disposes of a capital property (other than a capital property used by the foundation in its administration or directly in charitable activity), any capital gain or capital loss on the disposition be included in computing its income for the year, and

(c) a registered charity receives any gifts from related charities and disburses any amounts to related charities, the amount of such disbursements that will be recognized as gifts by the registered charity to qualified donees be restricted to the amount by which the aggregate of all such disbursements by it in the year to related charities exceeds the aggregate of all such gifts received by it in the year from related charities.

Deduction at Source

(140) That after Royal Assent to any measure giving effect to this paragraph, subsection 153(1) of the Act be amended to permit tax to be deducted at source on amounts paid to any person as salary, wages or other remuneration and on amounts paid to a person who is insurable under the *Unemployment Insurance Act, 1971*.

Deferred Tax Payments

(141) That the Minister of National Revenue be authorized to permit a deferral over three years of taxes due by a taxpayer after 1981 in those circumstances in which the current payment of the tax would cause difficulty provided that the taxpayer furnishes security acceptable to the Minister and pays interest on the deferred taxes at a prescribed rate.

Joint and Several Liability

(142) That in respect of any transfer of property after November 12, 1981, the provisions of section 160 of the Act relating to joint and several liability for tax

(a) be extended to any non-arm's length transfer of property at less than fair market value,

(b) be extended to apply to amounts payable by the transferor under the Act for the year in which the property was transferred and to the tax payable in respect of a gain attributable

to the transferor on any subsequent disposition of the property or property substituted therefor, and

(c) be amended to limit the liability of the transferee in respect of amounts payable by the transferor under the Act for years up to and including the year of transfer to the amount by which the fair market value of the property at the time of transfer exceeds the fair market value of any consideration given therefor.

Interest on Underpayments of Tax

(143) That with respect to an adjustment at any time after 1980 that results in a reduction of the foreign tax paid by a taxpayer, interest under section 161 of the Act be charged only after that time on any consequential increase of his tax payable that is attributable to the foreign tax reduction.

Private Corporation

(144) That for taxation years commencing after November 12, 1981, a corporation resident in Canada that is controlled, either directly or indirectly or through one or more trusts, by an individual or related group of individuals be treated as a private corporation for the purposes of subsection 129(1) and Part IV of the Act.

Corporate Distributions Tax

(145) That

(a) a corporation be required to pay a special tax of 12.5% on dividends (other than dividends paid to another corporation that controls the corporation) to the extent that such dividends are paid by it after November 12, 1981 out of earnings that were subject to the small business deduction under subsection 125(1) of the Act and that have not previously been subject to the special tax, and

(b) rules similar to those in section 84.1 of the Act be introduced and adjustments to the preferred-rate amount of a corporation be made to counter avoidance of the special tax.

Mutual Fund Trusts

(146) That for the 1981 and subsequent taxation years, a mutual fund trust not be liable for tax under Part X.2 of the Act for any month after the end of the year following that in which it ceases to be a registered investment.

Foreign Property and Registered Investment Tax

(147) That the references to "at that time" in the provisions of the Act relating to the special taxes on foreign property and registered investments be changed to "at the end of that month", effective after December 11, 1979, with respect to deferred income plans, and to the 1981, and subsequent taxation years, with respect to registered investments.

Tax on Foreign Property

(148) That paragraph 206(1)(a) of the Act be amended to clarify that the tax in respect of foreign property held by a deferred income plan applies after December 11, 1979 in respect of excess foreign property that is a qualified investment.

Foreign Property	(149) That for the purposes of Part XI of the Act, a property that is convertible into foreign property be treated after November 12, 1981 as foreign property.
Non-Resident Transfers to RRSPs	(150) That for the 1981 and subsequent taxation years, a non-resident be permitted a tax-free transfer from a registered pension plan or a deferred profit sharing plan to his registered retirement savings plan.
Non-Resident Withholding Tax on Interest	(151) That <ul style="list-style-type: none"> (a) interest paid or credited after November 12, 1981 on arm's length Canadian currency deposits with branches outside Canada of a Canadian bank be exempt from the non-resident withholding tax, and (b) the exemptions from the non-resident withholding tax in paragraph 212(1)(b) of the Act with respect to interest not apply to any amount that was contingent or dependent upon the use of or production from property and that was paid or credited in respect of an obligation entered into after November 12, 1981.
Degree of Canadian Ownership	(152) That the 5 percentage point reduction in the tax payable under Part XIII of the Act by a non-resident with respect to dividends paid by a corporation having a degree of Canadian ownership not apply to dividends paid after November 12, 1981.
Non-Resident Insurers	(153) That effective after December 11, 1979, the provisions of Part XIV of the Act relating to the incorporation of a branch by a non-resident insurer be amended to provide that <ul style="list-style-type: none"> (a) an election under paragraph 219(5.2)(d) of the Act be available only where the non-resident insurer has made an election under subsection 219(4) of the Act, and (b) directors' qualifying shares not prevent a holding corporation from being a qualified related corporation.
Third Party Demands	(154) That after Royal Assent to any measure giving effect to this paragraph, the Minister of National Revenue be allowed to issue a third party demand <ul style="list-style-type: none"> (a) in circumstances where a police officer in the administration or enforcement of the criminal law of Canada has seized monies that may be restored to a tax debtor, and (b) in respect of amounts that the Minister knows or suspects will be paid, loaned or advanced by a person to a tax debtor within 90 days of the demand.

Collection of Debts

(155) That after Royal Assent to any measure giving effect to this paragraph, for the purpose of collecting debts owed by a taxpayer under the Act, the Minister of National Revenue be allowed to acquire and to dispose of any interest in the taxpayer's property that the Minister is given a right to acquire in legal proceedings or under a court order or that is offered for sale or redemption.

Directors' Liability

(156) That the directors of a corporation be jointly and severally liable together with the corporation in respect of any tax required under the Act to be deducted or withheld and remitted after November 12, 1981, including any interest or penalties related thereto, in circumstances similar to those under the *Canada Business Corporations Act* in which a director is liable for wages payable to an employee.

Communication of Information

(157) That after Royal Assent to any measure giving effect to this paragraph, officials of the Department of National Revenue be authorized to communicate income tax information solely for purposes of the administration or enforcement of a prescribed program of the Government of Canada or of a province relating to the exploration for or exploitation of Canadian petroleum and gas resources.

Revenue Canada Logo

(158) That effective after November 12, 1981, the expression "Revenue Canada, Taxation" on documents issued by authorized officials in the administration and enforcement of the Act be construed as meaning the "Department of National Revenue".

Class of Shares

(159) That effective after November 12, 1981, any reference in the Act to a class of shares of the capital stock of a corporation be read as a reference to a series of a class of shares of the capital stock of the corporation where the class includes shares of two or more series.

After-tax Financing

(160) That

(a) dividends on prescribed shares issued after October 23, 1979 be excluded from the application of subsection 112(2.2) of the Act,

(b) with respect to dividends received after November 12, 1981, the provisions of subsection 112(2.2) of the Act relating to guarantee agreements be extended to guarantees with respect to an interest in a trust or a partnership,

(c) dividends received on a share (other than a prescribed share or a share issued pursuant to the financial difficulty provisions relating to term preferred shares) acquired after November 12, 1981 no longer qualify for a deduction under section 112 or 138 of the Act in any case where within 5 years from the date on which the share was issued, the holder of the share may require the redemption, cancellation or reduction of

the paid-up capital of the share or the acquisition of the share by the issuer, a person related thereto or a partnership or trust of which the issuer or a person related thereto is a member or beneficiary,

(d) the definition "term preferred share" be amended to remove the 10-year exception for shares issued after November 12, 1981,

(e) provisions, similar to those in subparagraphs (h)(ii), (iii) and (iv) of the definition "term preferred share" be introduced for shares (except shares referred to in paragraph (e) of that definition) issued after November 16, 1978 and before November 12, 1981,

(f) the exception in subparagraph (h)(iv) of the definition "term preferred share" with respect to shares issued to a specified financial institution or acquired from such an institution not apply to any share acquired after November 12, 1981 unless the acquisition is pursuant to an agreement in writing made before October 24, 1979 and the comparable exception with respect to income bonds and income debentures be similarly restricted,

(g) the use of the funds received on the issue of a share or an income bond or income debenture issued after November 12, 1981 in circumstances of financial difficulty be restricted to the financing of a business carried on in Canada,

(h) effective after November 12, 1981, for the purposes of section 112 of the Act and the definition "term preferred share", a person who has an interest in a trust, either directly or indirectly or through an interest in any other trust, be deemed to be a beneficiary of the trust,

(i) the definition "term preferred share" be amended to clarify that subparagraph (b)(iii) thereof applies to a corporation that acquired a share after December 11, 1979 and is associated with any corporation described in paragraph 112(2.1)(a) of the Act,

(j) with respect to a share issued after November 12, 1981 pursuant to the financial difficulty provision in the definition "term preferred share", the maximum term of any such share be limited to five years, and

(k) with respect to a share or an income bond or income debenture issued after November 12, 1981 pursuant to the financial difficulty provisions in the definitions "term preferred share", "income bond" or "income debenture", only those payments of dividends or interest in excess of 6% per annum be treated as taxable dividends except where the

share or obligation was issued before 1982 pursuant to an agreement in writing to do so entered into before November 12, 1981.

**Termination
Payments**

(161) That with respect to the termination after November 12, 1981 of an office or employment, the definition of a termination payment be amended to remove the exclusion for amounts in excess of six months' remuneration.

**Non-Arm's
Length**

(162) That effective after November 12, 1981, a corporation formed as a result of an amalgamation or merger be deemed not to have dealt at arm's length with any predecessor corporation that would have been related to the new corporation had they both been in existence at the same time.

**Notice of Ways and Means Motion —
Income Tax Applications Rules, 1971**

Notice of Ways and Means Motion to Amend the Income Tax Application Rules, 1971

That it is expedient to amend the Income Tax Application Rules, 1971 and to provide among other things:

Tax-Free Zone

(1) That clause 26(5)(c)(ii)(A) of the Rules be amended, with respect to dispositions of capital property after November 12, 1981, to require a reduction of the adjusted cost base of the property by the amount of any loss with respect to the property that was denied as a deduction by virtue of paragraph 40(2)(e) of the *Income Tax Act*.

Partnership Interests

(2) That paragraph 26(9.4)(b) of the Rules be amended to include references to paragraphs 12(1)(o), 18(1)(m), 20(1)(v.1) and 20(1)(gg), and subsections 69(6) and (7) of the *Income Tax Act* for the purposes of determining the adjusted cost base of a partnership interest after October 28, 1980 and, where a person elects before 1982, for the purposes of determining the adjusted cost base of a partnership interest disposed of by him after 1976 and before October 29, 1980.

Amalgamations

(3) That subsection 26(21) of the Rules not apply with respect to a share of the capital stock of a corporation received by a shareholder on an amalgamation occurring after November 12, 1981 unless paragraph 87(4)(b) of the *Income Tax Act* applied for the purpose of determining the cost to him of the share.

**Notice of Ways and Means Motion —
Petroleum and Gas Revenue Tax Act**

Notice of Ways and Means Motion to Amend the Petroleum and Gas Revenue Tax Act

That it is expedient to amend the Petroleum and Gas Revenue Tax Act to provide among other things:

(1) That the rate of tax payable under Division I of the Act in respect of petroleum and gas production revenue after 1981 be increased to 16%.

(2) That for the 1982 and subsequent taxation years, subsection 82(2) of the Act be amended to permit the deduction of

(a) a resource allowance, and

(b) a special allowance for a prescribed investment in a tar sands plant, heavy oil plant or other facility

in computing the petroleum and gas production revenue of a taxpayer for a year.

(3) That for the 1982 and subsequent taxation years, the petroleum and gas production revenue of a taxpayer for a year include all production royalties received or receivable by him for the year and be reduced by all production royalties paid or payable by him for the year.

(4) That in computing the petroleum and gas production revenue of a taxpayer after 1981, the deduction in respect of any resource royalty computed by reference to the amount or value of production before 1982 be restricted to one-half the amount of the royalty.

(5) That the rate of the tax under Division II of the Act on any amount received in respect of a resource royalty computed by reference to the amount or value of production of petroleum or gas after 1981 be increased to 16%.

(6) That for the 1982 and subsequent taxation years, an additional tax be introduced

(a) in Division I of the Act at a rate of 50% of the amount by which the incremental oil revenue of a taxpayer for a taxation year exceeds the aggregate of all amounts paid or payable by him as incremental production royalties, incremental resource royalties and incremental Crown royalties for the year, and

(b) in Division II of the Act at a rate of 50% of each incremental resource royalty received by a taxpayer.

(7) That for taxation years ending after 1981, every corporation, commission, association or trust be required to pay monthly instalments of its additional tax on net incremental oil revenues for a taxation year in an amount for each month equal to the lesser of

(a) 50% of its actual net incremental oil revenue for that month, and

(b) 1/12 of 90% of its tax payable for the year on its net incremental oil revenue,

which shall be payable within two months from the end of the month, and any balance of the tax for the year owing by any such person be required to be paid within two months from the end of the year.

(8) That for the 1981 and subsequent taxation years, a provision similar to section 230 of the *Income Tax Act* be introduced relating to the obligation to keep records and books of account.

(9) That the definition "resource royalty" in section 79 of the Act be amended to exclude any royalty computed by reference to the amount or value of production after December 31, 1981 in respect of which the recipient is subject to a Crown royalty.

(10) That for the 1982 and subsequent taxation years, definitions along the following lines be added in subsection 79(1) of the Act:

"Crown royalty" of a person for a taxation year means the amount in respect of the production of petroleum or gas from a well or mineral resource in Canada in the year by which the aggregate of

(a) prescribed amounts,

(b) amounts included in computing his income for the year by virtue of paragraph 12(1)(o) of the *Income Tax Act* in respect of such production,

(c) amounts that were not deductible in computing his income for the year by virtue of paragraph 18(1)(m) of the *Income Tax Act* in respect of such production,

(d) amounts by which, in respect of the disposition by him of such production, his proceeds of disposition were increased in the year by virtue of subsection 69(6) of the *Income Tax Act*, and

(e) amounts by which, in respect of the acquisition by him of such production, his cost was reduced in the year by virtue of subsection 69(7) of the *Income Tax Act*

exceeds the aggregate of all reimbursements referred to in section 80.2 of the *Income Tax Act* received with respect to such production;

"incremental Crown royalty" of a person for a taxation year, in respect of the production of old oil in the year from a well or mineral resource, means the

amount by which his Crown royalty in respect thereof for the year exceeds that proportion of the royalty that the amount that would have been his gross revenue for the year from the disposition of old oil from the well or resource, if that oil had been disposed of at its old oil base price, is of his gross revenue for the year from the disposition of that oil;

“incremental oil revenue” of a person for a taxation year means the aggregate of amounts received or receivable by him as incremental production royalties for the year and the amount by which

(a) his gross revenue for the year from the disposition of old oil

exceeds

(b) the amount that would have been his gross revenue for the year from the disposition of old oil if that oil had been disposed of at its old oil base price;

“incremental production royalty” means the amount by which a production royalty in respect of the production of old oil exceeds the amount that would be the production royalty in respect thereof if the old oil were valued at its old oil base price;

“incremental resource royalty” means the amount by which a resource royalty in respect of the production of old oil exceeds the amount that would be the resource royalty in respect thereof if the old oil were valued at its old oil base price;

“old oil” means crude oil or heavy oil recovered after 1981 from a natural reservoir or mineral resource in Canada that was known, before January 1, 1981, to be capable of production in commercial quantities but does not include the increased production resulting from a project that is certified by the Minister of Energy, Mines and Resources to be an enhanced recovery project;

“old oil base price” in respect of old oil of a specified quality from a well or mineral resource means such amount as is prescribed to be the base price of that oil; and

“production royalty” means an amount computed by reference to the amount or value of production after December 31, 1981, of petroleum or gas, including any minimum or advance royalty payment with respect to the amount or value of production, but does not include

(a) a resource royalty, or

(b) an amount to which paragraph 83(e) of the Act applies paid to a person referred to therein.

**Notice of Ways and Means Motion —
Income Tax Act (2)**

Notice of Ways and Means Motion to Amend the Income Tax Act (2)

That it is expedient to amend the Income Tax Act to provide among other things:

(1) That for the 1982 and subsequent taxation years, in computing the income of a taxpayer for a taxation year and the amount subject to tax under Part XII of the Act for a taxation year, a deduction be provided for the amount by which the taxpayer's incremental oil revenue for the year from the production of old oil in Canada exceeds all amounts paid or payable by him for the year as an incremental resource royalty or an incremental production royalty.

(2) That for the 1982 and subsequent taxation years, in computing the income of a taxpayer for a taxation year, a deduction be provided for the amount by which the incremental resource royalties included in his income for the year exceeds the payouts by him in respect of such royalties.

(3) That incremental production royalties and incremental resource royalties paid or credited after 1981 be exempt from the non-resident withholding tax under Part XIII of the Act.

**Notice of Ways and Means Motion
Excise Tax Act (1)**

Notice of Ways and Means Motion to Amend the Excise Tax Act (1)

That it is expedient to introduce a measure to amend the Excise Tax Act, and to provide among other things:

1. That subsection 25.1(1) of the Act be amended by adding thereto, immediately after the definition "natural reservoir in Canada" the following:

" "offshore area" means Sable Island and any area of land that belongs to Her Majesty in right of Canada or in respect of which Her Majesty in right of Canada has the right to dispose of or exploit the natural resources and that is situated in the submarine areas adjacent to the coasts of Canada and extending throughout the natural prolongation of the land territory of Canada to the outer edge of the continental margin or to a distance of two hundred nautical miles from the baselines from which the breadth of the territorial sea of Canada is measured, whichever is greater;"

2. That the rates of tax specified in subsection 25.13(5) of the Act be set at the following rates in respect of marketable pipeline gas received after June 30, 1981:

(a) a rate of 42 cents per gigajoule, in the case of marketable pipeline gas received after June 30, 1981 and before February 1, 1982,

(b) a rate of 63 cents per gigajoule, in the case of marketable pipeline gas received after January 31, 1982, and before such time as a new rate of tax becomes applicable for the first time pursuant to any enactment founded on subparagraph 2(c) of this motion, and

(c) such rate per gigajoule as the Governor in Council may by regulation prescribe, on the recommendation of the Minister of Finance, in the case of marketable pipeline gas received in the period during which the regulations are applicable.

3. That the rate of tax applicable to marketable pipeline gas exported from Canada after September 30, 1981 and before January 1, 1987 by a person who is deemed to be a distributor pursuant to subsection 25.1(2) of the Act for use outside Canada be zero except in the case of

(a) marketable pipeline gas exported from Canada for use outside Canada in the process of transporting marketable pipeline gas to Canada through a pipeline,

(b) marketable pipeline gas exported from Canada for use outside Canada by or on behalf of a distributor, broker or gas producer, under an arrangement

whereby that marketable pipeline gas is exchanged for natural gas of foreign origin delivered and consumed in Canada, or

(c) exports of marketable pipeline gas derived from gas taken or removed from a natural reservoir situated in the Yukon Territory, the Northwest Territories or an offshore area.

4. That where marketable pipeline gas other than

(a) marketable pipeline gas for use outside Canada in the process of transporting marketable pipeline gas to Canada through a pipeline,

(b) marketable pipeline gas for use outside Canada by or on behalf of a distributor, broker or gas producer, under an arrangement whereby that marketable pipeline gas is exchanged for natural gas of foreign origin delivered and consumed in Canada, or

(c) marketable pipeline gas derived from gas taken or removed from a natural reservoir situated in the Yukon Territory, the Northwest Territories or an offshore area,

has been exported from Canada after September 30, 1981 and before January 1, 1987 by a person for use outside Canada, pursuant to a licence issued under Part VI of the National Energy Board Act or pursuant to any other authority under that Act, and the tax imposed by Part IV.1 of the Excise Tax Act has been paid in respect of the gas, the Minister of National Revenue be authorized to pay to the exporter an amount equal to that tax, on application by the exporter to the Minister within four years from the time the gas was exported, in such form and manner as the Minister may prescribe.

5. That the rates of tax specified in subsection 25.14(4) of the Act be set at the following rates in respect of ethane, propane, butanes or natural gas liquids containing a mixture of two or more of ethane, propane and butanes, received after June 30, 1981:

(a) in the case of ethane,

(i) a rate of \$7.76 per cubic metre, where the ethane is received after June 30, 1981 and before February 1, 1982,

(ii) a rate of \$11.65 per cubic metre, where the ethane is received after January 31, 1982 and before such time as a new rate of tax becomes applicable pursuant to any enactment founded on clause (iii) of subparagraph 5(a) of this motion, and

(iii) such rate per cubic metre as the Governor in Council may by regulation prescribe on the recommendation of the Minister of Finance, in the case of ethane received in the period during which the regulations are applicable;

(b) in the case of propane,

(i) a rate of \$10.66 per cubic metre, where the propane is received after June 30, 1981 and before February 1, 1982,

(ii) a rate of \$16.00 per cubic metre, where the propane is received after January 31, 1982 and before such time as a new rate of tax becomes applicable pursuant to any enactment founded on clause (iii) of subparagraph 5(b) of this motion, and

(iii) such rate per cubic metre as the Governor in Council may by regulation prescribe on the recommendation of the Minister of Finance, in the case of propane received in the period during which the regulations are applicable;

(c) in the case of butanes,

(i) a rate of \$11.90 per cubic metre, where the butanes are received after June 30, 1981 and before February 1, 1982,

(ii) a rate of \$17.85 per cubic metre, where the butanes are received after January 31, 1982 and before such time as a new rate of tax becomes applicable pursuant to any enactment founded on clause (iii) of subparagraph 5(c) of this motion, and

(iii) such rate per cubic metre as the Governor in Council may by regulation prescribe on the recommendation of the Minister of Finance, in the case of butanes received in the period during which the regulations are applicable; and

(d) in the case of natural gas liquids containing a mixture of two or more of ethane, propane and butanes, an amount computed on the basis of the rates of tax applicable to each component of that mixture in the proportion that such component is of the entire mixture.

6. That the Governor in Council be authorized to prescribe, on the recommendation of the Minister of Finance:

(a) a rate of tax per gigajoule on marketable pipeline gas, not exceeding \$4 per gigajoule,

(b) a rate of tax per cubic metre of ethane, not exceeding \$75 per cubic metre,

(c) a rate of tax per cubic metre of propane, not exceeding \$105 per cubic metre,

(d) a rate of tax per cubic metre of butanes, not exceeding \$115 per cubic metre, and

(e) in the case of any rate prescribed pursuant to any enactment founded on subparagraphs 6(a) to (d) of this motion, the date on and after which such rate shall be applicable.

7. That where ethane has been exported from Canada after September 30, 1981 and before January 1, 1987 by a person for use outside Canada, pursuant to a licence to export ethane issued under Part VI of the National Energy Board Act or pursuant to any other authority to export ethane under that Act, and the tax imposed by Part IV.1 of the Excise Tax Act has been paid in respect of the ethane exported, the Minister of National Revenue be authorized to pay to the exporter an amount equal to that tax, on application by the exporter to the Minister within four years from the time the gas was exported, in such form and manner as the Minister may prescribe.

8. That where a person entitled to receive a payment on the basis of any enactment founded on paragraphs 4 or 7 of this motion holds a licence pursuant to Part IV.1 of the Act, the Minister of National Revenue be authorized, in lieu of making such a payment, to allow the person to deduct, from any taxes otherwise remittable by that person pursuant to Part IV.1, an amount equal to the amount of the payment, under such terms and conditions as the Minister may prescribe.

9. That the provisions of sections 49.1 and 49.2 of the Act be extended to applications for a payment or deduction in respect of marketable pipeline gas and ethane pursuant to any enactment founded on paragraphs 4, 7, or 8 of this motion.

10. That the provisions of subsections 25.1(2),(3),(4),(5), and (6) of the Act be amended to apply only to marketable pipeline gas in respect of which no tax has been imposed and the provisions of 25.1(7) of the Act be likewise limited to natural gas liquids in respect of which no tax has been imposed.

11. That persons exempt from payment of the consumption or sales tax under subsection 31(2) of the Act not be granted exemption from the consumption or sales tax on goods listed in Part XIII (Production Equipment, Processing Materials and Plans) of Schedule III to the Act.

12. That upon receipt of an application made in such form and such manner as he may provide, the Minister of National Revenue be authorized to pay an amount equal to the tax paid on qualifying production equipment, processing materials and plans listed in Part XIII of Schedule III to the Act, other than in respect of photocopiers and other office type reproduction equipment for use by persons whose principal business is other than printing, when such goods are purchased or imported by a person who is a member of any class of small manufacturer or producer as may be prescribed for purposes of such a payment by regulation of the Governor in Council, on the recommendation of the Minister of Finance and the Minister of National Revenue, for his own use and not for resale, the tax imposed under Part V of the Act has been paid in respect of the goods and the said application has been made within four years of when the goods were first acquired.

13. That the provisions of section 49.1 of the Act concerning the rejection or approval of an application for a payment of an amount equal to a tax paid be extended to apply to applications for payments in respect of production equipment, processing materials and plans.

14. That the provisions of section 49.2 of the Act concerning overpayment of an amount deemed to be a tax be extended to apply to an overpayment made in respect of production equipment, processing materials and plans.

15. That the penalty for default in payment or remittance of any tax or portion thereof payable, collected or collectible under the Act within the time prescribed be increased to one and one-half per cent per month, calculated on the total tax and penalty outstanding.

16. That the rate of excise tax on wines of all kinds containing not more than one and two-tenths per cent of absolute ethyl alcohol by volume be set at one and one-tenth cents per litre and be made subject to the tax adjustment provisions prescribed in subsection 24(2) of the Act.

17. That any enactment founded on

(a) paragraphs 1, 3, 4 and 7 to 10 be effective October 1, 1981;

(b) paragraphs 2, 5, 6, 11 to 14 and 16 be effective November 13, 1981; and

(c) paragraph 15 be effective December 1, 1981.

**Notice of Ways and Means Motion
Excise Tax Act (2)**

Notice of Ways and Means Motion to Amend the Excise Tax Act (2)

That it is expedient to introduce a measure to amend the Excise Tax Act and to provide among other things that federal sales and excise taxes imposed on the sale price of goods produced or manufactured in Canada or imported into Canada be imposed on all goods, other than alcohol and tobacco products, on the sale price of goods sold by wholesalers and manufacturers to retailers and consumers and on the duty paid value of goods imported by retailers and consumers, including the cost of transporting goods to Canada.

**Notice of Ways and Means Motion
Customs Tariff**

Notice of Ways and Means Motion Customs Tariff

1. That section 3 of the *Customs Tariff* be amended by deleting the reference to New Zealand from subsection (2) and by adding thereto, immediately after subsection (3.1) thereof, the following subsections:

“(3.2) Subject to any other provision of this Act, goods the product of New Zealand shall be entitled to the rates of customs duties set out in respect of those goods in column (1) of Schedule A, “British Preferential Tariff”, or to the special rate of customs duty for New Zealand set out in respect of those goods under any particular tariff item.

(3.3) Goods shall be deemed to be the product of New Zealand if they were finished in New Zealand in the condition in which they are imported into Canada and if a substantial portion of their value, as prescribed by regulations, was produced by the industry of New Zealand or Canada or both.

(3.4) The Governor in Council may at any time require that goods the product of New Zealand shall not be entitled to the benefits of the British Preferential Tariff or to any special rate of customs duty for New Zealand unless those goods are conveyed without transshipment from a port in New Zealand into a port of Canada.”

2. That section 3.1 of the said Act be repealed and the following substituted therefor:

“3.1(1) Subject to any other provision of this Act, the rates of customs duties, if any, set out in column (4) of Schedule A, “General Preferential Tariff”, apply to goods the product of any country to which the benefits of the General Preferential Tariff have been extended in the manner provided in section 3.2 when such goods are imported into Canada from a country entitled to the benefits of that Tariff.

(2) Subject to subsection (3), where no rate is set out in column (4) of Schedule A in respect of any goods, the rate for the General Preferential Tariff shall be the rate that equals the lesser of

(a) the rate, excluding any discount authorized by section 5, that would be applicable if the goods were entered under the British Preferential Tariff, and

(b) the rate that would be applicable if the goods were entered under the Most-Favoured-Nation Tariff reduced by one-third.

(3) The General Preferential Tariff shall not apply to the following:

(a) the goods enumerated in any of the tariff items in Groups I, II, III, IV and VI of Schedule A except the goods enumerated in tariff items 805-1, 825-1, 915-1, 1002-1, 1210-1, 1300-1, 1305-1, 1400-1, 1510-1, 1515-1, 1520-1, 1805-1, 2200-1, 2300-1, 2505-1, 2600-1, 2605-1, 3105-1, 3200-1, 3300-1, 3400-1, 3910-1, 3915-1, 4505-1, 4600-1, 4715-1, 4725-1, 6300-1, 6500-1, 6600-1, 6610-1, 6700-1, 6928-1, 7910-1, 10520-1, 10522-1, 10523-2, 10535-2, 10657-1, 10658-1, 10663-2, 10664-2, 11400-2, 12001-1, 12002-1, 12003-1, 12004-1, 12100-1, 12303-1, 12405-1, 12505-1, 12505-2, 12600-1, 12805-1, 13300-1, 13300-2, 14100-1, 14201-1, 14202-1, 14205-1, 14700-1, 15615-1, 15620-1, 15625-1, 15905-1, 15910-1, 16001-1, 16002-1, 16101-1, 16102-1, 20655-1, 20900-1, 21000-1, 21100-1, 21630-1, 22001-1, 22001-2, 22003-1, 22003-2, 22400-1, 22600-1, 22800-1, 22900-1, 23000-1, 23105-1, 23200-1, 23205-1, 23210-1, 23215-1, 23230-1, 23235-1, 23300-1, 23400-1, 23405-1, 23600-1, 23605-1, 23610-1, 24710-1, 24715-1, 25200-1, 25200-2, 25403-1, 25505-1, 26405-1, 26505-1, 27010-1, 27101-1, 27102-1, 27200-1, 27205-1, 27211-1, 27300-1, 27305-1, 27315-1, 27320-1, 27501-1, 27502-1, 27711-1, 27713-1, 27714-1, 27715-1, 27716-1, 27731-1, 27733-1, 27734-1, 27735-1, 27736-1 and 27740-2;

(b) the goods enumerated in tariff items 53010-1, 56015-1, 56020-1 and 56025-1; and

(c) the goods enumerated in any of the tariff items in Chapter 915 of Group XII of Schedule A.

(4) The rates of customs duty under this section shall be Free in respect of goods to which the General Preferential Tariff applies that are imported from a country designated as a least developed developing country pursuant to subsection 3.2(3).

(5) The benefits of the General Preferential Tariff and subsection (4) shall not apply unless

(a) the goods are *bona fide* the product of a country entitled to the benefits of the General Preferential Tariff;

(b) a substantial portion of the value of the goods, as prescribed by regulations, was produced by the industry of a country referred to in paragraph (a) or the industry of one or more countries to which the benefit of duty free entry of goods has been extended pursuant to subsection (4); and

(c) the goods were shipped from the producing country on a through bill of lading consigned to a consignee in a specified port in Canada.

(6) Proof of origin, as prescribed by regulations, shall be furnished with the bill of entry at the customs office for goods admitted to entry under the General Preferential Tariff, or admitted to duty free entry pursuant to subsection (4), and the decision of the Minister is final as to the origin of the goods.

(7) In the event that a General Preferential Tariff ad valorem rate of duty applicable by virtue of paragraph (2)(b) on the importation of goods contains a fraction of one per cent other than one-half,

(a) if the fraction is greater than one-half of one per cent, the fraction shall be read as one-half of one per cent; and

(b) if the fraction is less than one-half of one per cent, the fraction shall be disregarded.

(8) The Governor in Council may make regulations for the purposes of section 3 and this section

(a) determining when goods are *bona fide* the product of a country;

(b) prescribing anything that is to be prescribed by regulations; and

(c) generally for carrying out the provisions of section 3 and this section."

3. That section 3.2 of the said Act be amended by adding thereto the following subsection:

"(3) The Governor in Council may, by order, from time to time designate any country to which the benefits of the General Preferential Tariff have been extended pursuant to subsection (1) that in his opinion is a least developed developing country, and from and after the date specified in that order, subject to the provisions of this Act, that country shall be entitled to the benefit of duty free entry provided by subsection 3.1(4)."

4. That the said Act be further amended by adding thereto, immediately after section 3.3 thereof, the following sections:

"3.4(1) In this section and sections 3.5 and 3.6,

"Board" means the Tariff Board established by the *Tariff Board Act*;

"Minister" means the Minister of Finance;

"Tariff rate quota" means, in respect of one or more countries entitled to the benefits of the General Preferential Tariff, a limitation on the quantity of the goods from those countries that may be admitted into Canada in any period of twelve consecutive months at the General Preferential Tariff rate.

(2) Where the Minister receives a recommendation from the Board that a tariff rate quota be applied to one or more countries in respect of any goods, the Governor in Council may, on the recommendation of the Minister and the Minister of Industry, Trade and Commerce, by order, apply to such country or countries, as the case may be, a tariff rate quota in respect of those goods.

(3) An order of the Governor in Council under subsection (2) applying a tariff rate quota shall have effect for the period specified in the order and shall set out the provisions of section 3.6.

3.5 Where, by reason of an order under subsection 3.4(2), further quantities of goods from any country cannot be admitted into Canada in any period of twelve consecutive months at the General Preferential Tariff rate without exceeding the permissible quantity for that period at that rate, such further quantities shall be admitted into Canada at the tariff rate that would apply to goods from that country if it were not entitled to the benefits of the General Preferential Tariff.

3.6 Goods in respect of which an order is made under subsection 3.4(2) shall be deemed to be included in the Import Control List, established under section 5 of the *Export and Import Permits Act*, on the coming into force of the order, and shall, for the purpose of this Act, be deemed to be removed from that List as of the day the order ceases to have effect.

3.7 Sections 3.1 to 3.6 shall expire on July 1, 1984, or on such earlier day as may be fixed by proclamation."

5. That the said Act be further amended by adding thereto, immediately after section 21, the following section:

"22.(1) The Governor in Council, on the recommendation of the Minister of Finance, may, by order, from time to time amend

(a) this Act, and

(b) any lists of articles or goods the duties on which are removed or reduced pursuant to any Act or any Order in Council under the *Customs Act* or this Act,

by striking out any measurement expressed in Canadian units pursuant to the *Weights and Measures Act* and any rate of duty based on those units and substituting equivalent measurements expressed in, and equivalent rates of duty based on, units of the International System pursuant to that Act or units of any other system of measurement authorized pursuant to that Act.

(2) No amendment under subsection (1) shall affect the status of any tariff item with respect to the payment of duty beyond that necessary to round out the applicable rate of duty by an amount that is not more than one per cent of the rate of duty that was in effect immediately prior to the amendment."

6. That Schedule A to the said Act be amended by striking out, in tariff items 703-1, 800-1, 805-1, 810-1, 825-1, 830-1, 935-2, 1300-1, 1305-1, 1600-1, 1700-1, 1800-1, 4305-1, 7301-1, 7313-1, 7610-1, 7615-1, 9100-1, 12405-1, 14201-1, 14202-1, 14203-1, 14203-2, 14204-1, 14204-2, 14205-1, 16900-1, 17100-1, 17800-1, 23215-1, 23220-1, 30605-1, 30610-1, 40922-1 and 54005-2, the reference to "New Zealand Trade Agreement" and any enumeration of goods and rate of duty related to that Agreement that are specified in those tariff items.

7. That Schedule A to the said Act be further amended by adding, immediately after the enumeration of goods in each tariff item listed below, a reference to "New Zealand" and by inserting opposite that reference, immediately before the tariff columns for that tariff item, the special rate of duty, set out below in respect of that tariff item:

Tariff Item	Special Rate of Duty for New Zealand
800-1	Free
805-1	Free
810-1	Free
825-1	Free
830-1	Free
1300-1	Free
1305-1	Free
1600-1	Free, during the months of December, January and February.
1700-1	1ct./lb.
1800-1	5cts./lb.
4305-1	1ct./lb.
7313-1	Free
14201-1	Free
14202-1	Free
14203-1	Free
14203-2	Free
14204-1	Free
14204-2	Free
14205-1	Free
23215-1	5 p.c.
23220-1	12.5 p.c.
30605-1	Free
30610-1	Free

8. That Schedule A to the said Act be further amended by striking out tariff items 20640-2, 25403-2, 28010-2, 53015-2, 53405-2 and 53410-2.

9. That Schedule A to the said Act be further amended by striking out in tariff items 12303-2, 12700-2 and 22000-2, the reference to "New Zealand Trade Agreement" and by substituting in each case a reference to "New Zealand".

10. That Schedule A to the said Act be further amended by adding the tariff items, enumerations of goods and rates of duty set out below, and by inserting those rates immediately before the tariff columns for those tariff items:

Tariff Item	Description	Rate
703-3	New Zealand Mutton	0.5 ct./lb.
7615-2	New Zealand Seed peas and seed beans	Free
9100-2	New Zealand Toheroa soup	Free
12405-2	New Zealand Shellfish known as Toheroas, in sealed tin containers, including liquid contents	Free

11. That Schedule A to the said Act be further amended by adding immediately after column (3), "General Tariff", a new column (4), "General Preferential Tariff", and by inserting in that column opposite each tariff item in Schedule A the rates of customs duty set out for that tariff item in Schedule I to this motion.

12. That Schedule A to the said Act be further amended by striking out tariff items 12100-1 and 15615-1, and the enumerations of goods and the rates of duty set opposite each of those items and by inserting in Schedule A to the said Act the items, enumerations of goods and rates of duty specified in Schedule II to this motion.

13. That Schedule A to the said Act be further amended by striking out the reference to "on and after January 1, 1982" in tariff item 18030-2 and substituting therefor "on and after *July 1, 1982*".

14. That Schedule A to the said Act be further amended by striking out the reference to "Pulpboard" in the English version of tariff items 19205-1 and 19210-1 and substituting therefor a reference to "*Paperboard*".

15. That Schedule A to the said Act be further amended by striking out the headnote to tariff items 38201-1 to 38208-1 and substituting therefor the following headnote: "Sheet or strip of iron or steel, *whether or not with a corrugated or other roll-formed profile*, and whether or not with rolled surface pattern:".

16. That Schedule A to the said Act be further amended by striking out the reference to "machines à cintrer" in the French version of tariff item 42700-7 and substituting therefor a reference to "machines à cintrer *les conduits*".

17. That Schedule A to the said Act be further amended by striking out the reference to "kartavert" in the English version and the reference to "fibres de Kartavert" in the French version of tariff item 50900-1.

18. That Schedule A to the said Act be further amended by striking out tariff items 12105-1, 17200-1, 17210-1, 19201-1, 36500-1, 40919-1, 41003-1, 44200-1, 44534-2, 47605-1, 47825-1, 47826-1, 51135-1 and 68800-1, and the enumerations of goods and the rates of duty set opposite each of those items and by inserting in Schedule A to the said Act the items, enumerations of goods and rates of duty specified in Schedule III to this motion.

19. That, for the purposes of subsections 3(2.2) to (2.7) of the said Act, the rates of customs duty applicable on goods enumerated in Schedules II and III of this motion shall be deemed to be the rates of customs duty that would have been applicable on those goods if the enactment founded on paragraphs 12 and 18 of this motion had come into force on June 3, 1980.

20. That *The New Zealand Trade Agreement Act, 1932* be repealed.

21. That the *New Zealand Trade Agreement (Amendment) Act*, chapter 14 of the Statutes of Canada, 1970-71-72, be repealed.

22. That any enactment founded upon paragraphs 1 to 21 inclusive and Schedules I, II and III to this motion will be deemed to have come into force on the 13th day of November, 1981 and to have applied to all goods mentioned in the said paragraphs and Schedules imported or taken out of warehouse for consumption on or after that day, and to have applied to goods previously imported for which no entry for consumption was made before that day.

SCHEDULE I

Tariff Item		General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion			
			B.P. Tariff	M.F.N. Tariff	General Tariff	General Preferential Tariff
805-1	Canned pork	10 p.c.	15 p.c.	15 p.c.	35 p.c.	—
825-1	Canned meats, n.o.p.	12.5 p.c.	15 p.c.	15 p.c.	35 p.c.	12.5 p.c.
915-1	Turkey poults, baby ducklings and baby goslings	Free	12.5 p.c.	12.5 p.c.	20 p.c.	—
1300-1	Lard and animal stearine of all kinds, n.o.p.	Free	1 ct./lb.	1 ct./lb.	2 cts./lb.	0.5 ct./lb.
1305-1	Lard compound and similar substances, n.o.p. per pound	0.5 ct.	1 ct.	1 ct.	2 cts.	0.5 ct.
1400-1	Tallow	Free	Free	4 p.c.	20 p.c.	5 p.c.
1515-1	Beeswax, n.o.p.	Free	6.4 p.c.	6.4 p.c.	20 p.c.	Free
1805-1	Peanut butter	Free	2 cts./lb.	2 cts./lb.	7 cts./lb.	Free
2200-1	Preparations of cocoa or chocolate in powder form	5 p.c.	10 p.c.	10 p.c.	35 p.c.	5 p.c.
2300-1	Preparations of cocoa or chocolate, n.o.p., and confectionery coated with or containing chocolate	5 p.c.	10 p.c.	14.4 p.c.	35 p.c.	10 p.c.
2505-1	Coffee, extract of, n.o.p., and substitutes thereof of all kinds	Free	5 cts./lb.	7 cts./lb.	7 cts./lb.	3 cts./lb.
2600-1	Coffee, roasted or ground	Free	2 cts./lb.	2 cts./lb.	5 cts./lb.	Free
2605-1	Imitations of and substitutes for roasted or ground coffee, including acorn nuts	Free	3 cts./lb.	4.5 cts./lb.	5 cts./lb.	—
3105-1	Ginger and spices, ground, n.o.p.	Free	5 p.c.	6.9 p.c.	10 p.c.	Free
3200-1	Nutmegs and mace, whole or unground	Free	Free	9.4 p.c.	20 p.c.	5 p.c.

Tariff Item		General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion			
			B.P. Tariff	M.F.N. Tariff	General Tariff	General Preferential Tariff
3300-1	Nutmegs and mace, ground	Free	5 p.c.	10.6 p.c.	30 p.c.	5 p.c.
3400-1	Mustard, ground	Free	6.9 p.c.	6.9 p.c.	27.5 p.c.	5 p.c.
3910-1	Starch, and all preparations having the quality of starch, n.o.p. .per pound	0.67 ct.	1 ct.	1 ct.	2 cts.	—
3915-1	Starch or flour of sago, cassava, or rice	Free	.75 ct. / lb.	.94 ct. / lb.	1.25 cts. / lb.	Free
4505-1	Prepared cereal foods, in packages not exceeding twenty-five pounds weight each	6.5 p.c.	10 p.c.	10 p.c.	27.5 p.c.	—
4600-1	Prepared cereal foods, n.o.p.	5 p.c.	7.5 p.c.	7.5 p.c.	20 p.c.	—
6300-1	Rice, cleaned.....	Free	25 cts. / 100 lbs.	25 cts. / 100 lbs.	\$1.00/ 100 lbs.	Free
6500-1	Biscuits, not sweetened.....	5 p.c.	7.5 p.c.	7.5 p.c.	25 p.c.	—
6600-1	Biscuits, sweetened	5 p.c.	7.5 p.c.	7.5 p.c.	30 p.c.	—
	on and after January 1, 1984	4.5 p.c.				
6610-1	Pretzels	Free	Free	7.5 p.c.	30 p.c.	—
	Feeds, n.o.p., for animals and poultry, and ingredients for use therein, n.o.p.:					
6928-1	Mixed feeds, and mixed-feed ingredients	3 p.c.	5 p.c.	5 p.c.	25 p.c.	—
7910-1	Orchids, natural, cut, whether in designs or bouquets or not.....	12.5 p.c.	Free	25 p.c.	40 p.c.	12.5 p.c.

Tariff Item		General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion			General Preferential Tariff
			B.P. Tariff	M.F.N. Tariff	General Tariff	
	Fruits, pickled or preserved in salt, brine, oil, vinegar or acetic acid, or in sulphur dioxide or other similar preservatives, whether or not in air-tight cans or other air-tight containers; fruits pickled or preserved in any other manner, n.o.p.:					
10520-1	Cherries	12.5 p.c.	5 cts./lb. (12.5 p.c. min.)	5 cts./lb. (12.5 p.c. min.)	14 cts./lb. (35 p.c. min.)	12.5 p.c.
10522-1	Strawberries	12.5 p.c.	5 cts./lb. (17.5 p.c. min.)	5 cts./lb. (17.5 p.c. min.)	10 cts./lb. (35 p.c. min.)	12.5 p.c.
	Fruit juices, n.o.p., reconstituted or not, concentrated or not, and fruit syrups, n.o.p.:					
10657-1	Grapefruit juice, n.o.p.	Free	Free	3 p.c.	25 p.c.	Free
10658-1	Blended orange and grapefruit juice	Free	Free	3 p.c.	25 p.c.	Free
	Anchovies, packed in oil or otherwise, in sealed tin containers, the weight of the tin container to be included in the weight for duty:					
12001-1	When weighing over twenty ounces and not over thirty-six ounces each..	Free	1.38 cts./ box	1.38 cts./ box	6 cts./ box	Free
12002-1	When weighing over twelve ounces and not over twenty ounces each.....	Free	1.13 cts./ box	1.13 cts./ box	4.5 cts./ box	Free
12003-1	When weighing over eight ounces and not over twelve ounces each	Free	.69 ct./ box	.69 ct./ box	3.5 cts./ box	Free
12004-1	When weighing eight ounces each or less.....	Free	.44 ct./ box	.44 ct./ box	2.5 cts./ box	Free
	Fish, prepared or preserved, n.o.p.:					
12303-1	All other fish, n.o.p.	7 p.c.	11 p.c.	11 p.c.	30 p.c.	—

Tariff Item		General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion			General Preferential Tariff
			B.P. Tariff	M.F.N. Tariff	General Tariff	
12405-1	Shellfish, prepared or preserved, n.o.p.	6.5 p.c.	9.8 p.c.	9.8 p.c.	30 p.c.	—
	on and after January 1, 1982	6 p.c.				
	on and after January 1, 1983	5.5 p.c.				
	on and after January 1, 1984	5 p.c.				
12505-1	Oysters, prepared or preserved; oysters in the shell	Free	6.9 p.c.	6.9 p.c.	25 p.c.	—
12505-2	Oysters, smoked, whether or not in cans or other air-tight containers	Free	6.4 p.c.	6.4 p.c.	25 p.c.	—
12600-1	Clams in sealed containers	6.5 p.c.	10 p.c.	10 p.c.	40 p.c.	—
12805-1	Lobsters, prepared or preserved	6.5 p.c.	9.8 p.c.	9.8 p.c.	30 p.c.	—
	on and after January 1, 1982	6 p.c.				
	on and after January 1, 1983	5.5 p.c.				
	on and after January 1, 1984	5 p.c.				
13300-1	All other articles the produce of the fisheries, n.o.p.	4.5 p.c.	7.3 p.c.	7.3 p.c.	25 p.c.	—
	on and after January 1, 1983	4 p.c.				
14100-1	Sugar candy and confectionery, n.o.p., including sweetened gums, candied popcorn, candied nuts, flavouring powders, custard powders, jelly powders, sweetmeats, sweetened breads, cakes, pies, puddings and all other confections containing sugar	7.5 p.c.	12.5 p.c.	18.8 p.c.	35 p.c.	12.5 p.c.
	Tobacco, unmanufactured, for excise purposes under conditions of the <i>Excise Act</i> , subject to such regulations as may be prescribed by the Minister:					
	Of the type commonly known as Turkish:					
14201-1	Unstemmed	Free	11 cts./lb.	11 cts./lb.	40 cts./lb.	Free
14202-1	Stemmed	Free	20 cts./lb.	20 cts./lb.	60 cts./lb.	Free
	N.o.p.:					
14205-1	Unstemmed, when imported by cigar manufacturers for use as wrappers in the manufacture of cigars in their own factories	Free	3.8 cts./lb.	3.8 cts./lb.	40 cts./lb.	Free

Tariff Item	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion				General Preferential Tariff
		B.P. Tariff	M.F.N. Tariff	General Tariff	General Tariff	
14700-1 Ale, beer, porter and stout	Free	15 cts. / gal.	15 cts. / gal.	35 cts. / gal.	Free	
15620-1 Brandy	50 cts.	87.5 cts.	87.5 cts.	\$8.00	50 cts.	
15625-1 Liqueurs	Free	50 cts.	50 cts.	\$6.00	Free	
19710-2 Wrapping paper, unbleached, not pasted or coated, in rolls, not cut to size or shape	Free	11.3 p.c.	11.3 p.c.	35 p.c.	7.5 p.c.	
Gums, namely:						
25403-1 Australian and kauri; ambergris	Free	Free	7.5 p.c.	15 p.c.	—	
26505-1 Fish oils, n.o.p.	7.5 p.c.	12.5 p.c.	13.1 p.c.	22.5 p.c.	7.5 p.c.	
Vegetable oils, other than crude or crude degummed:						
27731-1 Coconut	12.5 p.c.	12.5 p.c.	17.5 p.c.	25 p.c.	12.5 p.c.	
27733-1 Cottonseed	12.5 p.c.	12.5 p.c.	17.5 p.c.	25 p.c.	12.5 p.c.	
27734-1 Palm	12.5 p.c.	12.5 p.c.	17.5 p.c.	25 p.c.	12.5 p.c.	
27735-1 Palm kernel	12.5 p.c.	12.5 p.c.	17.5 p.c.	25 p.c.	12.5 p.c.	
27736-1 Peanut	12.5 p.c.	12.5 p.c.	17.5 p.c.	25 p.c.	12.5 p.c.	
32609-1 Opal glassware, n.o.p.	Free	10 p.c.	15 p.c.	32.5 p.c.	10 p.c.	
33900-1 Lead, manufactures of, n.o.p.	Free	15.7 p.c.	15.7 p.c.	30 p.c.	10 p.c.	
33910-1 Collapsible tubes of lead or tin or lead coated with tin	Free	10 p.c.	15.7 p.c.	30 p.c.	10 p.c.	

Rates in Effect Prior to
Rates Proposed in this Motion

Tariff Item	General Preferential Tariff	Rates in Effect Prior to			General Preferential Tariff	
		B.P. Tariff	M.F.N. Tariff	General Tariff		
34815-1	Brass scrap and brass in blocks, ingots or pigs; copper in bars or rods, not less than six feet in length, unmanufactured, n.o.p.; copper in strips, sheets or plates, not polished, planished or coated; brass or copper tubing, in lengths not less than six feet, and not polished, bent or otherwise manufactured	Free	4.8 p.c.	4.8 p.c.	10 p.c.	3 p.c.
34900-1	Brass in bars and rods, in coil or otherwise, not less than six feet in length, and brass in strips, sheets or plates, not polished, planished or coated ..	Free	4.8 p.c.	4.8 p.c.	15 p.c.	3 p.c.
34905-1	Alloys of copper, n.o.p., containing 50 per cent or more by weight of copper, namely: sheets, plates, strips, bars, rods and tubes	Free	4.8 p.c.	4.8 p.c.	25 p.c.	3 p.c.
34907-1	Copper beryllium alloys, namely: ingots, sheets, plates, strips, bars, rods, tubes and wire	Free	4.8 p.c.	4.8 p.c.	25 p.c.	3 p.c.
34910-1	Alloys of magnesium, namely: ingots, pigs, sheets, plates, strips, bars, rods and tubes	Free	4.8 p.c.	4.8 p.c.	25 p.c.	3 p.c.
35200-2	Copper or copper alloy angles, shapes and sections, pipes and tubes and blanks therefor, n.o.p.	Free	14.1 p.c.	14.1 p.c.	30 p.c.	9 p.c.
35215-1	Screws of brass, copper or other metal, n.o.p.	6.5 p.c.	15.7 p.c.	15.7 p.c.	35 p.c.	10 p.c.
	Aluminum and alloys thereof:					
35301-1	Pigs, ingots, blocks, notch bars, slabs, billets, blooms, and wire bars	Free	Free	0.8 ct./lb.	5 cts./lb.	—
35700-1	Britannia metal, nickel silver, Nevada and German silver, manufactures of, not plated, n.o.p.	Free	15 p.c.	15.7 p.c.	40 p.c.	10 p.c.
36505-1	Findings of metal, not plated or coated, including stampings, trimmings, spring-rings, bolt-rings, clasps, snaps, swivels, vest chain bars, joints, catches, pin tongues, buckle tongues, coil pins, clip actions, settings and eyepins, when imported by manufacturers of jewellery or ornaments for the adornment of the person, for use exclusively in the manufacture of such articles, in their own factories	Free	11.4 p.c.	11.4 p.c.	30 p.c.	7.5 p.c.

Tariff Item		General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion			General Preferential Tariff
			B.P. Tariff	M.F.N. Tariff	General Tariff	
	Bars or rods of iron or steel, hot-rolled, plain or deformed, namely: rounds, half-rounds, ovals, half-ovals, squares, round-cornered squares, hexagons, octagons or other multisided bars or rods; flats, 13/64 inch or more in thickness and eight inches or less in width:					
37900-2	Other	Free	5 p.c.	10 p.c.	20 p.c.	5 p.c.
	Bars or rods of iron or steel, as described in tariff items 37900-1 and 37900-2; cold-rolled or cold-drawn:					
37905-2	Other	Free	5 p.c.	12.5 p.c.	25 p.c.	5 p.c.
	Bars or rods of iron or steel, as described in tariff items 37900-1 and 37900-2, further processed than hot-or cold-rolled or cold-drawn, or otherwise processed:					
37910-2	Other	Free	5 p.c.	12.5 p.c.	25 p.c.	5 p.c.
	Plate of iron or steel, flanged or dished:					
38105-1	Alloy	Free	5 p.c.	15 p.c.	30 p.c.	5 p.c.
38105-2	Other	Free	5 p.c.	15 p.c.	30 p.c.	5 p.c.
	Railway rails of iron or steel, of any weight, or for any purpose, punched, drilled, or not:					
38700-1	Alloy	Free	5 p.c.	10 p.c.	20 p.c.	5 p.c.
38700-2	Other	Free	5 p.c.	10 p.c.	20 p.c.	5 p.c.
39600-1	Pipes or tubes of cast iron, whether or not coated or lined	Free	7.5 p.c.	12.5 p.c.	25 p.c.	7.5 p.c.
	Wire of iron or steel, single:					
	Round, n.o.p.:					
40101-1	Alloy	Free	2.5 p.c.	7.5 p.c.	20 p.c.	2.5 p.c.

Tariff Item	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion			General Preferential Tariff	
		B.P. Tariff	M.F.N. Tariff	General Tariff		
40101-2	Other	Free	2.5 p.c.	7.5 p.c.	20 p.c.	2.5 p.c.
	Other than round, n.o.p.:					
40102-1	Alloy	Free	5 p.c.	10 p.c.	20 p.c.	5 p.c.
40102-2	Other	Free	5 p.c.	10 p.c.	20 p.c.	5 p.c.
	Coated or covered with any material, n.o.p.:					
40103-1	Alloy	Free	5 p.c.	10 p.c.	20 p.c.	5 p.c.
40103-2	Other	Free	5 p.c.	10 p.c.	20 p.c.	5 p.c.
41245-1	Printing plates including rolls and cylinders, n.o.p.; exposed positive or negative films and reproduction proofs, for such printing plates	Free	10 p.c.	13.6 p.c.	25 p.c.	9 p.c.
41410-1	Dictating, transcribing and cylinder shaving machines, and cylinders, discs, dictating belts and unfinished wax blanks for use therewith; parts of the foregoing	Free	9.4 p.c.	9.4 p.c.	25 p.c.	6 p.c.
41430-1	Cash registers	Free	15 p.c.	15 p.c.	30 p.c.	10 p.c.
41435-1	Complete parts of cash registers, when imported by manufacturers of cash registers for use in the manufacture of such registers in their own factories	Free	7.5 p.c.	7.5 p.c.	25 p.c.	5 p.c.
43030-1	Railway spikes, of iron or steel, coated or not	Free	15.7 p.c.	15.7 p.c.	30 p.c.	10 p.c.
43110-1	Hoes, pronged forks, rakes, hand	Free	13.6 p.c.	13.6 p.c.	20 p.c.	9 p.c.
44100-1	Guns, rifles, including air guns and air rifles not being toys; cannons, pistols, revolvers, or other firearms, n.o.p.; cartridge cases, cartridges, primers, percussion caps, wads or other ammunition, n.o.p.; bayonets, swords, fencing foils and masks; gun or pistol covers or cases, game bags, loading tools and cartridge belts of any material	Free	10 p.c.	17.8 p.c.	30 p.c.	10 p.c.

Tariff Item	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion			General Preferential Tariff	
		B.P. Tariff	M.F.N. Tariff	General Tariff		
44100-2	Shot shell loaders	Free	10 p.c.	15 p.c.	30 p.c.	10 p.c.
44335-1	Timers for radios and parts thereof	Free	13.1 p.c.	13.1 p.c.	30 p.c.	8.5 p.c.
44502-2	Portable electric flashlights designed for self-contained electrical source; complete parts therefor	Free	15 p.c.	15 p.c.	30 p.c.	10 p.c.
44534-1	Radio or television receiving sets incorporating a record playing device	Free	10 p.c.	11.3 p.c.	25 p.c.	7.5 p.c.
50060-1	Timber or lumber of hardwood (the wood of any deciduous species of tree), drilled but not otherwise further manufactured than the product of a planing machine with various profile attachments or not further manufactured than matched or patterned on a matching machine, sticker or moulder.....	Free	3.8 p.c.	3.8 p.c.	25 p.c.	Free
50070-1	Timber or lumber of wood of any species, whether or not drilled, but otherwise not further manufactured than surface-sanded or otherwise surface processed, or dimensionally stabilized, n.o.p.	Free	3.8 p.c.	3.8 p.c.	25 p.c.	Free
	Manufactures of wood, n.o.p.:					
50600-6	Rough blanks or blocks of wood, not edge-glued nor otherwise manufactured	Free	11.3 p.c.	11.3 p.c.	25 p.c.	7.5 p.c.
50705-1	Single-ply, sliced or rotary-cut veneers of wood, n.o.p., not over five-sixteenths of an inch in thickness, not taped nor jointed.....	Free	2.5 p.c.	2.5 p.c.	20 p.c.	Free
50710-1	Veneers of wood of any kind, not over five-sixteenths of an inch in thickness, taped or jointed	Free	3.3 p.c.	3.3 p.c.	25 p.c.	Free
	Plywood:					
50715-2	Plywood imported by manufacturers of picker sticks for use in the manufacture of such articles in their own factories	Free	9.5 p.c.	9.5 p.c.	35 p.c.	Free

Tariff Item		Rates in Effect Prior to Rates Proposed in this Motion				
		General Preferential Tariff	B.P. Tariff	M.F.N. Tariff	General Preferential Tariff	
50715-3	Plywood of okoumé	Free	9.5 p.c.	9.5 p.c.	35 p.c.	Free
50720-1	Veneers, namely: Australian blackwood, walnut, silky oak, silkwood, blackbean, maple, Tasmanian myrtle, and eucalyptus, single-ply and not over three thirty-seconds of an inch in thickness	Free	2.5 p.c.	2.5 p.c.	15 p.c.	Free
52010-1	Cotton fibres, n.o.p., and carded sliver, wholly of cotton	Free	5 p.c.	5 p.c.	12.5 p.c.	3 p.c.
53020-1	Hair, curled or dyed, n.o.p.	Free	7.5 p.c.	7.5 p.c.	20 p.c.	5 p.c.
53205-1	Woven fabrics composed wholly or in part of yarns of wool or hair, n.o.p. ... and, per pound on and after January 1, 1982 and, per pound on and after January 1, 1983 and, per pound on and after January 1, 1984 and, per pound	16.5 p.c. 16.7 cts. 16.5 p.c. 13.9 cts. 16.5 p.c. 11.1 cts. 16.5 p.c. 8.3 cts.	18 p.c. 18 cts. (60 cts./ lb. max.)	25 p.c. 25 cts.	40 p.c. 40 cts.	—
53210-1	Woven fabrics composed wholly or in part of yarns of wool or hair and weighing not less than twelve ounces to the square yard..... and, per pound on and after January 1, 1982 and, per pound on and after January 1, 1983 and, per pound on and after January 1, 1984 and, per pound	16.5 p.c. 16.7 cts. 16.5 p.c. 13.9 cts. 16.5 p.c. 11.1 cts. 16.5 p.c. 8.3 cts.	18 p.c. 13.5 cts. (55 cts./ lb. max.)	25 p.c. 25 cts.	40 p.c. 40 cts.	—
53240-1	Woven fabrics, composed wholly of wool and cotton blended yarns with not less than 15 p.c., by weight, of wool, weighing not more than four and one half ounces to the square yard, and with a minimum of 70 warp threads and 70 weft threads to the square inch; the foregoing for use in the manufacture of men's and boys' shirts.....	Free	5 p.c. (60 cts./ lb. max.)	5 p.c. (60 cts./ lb. max.)	40 p.c. + 40 cts./ lb.	3 p.c. (40 cts./ lb. max.)

Tariff Item		Rates in Effect Prior to Rates Proposed in this Motion				General Preferential Tariff
		General Preferential Tariff	B.P. Tariff	M.F.N. Tariff	General Tariff	
	Yarns and rovings, including threads, cords and twines, wholly or in part of vegetable fibres, n.o.p., not containing silk, wool or hair, man-made fibres or filaments nor glass fibres or filaments:					
54107-1	Singles, n.o.p.	5 p.c.	12.5 p.c.	15 p.c.	25 p.c.	5 p.c.
54108-1	Other, n.o.p.	7.5 p.c.	15 p.c.	20 p.c.	25 p.c.	7.5 p.c.
	Yarns and rovings, including threads, cords or twines, wholly of jute:					
54115-1	Singles	Free	10 p.c.	17.5 p.c.	25 p.c.	Free
54116-1	Other	Free	15 p.c.	20 p.c.	25 p.c.	Free
54315-1	Articles made from woven fabrics wholly of jute and all textile manufactures, wholly or partially manufactured, the textile component of which is wholly of jute, n.o.p.; jute fabric backed with paper	Free	12.5 p.c.	20 p.c.	30 p.c.	Free
54325-1	Bags or sacks of jute, hemp, linen or sisal	Free	12.5 p.c.	12.5 p.c.	20 p.c.	Free
	The following, when the textile component thereof is more than fifty per cent, by weight, of silk:					
55302-1	Headsquares, scarves or mufflers, made from woven fabrics	10 p.c.	15 p.c.	15 p.c.	45 p.c.	10 p.c.
55303-1	Clothing, wearing apparel and articles, made from woven fabrics, and all textile manufactures, wholly or partially manufactured	10 p.c.	25 p.c.	25 p.c.	45 p.c.	10 p.c.
55910-1	Waste portions of unused fabrics, n.o.p., not to include remnants or mill ends	Free	5 p.c.	5 p.c.	20 p.c.	3 p.c.
56005-1	Man-made fibres not exceeding twelve inches in length.....	5 p.c.	5 p.c.	10 p.c.	15 p.c.	—
56010-1	Sliver, wholly or in part of man-made fibres	5 p.c.	5 p.c.	10 p.c.	15 p.c.	—
56210-1	Woven fabrics with cut pile, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair.....	20 p.c.	20 p.c.	25 p.c.	45 p.c.	—

Tariff Item	General Preferential Tariff	Rates in Effect Prior to			General Preferential Tariff	
		B.P. Tariff	M.F.N. Tariff	General Tariff		
56225-1	Woven fabrics, wholly or in part of silk or of man-made fibres or filaments, imported in lengths of not less than five yards, by manufacturers of neckties, for use in the manufacture of neckties, or matching necktie and pocket puff sets, but not including such fabrics for use as interlining	Free	10 p.c.	10 p.c.	45 p.c.	6.5 p.c.
56230-1	Woven cord tire fabric, wholly or in chief part, by weight, of man-made fibres or filaments; not to contain silk or wool, for use in the manufacture of pneumatic tires, n.o.p.	7.5 p.c.	7.5 p.c.	12.5 p.c.	45 p.c.	—
56500-1	Saris of any material	Free	15 p.c.	15 p.c.	50 p.c.	Free
56605-1	Fabrics, containing figured designs, woven in widths not exceeding twelve inches, lace, embroideries, emblems and medallions, for use in the manufacture of church vestments	Free	10 p.c.	10 p.c.	20 p.c.	6.5 p.c.
	Lace and netting, other than woven, bobbinet, embroideries, n.o.p.:					
56610-1	Wholly of vegetable fibres	8 p.c.	10 p.c.	12.5 p.c.	25 p.c.	—
	on and after January 1, 1983	7.5 p.c.				
57005-1	Carpeting, rugs, stair pads, mats and matting of straw, hemp, flax tow or jute	Free	15 p.c.	20 p.c.	25 p.c.	Free
57005-2	Carpeting, rugs, stair pads, mats and matting of straw	Free	12.5 p.c.	17.5 p.c.	25 p.c.	Free
57005-3	Carpeting, rugs, stair pads, mats and matting of jute	Free	12.5 p.c.	17.5 p.c.	25 p.c.	Free
57010-1	Carpeting, rugs, mats and matting of paper; stair pads	Free	15 p.c.	20 p.c.	30 p.c.	Free
57015-1	Carpeting, rugs, mats and matting of sisal, palm straw or cane straw	Free	10 p.c.	10 p.c.	25 p.c.	Free
57205-1	Carpets of sisal, palm straw or cane straw	Free	10 p.c.	10 p.c.	40 p.c.	Free
57210-1	Oriental rugs or carpets with pile hooked or knotted by hand	Free	10 p.c.	10 p.c.	40 p.c.	6.5 p.c.
				+ 5 cts./sq. ft.	+ 20 cts./sq. ft.	+ 3.3 cts./sq. ft.

Tariff Item		General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion			General Preferential Tariff
			B.P. Tariff	M.F.N. Tariff	General Tariff	
61105-2	Sandals, Oriental type, embroidered with gold or silver thread	12.5 p.c.	15.7 p.c.	24.4 p.c.	40 p.c.	12.5 p.c.
62000-1	Tinsel wire when imported by manufacturers of braids, cords, tassels, ribbons or trimmings, for use only in the manufacture of such articles in their own factories	Free	5 p.c.	5.6 p.c.	10 p.c.	3.5 p.c.
62200-2	Baskets of bamboo	5 p.c.	12.5 p.c.	15 p.c.	40 p.c.	5 p.c.
62200-3	Baskets of interwoven vegetable fibres	5 p.c.	12.5 p.c.	15 p.c.	40 p.c.	5 p.c.
63300-1	Feathers, in their natural state	Free	3.8 p.c.	3.8 p.c.	15 p.c.	Free
65605-2	Meerschaum pipes, not including those composed in part of briar wood	Free	13.1 p.c.	13.1 p.c.	35 p.c.	8.5 p.c.
66335-1	Fish meal	Free	Free	8.8 p.c.	25 p.c.	—
66340-1	Oyster shells, not further manufactured than crushed or screened, or both, for use as poultry feeds or in the manufacture of poultry feeds	Free	3.8 p.c.	3.8 p.c.	25 p.c.	—
71110-1	Prepared foods, whether canned or not, for cats and dogs	4 p.c.	6 p.c.	6 p.c.	25 p.c.	—

Schedule II

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion				
					B.P. Tariff	M.F.N. Tariff	General Tariff	General Preferential Tariff	
10523-2	Mango chutney	Free	Free	35 p.c.	Free	Free	Free	35 p.c.	Free
10535-2	Pineapples, crystallized, glacé, candied or drained	15 p.c.	15 p.c.	35 p.c.	5 p.c.	15 p.c.	15 p.c.	35 p.c.	5 p.c.
	Fruit juices, n.o.p., reconstituted or not, concentrated or not, and fruit syrups, n.o.p.:								
10663-2	Fruit juices, n.o.p., not including apple, cranberry and blended juices	10 p.c.	10 p.c.	25 p.c.	Free	10 p.c.	10 p.c.	25 p.c.	Free
10664-2	Fruit syrups, n.o.p., not including apricot, blueberry, cherry, loganberry, peach, raspberry and strawberry syrups	10 p.c.	10 p.c.	30 p.c.	Free	10 p.c.	10 p.c.	30 p.c.	Free
11400-2	Nuts of all kinds, processed or prepared in any manner, n.o.p., including roasted, fried, boiled, ground, salted, seasoned or otherwise flavoured; nuts pickled or preserved in salt, brine, oil or in any other manner, n.o.p.	—	—	—	Free	—	—	—	7.5 p.c.
12100-1	Fish, <i>packed or preserved in oil or in mixtures containing oil</i> , n.o.p.	15 p.c.	15 p.c.	35 p.c.	10 p.c.	15 p.c.	15 p.c.	35 p.c.	—
	on and after January 1, 1986	14.8 p.c.	14.8 p.c.	35 p.c.	—				
	on and after January 1, 1987	14 p.c.	14 p.c.	35 p.c.	—				

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion			
					B.P. Tariff	M.F.N. Tariff	General Tariff	General Preferential Tariff
13300-2 Caviar, being prepared sturgeon roe	7.3 p.c.	7.3 p.c.	25 p.c.	Free	7.3 p.c.	7.3 p.c.	25 p.c.	Free
on and after January 1, 1982	6.9 p.c.	6.9 p.c.	25 p.c.	Free				
on and after January 1, 1983	6.5 p.c.	6.5 p.c.	25 p.c.	Free				
on and after January 1, 1984	6.1 p.c.	6.1 p.c.	25 p.c.	Free				
on and after January 1, 1985	5.8 p.c.	5.8 p.c.	25 p.c.	—				
on and after January 1, 1986	5.4 p.c.	5.4 p.c.	25 p.c.	—				
on and after January 1, 1987	5 p.c.	5 p.c.	25 p.c.	—				
15615-1 Rum, n.o.p.								
per gallon of the strength of proof	50 cts.	\$1.75	\$6.00		50 cts.	\$1.75	\$6.00	
on and after January 1, 1982								
per gallon of the strength of proof	50 cts.	\$1.63	\$6.00					
on and after January 1, 1983								
per gallon of the strength of proof	50 cts.	\$1.50	\$6.00					
on and after January 1, 1984								
per gallon of the strength of proof	50 cts.	\$1.38	\$6.00					
on and after January 1, 1985								
per gallon of the strength of proof	50 cts.	\$1.25	\$6.00					
on and after January 1, 1986								
per gallon of the strength of proof	50 cts.	\$1.13	\$6.00					
on and after January 1, 1987								
per gallon of the strength of proof	50 cts.	\$1.00	\$6.00					
The product of a country accorded the benefits of the British Preferential Tariff								
per gallon of the strength of proof				Free				Free
The product of a country accorded the benefits of the Most-Favoured-Nation Tariff								
per gallon of the strength of proof				\$1.50				\$1.50

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion				
					B.P. Tariff	M.F.N. Tariff	General Tariff	General Preferential Tariff	
Vegetable oils, other than crude or crude degummed:									
27740-2	Castor bean	12.5 p.c.	17.5 p.c.	25 p.c.	5 p.c.	12.5 p.c.	17.5 p.c.	25 p.c.	5 p.c.
52306-1	Industrial shop towels, hemmed but not bleached or dyed except for identification markings, not less than 17 inches nor more than 22 inches in width and not less than 17 inches nor more than 24 inches in length, made from woven fabrics wholly of cotton or of cotton and man-made fibres in yarn counts from 6 to 14, either single-ply or double-ply, and having not less than 20 yarns nor more than 34 yarns per inch in the warp and not less than 20 yarns nor more than 35 yarns per inch in the weft and weighing not less than 4 ounces nor more than 6 ounces per square yard	—	—	—	Free	—	—	—	Free
56915-2	Bamboo and pandan hats, untrimmed, n.o.p.	18 p.c.	23.8 p.c.	45 p.c.	Free	18 p.c.	23.8 p.c.	45 p.c.	Free
	on and after January 1, 1982	18 p.c.	23.1 p.c.	45 p.c.	Free				
	on and after January 1, 1983	18 p.c.	22.5 p.c.	45 p.c.	Free				
	on and after January 1, 1984	18 p.c.	21.9 p.c.	45 p.c.	Free				
	on and after January 1, 1985	18 p.c.	21.3 p.c.	45 p.c.	—				
	on and after January 1, 1986	18 p.c.	20.6 p.c.	45 p.c.	—				
	on and after January 1, 1987	18 p.c.	20 p.c.	45 p.c.	—				

Schedule III

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
					B.P. Tariff	M.F.N. Tariff	General Tariff
4730-1	White pea (navy) beansper pound	Free	1.5 cts.	2 cts.	Free	1.5 cts.	2 cts.
7500-1	Snap bean seedper pound	Free	Free	2 cts.	Free	1.5 cts.	2 cts.
12101-1	Tuna, packed or preserved in oil or in mixtures containing oil on and after January 1, 1986 on and after January 1, 1987	15 p.c.	15 p.c.	35 p.c.	15 p.c.	15 p.c.	35 p.c.
		14.8 p.c.	14.8 p.c.	35 p.c.	11 p.c.	11 p.c.	30 p.c.
		14 p.c.	14 p.c.	35 p.c.			
12102-1	Mackerel, packed or preserved in oil or in mixtures containing oil on and after January 1, 1986 on and after January 1, 1987	15 p.c.	15 p.c.	35 p.c.	15 p.c.	15 p.c.	35 p.c.
		14.8 p.c.	14.8 p.c.	35 p.c.	11 p.c.	11 p.c.	30 p.c.
		14 p.c.	14 p.c.	35 p.c.			
12105-1	Bonito, packed or preserved in oil or in mixtures containing oil on and after January 1, 1982 on and after January 1, 1983 on and after January 1, 1984 on and after January 1, 1985 on and after January 1, 1986 on and after January 1, 1987	9.3 p.c.	9.3 p.c.	35 p.c.	9.3 p.c.	9.3 p.c.	35 p.c.
		8.9 p.c.	8.9 p.c.	35 p.c.	11 p.c.	11 p.c.	30 p.c.
		8.5 p.c.	8.5 p.c.	35 p.c.			
		8.1 p.c.	8.1 p.c.	35 p.c.			
		7.8 p.c.	7.8 p.c.	35 p.c.			
		7.4 p.c.	7.4 p.c.	35 p.c.			
7 p.c.	7 p.c.	35 p.c.					
12250-1	Tuna and mackerel, prepared or preserved, n.o.p.	11 p.c.	11 p.c.	30 p.c.	11 p.c.	11 p.c.	30 p.c.
17200-1	Books, pamphlets and charts, printed or published by any government abroad; official financial and business reports and statements issued by companies or associations abroad; books and pamphlets, and replacement pages therefor, for the promotion of medicine and surgery, the fine arts, law, science, technical training, and the study of languages, not including dictionaries. Books, bound or unbound, which have been actually printed and manufactured more than twelve years; manuscripts; insurance maps; freight rates, passenger rates and timetables issued by transportation companies abroad and relating to transportation outside of Canada, in book or pamphlet form.....	Free	Free	Free	Free	Free	Free

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
40919-1 Devices designed for measuring the moisture content of agricultural produce; <i>parts thereof</i>	Free	Free	Free	Free Various	Free Various	Free Various
41003-1 Rotary blasthole drills for use in open pit mining; <i>parts thereof</i>	Free	Free	Free	Free 2.5 p.c. 10 p.c.	Free 13.6 p.c. 15.7 p.c.	Free 35 p.c. 35 p.c.
44200-1 Articles and materials which enter into the cost of manufacture of the goods enumerated in tariff items 40900-1, 40902-1, 40904-1, 40906-1, 40908-1, 40910-1, 40912-1, 40914-1, 40916-1, 40918-1, 40919-1, 40920-1, 40922-1, 40924-1, 40926-1, 40928-1, 40930-1, 40932-1, 40934-1, 40936-1, 40938-1, 40940-1, 40942-1, 40944-1, 40948-1, 40950-1, 40956-1, 42723-1, 43915-1 and 61810-1; when imported for use in the manufacture of the goods enumerated in the aforesaid tariff items, or in the manufacture of parts therefor, under such regulations as the Minister may prescribe	Free	Free	Free	Free Various	Free Various	Free Various
44534-2 Transmitters, receivers, transceivers and transverters, assembled or in kit form, <i>primarily</i> designed for use on the amateur bands of the radio frequency as defined by regulations made pursuant to the Radio Act; linear amplifiers, variable frequency oscillators and power supplies designed for use with the foregoing; parts of all the foregoing	Free	Free	25 p.c.	Free Free Free	Free 11.3 p.c. 13.6 p.c.	25 p.c. 25 p.c. 25 p.c.
47605-1 Operating room lights designed to minimize shadow, not including bulbs, of a class or kind not made in Canada; chairs and tables for surgical operating purposes; infant incubators; infant and patient medical-alert or identification devices including beads, tapes and ribbons of any						

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
					B.P. Tariff	M.F.N. Tariff	General Tariff
47605-1 (Cont.)	material, cases therefor and equipment for their application; electrocardiographs, paper and sensitized film for use therein; <i>unexposed instant film</i> ; apparatus for sterilizing purposes, including bedpan washer-sterilizers but not including washing nor laundry machines; parts of all the foregoing; electroencephalographic paper. All for the use of any public hospital, under such regulations as the Minister may prescribe.....	Free	Free	Free	Free Free	Free 12.5 p.c.	Free 30 p.c.
47800-1	<i>Goods, specially designed for the use of disabled persons, designated by Order of the Governor in Council; parts of the foregoing</i>	Free	Free	Free	Free Various	Free Various	Free Various
	<i>The Governor in Council may make regulations prescribing terms and conditions on which goods may be imported under this tariff item.</i>						
	Invalid chairs, commode chairs, walkers and all other aids to locomotion, with or without wheels; motive power and wheel assemblies therefor; <i>selector control devices designed to enable disabled persons to select, energize or control various household, industrial and office equipment but not including the equipment controlled by these devices</i> ; patterning devices; toilet, bath and shower seats; all specially designed for the disabled; accessories and attachments for all the foregoing:						
47825-1	Of a class or kind made in Canada; parts thereof	Free	10 p.c.	15 p.c.	Free	10 p.c.	15 p.c.
	on and after January 1, 1986	Free	9.9 p.c.	15 p.c.	15 p.c.	15.7 p.c.	30 p.c.
	on and after January 1, 1987	Free	9.2 p.c.	15 p.c.			
47826-1	Of a class or kind not made in Canada; parts thereof.....	Free	Free	Free	Free 15 p.c.	Free 15.7 p.c.	Free 30 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
					B.P. Tariff	M.F.N. Tariff	General Tariff
47831-1	Electronic devices specially designed to aid persons with speech impediments; parts of the foregoing	Free	Free	Free	15 p.c.	15.7 p.c.	30 p.c.
	Dental prostheses and parts thereof; materials that form a component part of the foregoing when used in the manufacture of dental prostheses or that are specifically designed for use during the manufacture of dental prostheses but do not form a component part thereof; materials, excluding anaesthetics, for use in dental reconstructive surgery:						
48001-1	Other than the following	Free	Free	25 p.c.	15 p.c. 15 p.c.	17.5 p.c. 15.7 p.c.	25 p.c. 25 p.c.
48002-1	Dentures, bridges, crowns, and other similar dental prostheses	15 p.c.	15.7 p.c.	25 p.c.	15 p.c.	15.7 p.c.	25 p.c.
	on and after January 1, 1982	14.8 p.c.	14.8 p.c.	25 p.c.			
	on and after January 1, 1983	13.9 p.c.	13.9 p.c.	25 p.c.			
	on and after January 1, 1984	12.9 p.c.	12.9 p.c.	25 p.c.			
	on and after January 1, 1985	12 p.c.	12 p.c.	25 p.c.			
	on and after January 1, 1986	11.1 p.c.	11.1 p.c.	25 p.c.			
	on and after January 1, 1987	10.2 p.c.	10.2 p.c.	25 p.c.			
48003-1	Artificial teeth, not mounted, and material for use only in the manufacture thereof	Free	Free	Free	Free	Free	Free
48004-1	Dental casting wax, dental plasters, dental stone, silica sand investments and other similar materials for making casts or models for dental purposes	Free	Free	25 p.c.	Free 15 p.c.	5.5 cts./ 100 lbs. 15.7 p.c.	5.5 cts./ 100 lbs. 25 p.c.
48005-1	Acrylic moulding compositions, whether or not fully formulated, when for use in the manufacture of dental prostheses	10 p.c.	10 p.c.	25 p.c.	10 p.c.	10 p.c.	25 p.c.

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
					B.P. Tariff	M.F.N. Tariff	General Tariff
48006-1	<i>Composition metal, but not including such metals in powder or pellet form, for dental purposes</i>	Free	7 p.c.	10 p.c.	Free	7 p.c.	10 p.c.
	<i>on and after January 1, 1982</i>	Free	6.8 p.c.	10 p.c.			
	<i>on and after January 1, 1983</i>	Free	6.5 p.c.	10 p.c.			
	<i>on and after January 1, 1984</i>	Free	6.3 p.c.	10 p.c.			
	<i>on and after January 1, 1985</i>	Free	6 p.c.	10 p.c.			
	<i>on and after January 1, 1986</i>	Free	5.8 p.c.	10 p.c.			
	<i>on and after January 1, 1987</i>	Free	5.5 p.c.	10 p.c.			
48007-1	<i>Metal alloys, including alloys of precious metals, prepared for use in dental amalgams by the mere addition of mercury; dental amalgams and other similar dental filling materials</i>	10 p.c.	12.5 p.c.	25 p.c.	10 p.c.	14.4 p.c.	25 p.c.
48015-1	<i>Models or casts used in the manufacture of dentures, bridges, crowns or other similar dental prostheses</i>	Free	Free	25 p.c.	15 p.c.	15.7 p.c.	25 p.c.
48016-1	<i>Dental impression compounds including impression waxes, whether or not in kit form</i>	7.5 p.c.	7.5 p.c.	25 p.c.	9.2 p.c.	9.2 p.c.	25 p.c.
					13.6 p.c.	13.6 p.c.	25 p.c.
					15 p.c.	15.7 p.c.	25 p.c.
51135-1	<i>Climbing and mountaineering equipment, namely: protective helmets, tubular webbing, chocks, nuts, angles, bongs, belay plates, rappel rings, ascenders, descenders, ice screws and snow plates, rock pegs, rock hooks, rescue pulleys, pitons, piton hammers, ice hammers, ice picks, crampons, beacons and avalanche probes; the following equipment when manufactured to the standards of the Union Internationale des Associations d'Alpinisme: climbing ropes, carabiners, ice axes and climbing harnesses; parts of all the foregoing</i>	Free	Free	35 p.c.	Free	Free	35 p.c.
					10 p.c.	15.7 p.c.	35 p.c.
					15 p.c.	16.3 p.c.	35 p.c.

Tariff Item	British Prefer- ential Tariff	Most- Favoured- Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
56110-3 Yarns, wholly of viscose rayon filaments, which would other- wise be classified under tariff items 56105-1 or 56110-1	18 p.c.	10 p.c.	35 p.c.	18 p.c.	10 p.c.	35 p.c.
<i>and, per pound</i>	—	10 cts.	20 cts.	—	10 cts.	20 cts.
<i>on and after January 1, 1982</i>	16.7 p.c.	9.9 p.c.	35 p.c.			
<i>and, per pound</i>	—	8.3 cts.	20 cts.			
<i>on and after January 1, 1983</i>	15.4 p.c.	9.9 p.c.	35 p.c.			
<i>and, per pound</i>	—	6.7 cts.	20 cts.			
<i>on and after January 1, 1984</i>	14 p.c.	9.9 p.c.	35 p.c.			
<i>and, per pound</i>	—	5 cts.	20 cts.			
<i>on and after January 1, 1985</i>	12.7 p.c.	9.9 p.c.	35 p.c.			
<i>and, per pound</i>	—	3.3 cts.	20 cts.			
<i>on and after January 1, 1986</i>	11.3 p.c.	9.9 p.c.	35 p.c.			
<i>and, per pound</i>	—	1.6 cts.	20 cts.			
<i>on and after January 1, 1987</i>	9.9 p.c.	9.9 p.c.	35 p.c.			
<i>and, per pound</i>	—	—	20 cts.			
69905-1 Identification bands of metal for banding migratory birds	Free	Free	Free	15 p.c.	15.7 p.c.	30 p.c.