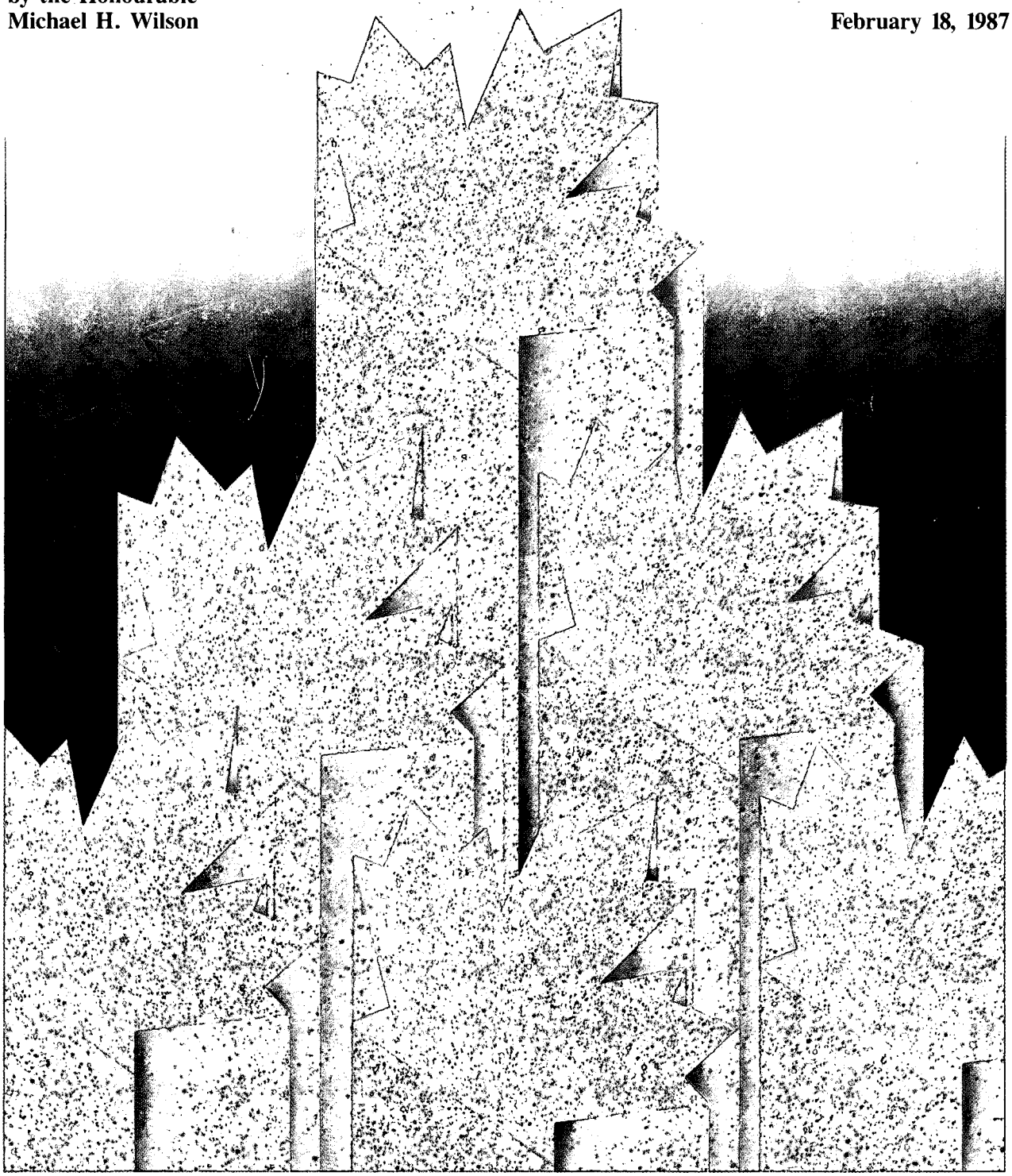
conomic Renewal

Budget Papers

Tabled in the
House of Commons
by the Honourable
Michael H. Wilson

February 18, 1987



Canada

Securing Economic Renewal

Budget Papers

The Economic Outlook and Fiscal Plan
Supplementary Information and Notices of Ways and Means Motions on the Budget

Tabled in the House of Commons by the Honourable Michael H. Wilson Minister of Finance February 18, 1987

Department of Finance Canada
Ministère des Finances Canada

The Economic Outlook and Fiscal Plan

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1. Introduction

In November 1984 the government set out its Agenda for Economic Renewal. The main objective was, and remains, the creation of permanent and meaningful jobs for Canadians. There are a number of key elements in the overall strategy for economic renewal but the most important is fiscal restraint and control of the national debt: deficits and growth of the debt must be reduced if we are to have an economic and financial environment that promotes private sector expansion and job creation.

Since the fall of 1984 this challenge has been met. The government has established a solid track record on fiscal restraint. By 1987-88 government spending on programs will have been reduced in real terms, the deficit will have been lowered by $9 billion, and the rate of growth of the public debt cut substantially. The objective of slowing the growth of the public debt to no more than that of the economy is much closer to being realized. And the economy has responded.

In 1986, the world economy was influenced by serious international economic imbalances and by sharp declines in key commodity prices. These declines had disproportionately large impacts on the Canadian economy. Despite these adverse influences, however, the Canadian economy outperformed all of the major industrial countries in 1986. Real output is estimated to have grown by 3.3 per cent. Employment grew by 2.9 per cent, considerably faster than in the United States and almost three times faster than in the other major member countries of the Organization for Economic Cooperation and Development (OECD). The unemployment rate declined, and interest rates dropped sharply through the year.

In 1987, the Canadian economy will continue to be influenced by the efforts of the major industrial countries to resolve international imbalances. With continued progress, financial and exchange markets should be more stable and, coupled with lower oil prices, should work in favour of improved world economic growth. In this environment, the Canadian economy should continue to perform well this year. Consumer confidence is high, investment intentions in the non-petroleum sectors are strong, and interest rates and inflation are expected to remain at moderate levels. Consequently, real output is forecast to grow by 2.8 per cent. With strong employment and labour force growth in 1987, the unemployment rate is expected to decline to 9 per cent by the fourth quarter.

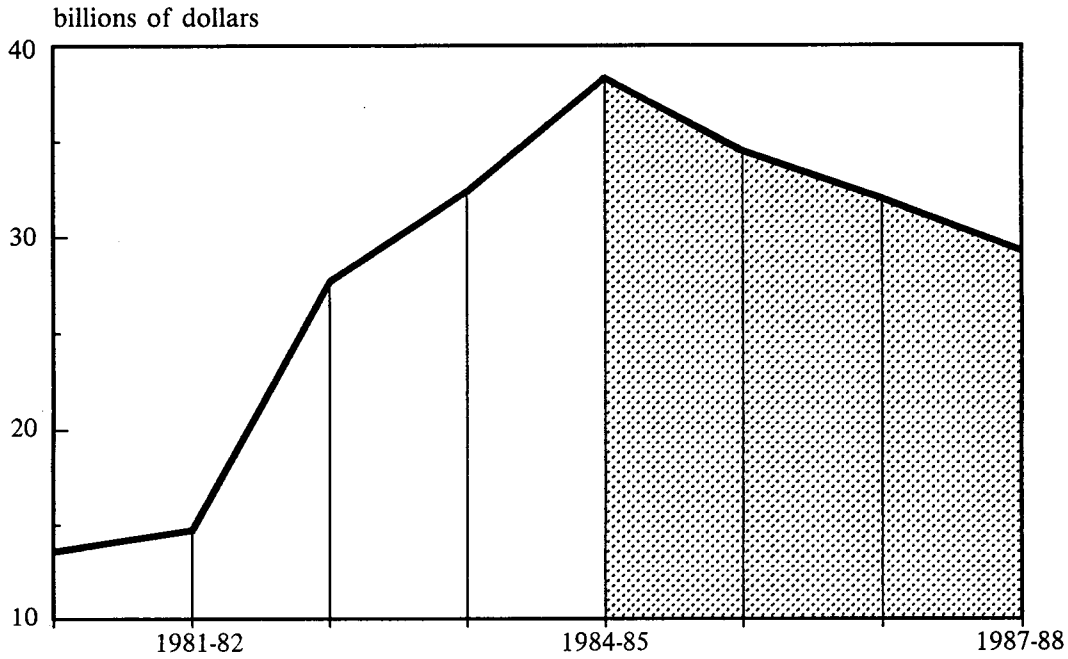
Even with these prospects for a fifth year of expansion in the Canadian economy there are continuing domestic challenges that must be faced. Substantial improvement in the fiscal situation has already been achieved, but further progress must be made. Declines in world oil and grain prices have put considerable upward pressure on government expenditures while depressing revenues. The government has assisted those regions and sectors most in need while at the same

time securing substantial improvement in the fiscal situation. The $89.4 billion target for program expenditures in 1986-87, set at the time of the February 1986 budget, will be met and the deficit this fiscal year, at $32 billion, will be $2.4 billion below the 1985-86 level.

But the challenge to make further fiscal progress will remain in 1987-88. Developments in world commodity markets will continue to influence the fiscal situation. With the measures announced in this budget, the deficit will decline substantially for the third consecutive year, to $29.3 billion (Chart 1.1).

Chart 1.1

The Deficit in the 80s



Fiscal years end March 31.

This document discusses recent and prospective economic and fiscal performance in Canada. The next chapter highlights Canada's economic performance in 1986 and reviews the international setting and Canadian outlook for 1987. The following chapter provides a discussion of the fiscal situation and outlook in 1986-87 and 1987-88, including the impacts of the changed economic environment on expenditures, revenues and the deficit.

Budgets of recent years have provided multi-year fiscal and economic projections. This budget temporarily departs from that practice by providing a forecast for one year only. The government remains fully committed to multi-year projections as they are an important and integral component of fiscal planning. The medium- and longer-term prospects of the Canadian economy will be importantly and significantly affected by tax reform. Multi-year economic and fiscal projections will be provided when the tax reform proposals are released.

2. Canada's Economic Prospects

In an open economy such as Canada's, the external environment plays a large role in shaping domestic economic performance. This was particularly the case in 1986. This chapter provides an update of key economic developments in 1986 and a forecast of Canada's economic prospects for this year.

International Setting and Issues

As 1986 began, the sustainability of the international economic recovery was being seriously questioned. The U.S. fiscal deficit was continuing to deteriorate and there were growing trade imbalances among the major OECD economies. Real interest rates were high, threatening the sustainability of economic growth. Sluggish world growth, depressed commodity prices and high real interest rates were making the debt burdens of developing countries very difficult to manage.

For the world recovery to be sustained, these serious imbalances needed to be addressed. Through the course of 1986, some progress was made. A sizeable part of the growing trade imbalance was attributable to the enormous appreciation of the U.S. dollar from 1980 until early 1985. The depreciation of the U.S. dollar against most of the European currencies and the Japanese yen, which began in 1985 and continued through 1986, was a necessary and encouraging development.

Two other factors contributing to these international imbalances were the growing U.S. fiscal deficit and weak domestic demand growth in the major overseas economies. In recognition of the need for action to bring about adjustment, steps were taken to better co-ordinate monetary and fiscal policies. Discount rate cuts were introduced by the United States, Germany and Japan. The United States took steps to reduce its fiscal deficit and both Germany and Japan introduced measures to provide additional support to domestic demand growth.

Notwithstanding these positive developments, large imbalances continue in the fiscal and trade positions of the major OECD economies. A sustained global expansion requires steady and determined progress in correcting these imbalances.

Developments in the U.S. economy will importantly influence the performance of the Canadian economy. Real output growth in the U.S. in 1987 is expected to be 2.5 per cent. This will mark the third consecutive year of modest output growth. A significant portion of the total output growth is expected to come from an improvement in the volume of net exports, reflecting the lagged effects of the depreciation of the U.S. dollar since early 1985. Growth in domestic demand will

likely slow appreciably from the pace in recent years. Inflation in the United States is anticipated to be moderate in 1987, although the rate will be above that of 1986. With only modest growth and moderate inflation expected in the United States, interest rates are likely to remain relatively stable.

For the major European economies and Japan, total output growth is expected to average in the range of 2.5 to 2.7 per cent in 1987. The composition of growth in these countries will shift toward domestic demand, as real trade balances contribute less to growth than in previous years as a result of exchange rate adjustments. The reduction in the trade surpluses of the major overseas industrial nations, coupled with an improvement in the U.S. balance, will contribute to a more stable trade pattern.

Recent international economic developments and the assumptions for the international setting this year are summarized in Table 2.1.

Table 2.1

International Economic Prospects

	1985	1986	1987
	(annual percentage changes unless otherwise specified)		
United States			
Real GNP	2.7	2.5	2.5
CPI	3.6	1.9	3.4
Employment	2.0	2.3	1.6
90-day commercial paper rate[1] (per cent level)	8.2	6.7	6.0
AAA corporate bond rate (per cent level)	11.4	9.0	8.4
Other major OECD countries			
Real GNP/GDP			
Europe[2]	2.5	2.5	2.5
Japan	4.5	2.4	2.7
Oil price			
West Texas intermediate at Chicago (U.S. $/bbl)	28.45	15.50	17.00

[1] Annual average yield basis.

[2] Weighted average of 18 OECD European countries.

Performance and Prospects for the Canadian Economy

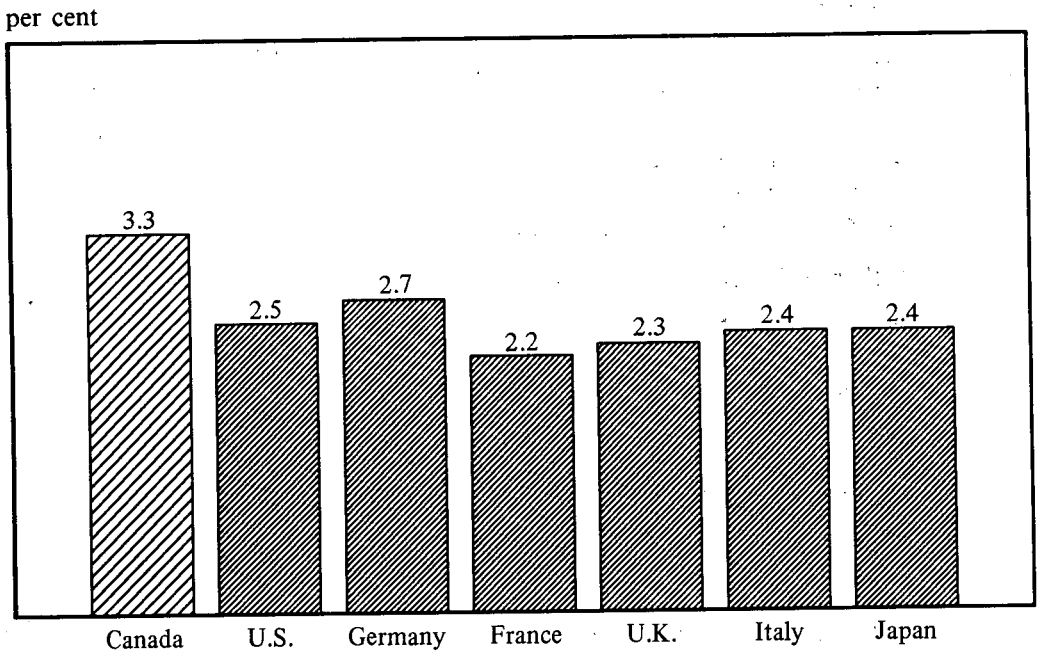
The Canadian economy grew faster than other major industrial countries in 1986 despite the sharp decline in international oil and grain prices (Chart 2.1). Real gross domestic product (GDP) is estimated to have grown 3.3 per cent in 1986. An increase in employment of over 200,000 during the course of the year brought the unemployment rate down from 10.2 per cent in the fourth quarter of 1985 to 9.4 per cent in the fourth quarter of 1986. The Canadian record on job creation continued to outpace performance in other major OECD countries by a considerable margin (Chart 2.2).

The Canadian economic recovery has now entered the fifth year since the 1981-1982 recession and is well poised to continue the expansion. Consumer confidence is buoyant. Activity in the housing market is very strong. According to the most recent survey of investment intentions for 1987 by the Department of Regional Industrial Expansion, investment spending, excluding the oil and natural gas sector, is expected to increase in real terms by 7.1 per cent. Labour cost increases are moderate and person-days lost in industrial disputes are continuing at low levels. Employment expanded strongly during the course of last year. Interest rates are at their lowest levels in nearly a decade.

The outlook for the Canadian economy is summarized in Table 2.2 and Chart 2.3. Growth in real GDP is expected to be 2.8 per cent in 1987. While this is slower than the average growth rate in 1986, growth during the course of this year is

Chart 2.1

Estimated Output Growth In Major OECD Countries in 1986



forecast to be stronger and more regionally balanced. Compared to the 2-per-cent real GDP growth from the fourth quarter of 1985 to the fourth quarter of 1986, real output is forecast to expand 3.2 per cent from the end of 1986 to the end of 1987. Growth at this pace is expected to lower the unemployment rate to 9 per cent by the end of this year.

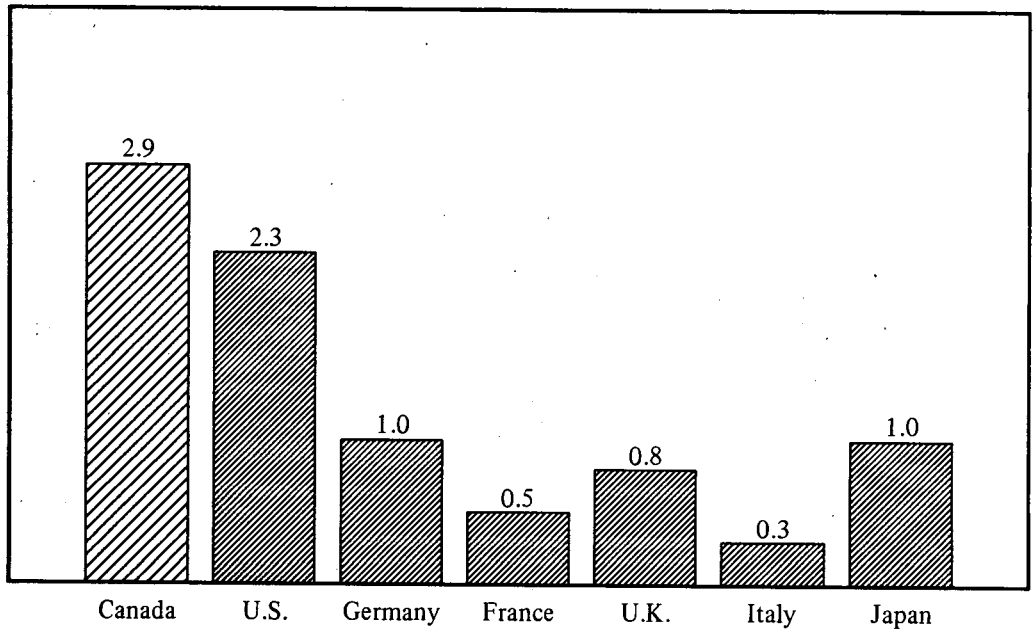
As in 1986, final domestic demand will grow this year at roughly the same pace as total GDP. The household sector will continue to be a key source of output expansion although growth in consumer expenditures, particularly on durables, is expected to moderate during the course of this year from its rapid pace in 1985 and 1986. With recent declines in mortgage rates and higher real personal disposable incomes, activity will remain brisk in the new housing market in 1987. Business non-residential investment is forecast to recover in 1987, but continued weakness in investment in the oil and natural gas sector will constrain total real investment spending growth to a range of 1 to 2 per cent. A recovery in real net exports will contribute to an improvement in the current account balance in 1987.

Last year the inflation rate averaged 4.1 per cent. Inflation is forecast to average 3.9 per cent in 1987, declining substantially over the course of the year to just over 3 per cent by the fourth quarter. There will be less pressure from indirect tax increases, the inflationary influence from the large trade-weighted depreciation leading into 1986 has been absorbed, and increases in food and shelter prices should moderate. Wage settlements are expected to rise roughly in line with the increase in consumer prices.

Chart 2.2

Estimated Employment Growth In Major OECD Countries in 1986

per cent

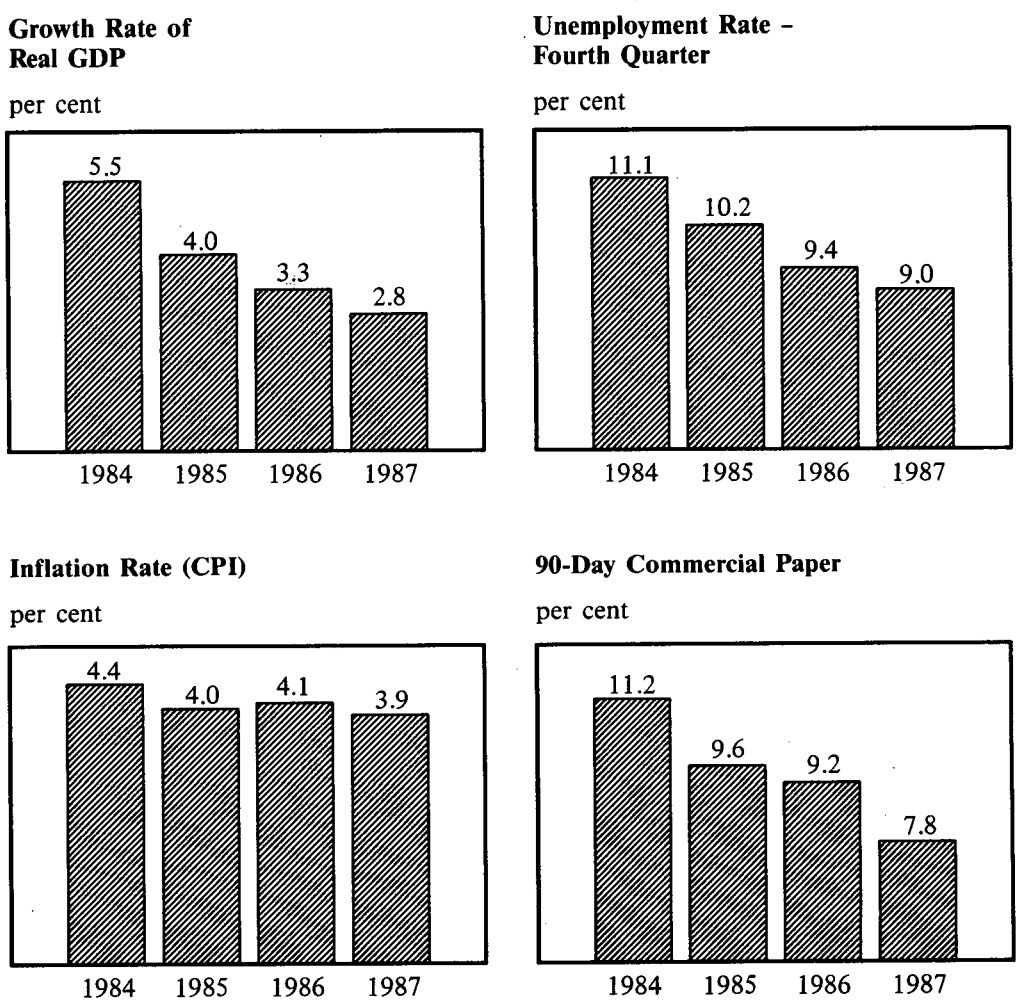


Interest rates declined sharply from February 1986 peaks. The 90-day commercial paper rate fell from a peak of 12.5 per cent to about 7.5 per cent in early February of this year. During the balance of 1987, Canadian interest rates are assumed to remain relatively stable.

The pace of overall economic performance in 1986 was close to that projected in the February 1986 budget. However, the pattern of growth across sectors and regions was more uneven than expected. The declines in international oil and grain prices played a large role in shaping sectoral and regional performance in 1986. There was an early and substantial cutback in investment by the petroleum sector. The recent firming of prices for oil and some other commodities should provide greater balance in sectoral and regional growth in 1987.

Chart 2.3

Economic Performance and Prospects in Canada



Note: For real GDP, 1986 is estimated and 1987 is forecast.
For all other variables, 1986 is actual and 1987 is forecast.

Table 2.2

Economic Performance and Outlook: Main Indicators, 1985-1987

	1985 (actual)	1986 (estimate)	1987 (forecast)
	(annual per cent changes unless otherwise specified)		
Expenditure (volumes)			
Gross domestic product (GDP)	4.0	3.3	2.8
Consumer expenditure	5.0	4.2	3.4
Residential investment	12.6	13.8	5.2
Business non-residential investment	4.1	–1.2	1.5
Machinery and equipment	4.4	6.9	5.4
Non-residential construction	3.7	–10.2	–3.6
Government expenditure	2.0	0.7	1.9
Final domestic demand	4.6	3.3	2.9
Inventory change (billions of 1981 dollars)	2.4	5.3	3.4
Exports	5.8	3.1	3.2
Imports	7.7	6.3	2.1
Net exports (billions of 1981 dollars)	18.0	15.1	16.8
Current account balance (billions of current dollars)	–0.6	–9.1	–7.8
Housing starts (thousands of units)	166	200	193
Prices and costs			
CPI	4.0	4.1	3.9
GDP deflator	3.3	2.9	4.0
Average wage settlements	3.7	3.5	3.9
Labour market			
Labour force	1.9	1.9	1.4
Employment	2.8	2.9	1.9
Unemployment rate (per cent level, fourth quarter)	10.2	9.4	9.0
Incomes			
Personal income	8.1	6.9	6.1
Corporate profits	4.6	–4.9	20.8
Personal savings rate (per cent level)	13.6	11.0	9.9
Financial market assumptions			
90-day commercial paper rate (per cent level)			
Nominal	9.6	9.2	7.8
Real[1]	5.6	5.1	3.9
McLeod Young Weir average of long-term corporate bond rates (per cent level)			
Nominal	11.7	10.8	9.8

[1] Real interest rates are defined as the nominal rates minus the percentage change in the consumer price index.

3. Fiscal Performance and Outlook

This chapter presents the government's fiscal position for this fiscal year and next. The first section contrasts fiscal performance since 1984-85 with that in the previous decade. The next section provides an overview of the impact on the fiscal projections resulting from the changed economic environment since the February 1986 budget. Subsequent sections provide more detailed information on the projections for expenditures, revenues, non-budgetary transactions and borrowing requirements, and changes in the fiscal outlook since the February 1986 budget.

Reversing the Trend Towards Higher Deficits

In the period since the government came to office, substantial progress has been made in regaining control of the fiscal situation. To understand just how dramatic the turnaround has been, it is important to view recent fiscal achievements in a longer-term perspective. The situation began to deteriorate rapidly after the oil price shock in 1973. The 10 years starting in 1974-75 were marked by a string of high and generally rising deficits (Chart 3.1). Over this 10-year span the deficit rose from 1.3 per cent of GDP to 8.6 per cent; from $2.0 billion to $38.3 billion (Chart 3.2). This trend towards larger and larger deficits was halted abruptly after 1984-85. In the ensuing three years to the end of 1987-88, the deficit will have been cut back by $9 billion or 3.2 percentage points of GDP.

Increases in the deficit in the second half of the 1970s reflected both discretionary tax cuts and real expenditure increases of over 2 per cent per year. In the early 1980s virtually all of the escalation in the deficit was accounted for by rapid growth in expenditures. Over the period 1981-82 to 1984-85, real spending advanced by over 6 per cent per year. Given these developments, it was essential that the reduction in the deficit be focused on a reversal of this growth in government spending. Policy decisions since 1984-85 have reversed that trend. In the three years ending in 1987-88, real budgetary expenditures will have remained unchanged while real program spending will have declined by over 1 per cent per year (Chart 3.3). This development is unprecedented in the postwar era.

The revenue and expenditure actions taken since November 1984 will have contributed to a reduction of the deficit equivalent to 3.2 percentage points of GDP (Table 3.1). Budgetary expenditures account for 63 per cent of this decline. Excluding the increase in public debt charges, the decline in program spending will contribute 69 per cent of the reduction in the deficit as a percentage of GDP. More important, the decline in the deficit will result in a substantial slowing of the growth in the stock of public debt. From an average annual growth rate of 23.5 per cent in the four years ending in 1984-85, the rate of growth of the debt will be cut to 11 per cent in 1987-88. This represents major progress towards the

goal of stabilizing the debt-to-GDP ratio. Fiscal restraint efforts are also clearly evident in the growth of public debt charges which will slow from 20.4 per cent per year in the four years ending in 1984-85 to a projected 3.4 per cent in 1987-88.

Table 3.1

The Three-Year Fiscal Record (as a percentage of GDP)

	1984-85	1987-88	Change	Contribution to change[1] (per cent)
Budgetary revenues	16.0	17.2	1.2	37
Budgetary expenditures	24.6	22.6	–2.0	63
Deficit	8.6	5.4	–3.2	100
Expenditure components				
Program expenditures	19.6	17.4	–2.2	69
Public debt charges	5.1	5.2	0.2	–6

Note: Figures may not add due to rounding.

[1] A positive sign indicates a contribution to a reduction in the deficit as a share of GDP.

Chart 3.1

Budgetary Expenditures and Revenues

per cent of GDP

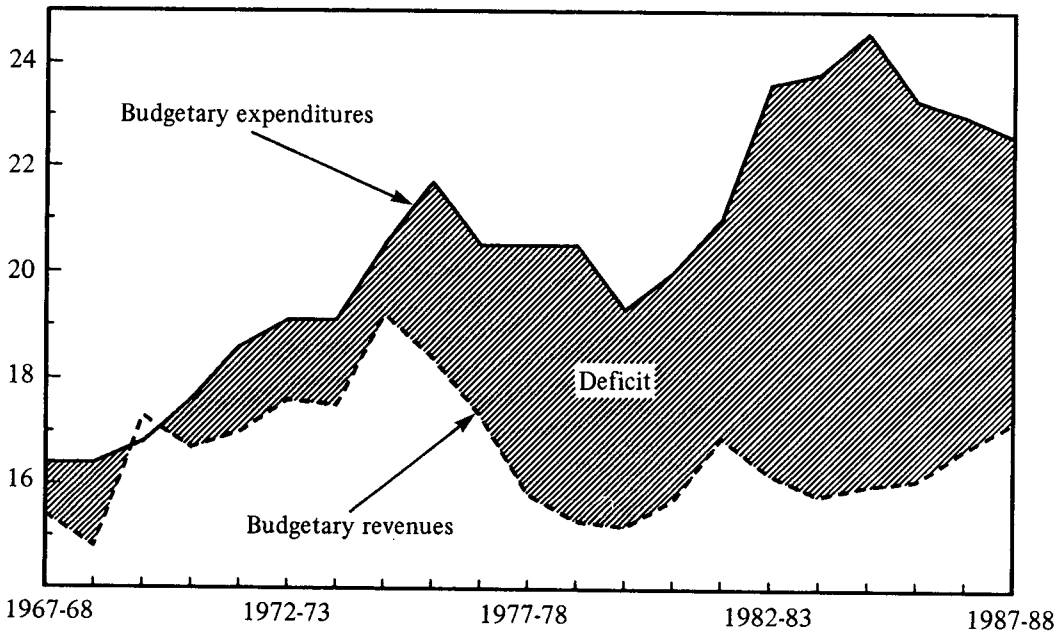


Chart 3.2

Budgetary Deficit

per cent of GDP

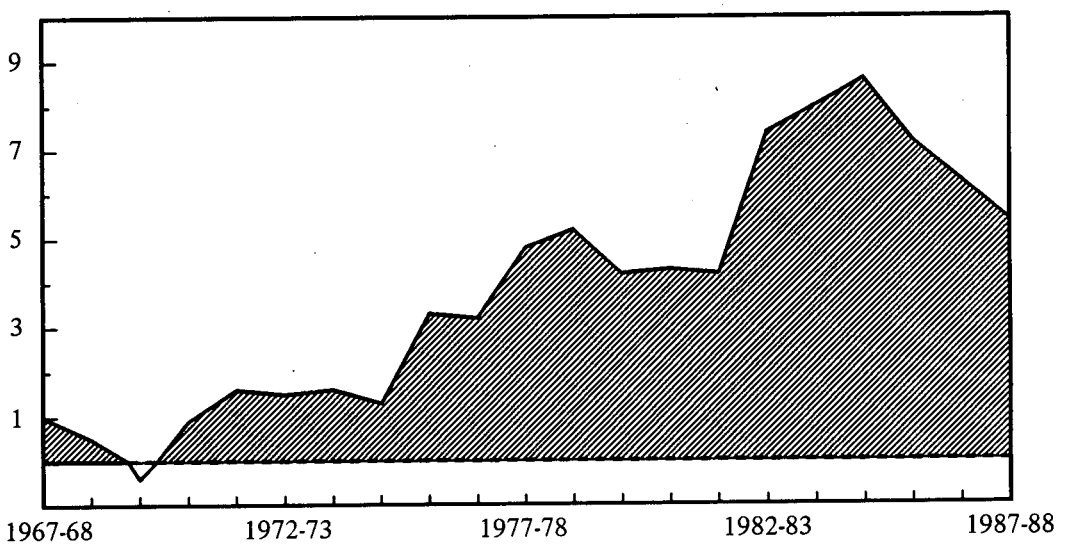
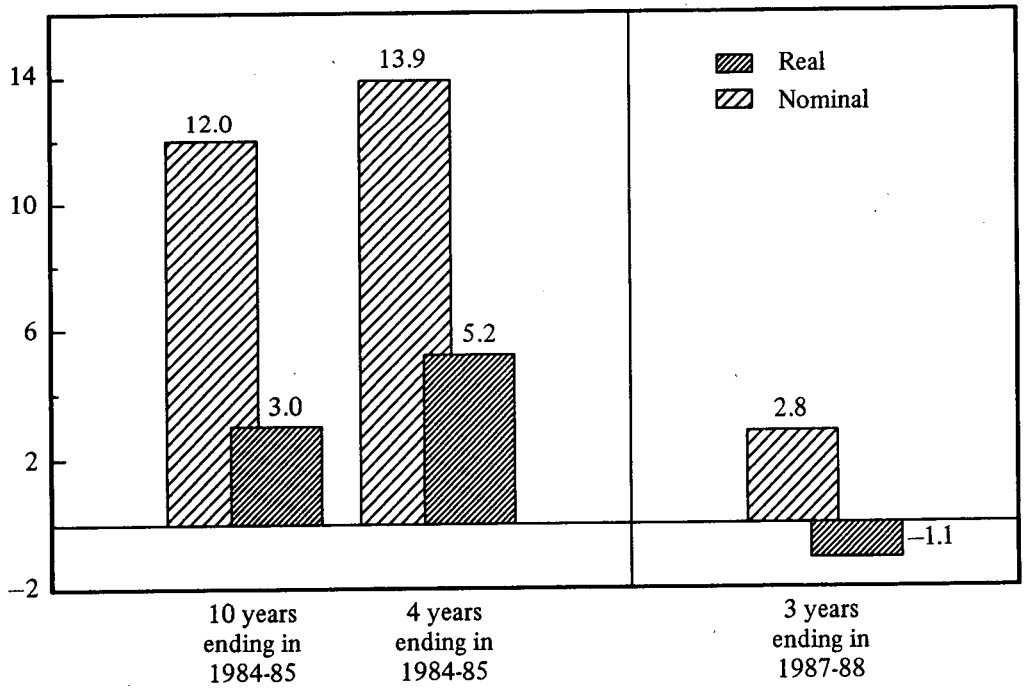


Chart 3.3

Nominal and Real Program Expenditure Growth

annual average growth - per cent



Overview of the 1986-87 and 1987-88 Fiscal Situation

The fiscal projections are based on the economic outlook reviewed in Chapter 2. While economic growth in both 1986 and 1987 is now expected to be only slightly slower than anticipated at the time of the February 1986 budget, the factors responsible for the slowdown have had a dramatic impact on the composition of the tax bases and expenditure patterns and hence the fiscal position for 1986-87 and 1987-88.

The sharp drop in world oil and grain prices significantly dampened the growth of nominal output in 1986 and this effect will continue through 1987. This has reduced the underlying tax bases and will result in a shortfall in tax revenues of over $2 billion in both 1986-87 and 1987-88 relative to the February 1986 budget projections. Similarly, on the expenditure side, lower grain prices substantially increased payments to producers under farm income support programs in 1986-87 and will continue to do so in 1987-88.

The impact of automatic stabilizers and policy actions resulting from the changed economic environment was too large to be absorbed entirely within the deficit target established at the time of the February 1986 budget. Internal initiatives were undertaken through the course of 1986-87 to offset the impact of these pressures on expenditures. As a result, the program spending target of $89.4 billion, established at the time of the February 1986 budget, will be met. However, the government decided that it would not be prudent to attempt to offset the revenue loss in 1986-87 through other means. The deficit target for 1986-87 was therefore revised to $32 billion on September 18, 1986, reflecting the shortfall in revenue. This deficit projection for 1986-87 is still $2.4 billion lower than the deficit level in 1985-86. This target will be met (Table 3.2).

Measures are being introduced in this budget to dampen the impact of these international developments on the 1987-88 deficit. Reflecting these actions, the deficit is projected to fall to $29.3 billion in 1987-88, $2.7 billion lower than in 1986-87.

The Expenditure Projections

The level of budgetary expenditures in 1986-87 is projected to be slightly lower than anticipated at the time of the February 1986 budget. Expenditures on programs will match the February 1986 target while public debt charges will be about $100 million lower than forecast. Total expenditures are projected to rise by 5.1 per cent in 1987-88. Program expenditures will grow by 5.6 per cent to $94.4 billion, while public debt charges will rise by only 3.4 per cent, the lowest growth rate since 1960.

Given the performance from 1984-85 to 1986-87, and the 1987-88 projections, program spending growth will have averaged only 2.8 per cent per year over the 1985-86 to 1987-88 period, about 1 per cent less than the rate of inflation. In 1987-88, spending on non-statutory programs, at a projected $38.7 billion, will be

at the same level as in 1984-85. In real terms this amounts to a decline of 11 per cent over this period. Details of budgetary expenditures by envelope are set out in Table 3.3.

The declines in the Economic and Regional Development envelope in 1985-86 and 1986-87 largely reflect the expenditure reduction measures taken since November 1984. The signing of the Western Energy Accord resulted in the elimination of the Petroleum Compensation Program and the phase-out of the Petroleum Incentives Program. Several other energy-related programs were also eliminated, while subsidies to business and to the transportation sector were significantly reduced. However, the effect of lower grain prices on farm stabilization programs has exerted substantial upward pressure on the envelope. Payments under the Western Grain Stabilization program totalled about $850 million in 1986-87, up more than $300 million from 1985-86. Payments under this program are based on an average of past farm incomes. In light of the projected continued weakness in grain prices, this will mean yet larger payments in 1987-88. The drop in grain prices also resulted in a $200 million loss by the Canadian Wheat Board in 1986-87. In addition, the government is providing further assistance to grain producers in both 1986-87 and 1987-88, through the $1 billion Special Canadian Grains Program. Even with this increased assistance to the agricultural sector, however, the Economic and Regional Development envelope is projected to rise only moderately in 1987-88.

The Social Development envelope accounts for about 60 per cent of program expenditures. This envelope consists of a number of large statutory programs which, for the most part, are either formula-funded or indexed to inflation or nominal output. These programs include Old Age Security, unemployment insurance, the Canada Assistance Plan, family allowances, veterans' allowances and Established Programs Financing (EPF) transfers to provinces. Certain policy actions, most notably the changes to the indexation formulas for both the family allowances program and EPF transfers to provinces, have moderated the growth in this envelope. However, increased unemployment in those regions most adversely affected by the decline in oil prices has resulted in higher unemployment insurance benefits.

Defence expenditures are projected to increase by 7.4 per cent in 1986-87 and 4.5 per cent in 1987-88. The level of spending in 1987-88 reflects the deferral of $200 million to 1988-89 announced in the budget. The increases in the External Affairs and Aid envelope are consistent with the government's objective of maintaining Official Development Assistance at 0.5 per cent of GNP.

The Fiscal Arrangements envelope consists primarily of unconditional transfers to provinces, some 90 per cent of which are accounted for by equalization transfers. Equalization transfers are determined by a formula based on the relative capacities of provincial governments to raise revenue in relation to a specified standard. The federal government provides cash transfers to the receiving provinces to equalize their revenues to this standard.

Table 3.2
Summary Statement of Transactions 1984-85 to 1987-88

	1984-85 (actual)	1985-86 (actual)	1986-87 (estimate)	1987-88 (forecast)
	(billions of dollars)			
Budgetary transactions				
Revenues	70.9	76.8	84.7	93.2
Expenditures	–109.2	–111.2	–116.6	–122.6
Deficit	–38.3	–34.4	–32.0	–29.3
Non-budgetary transactions				
Loans and investments	0.7	0.0	0.7	0.7
Specified purpose accounts	5.1	5.4	6.8	6.1
Other transactions	2.7	–1.3	0.4	1.2
Net non-budgetary receipts	8.5	4.1	7.9	8.0
Financial requirements[1]	–29.8	–30.3	–24.0	–21.3
Budgetary revenues				
Percentage change	10.4	8.4	10.2	10.1
Percentage of GDP	16.0	16.1	16.7	17.2
Budgetary expenditures				
Percentage change	13.0	1.8	4.9	5.1
Percentage of GDP	24.6	23.3	23.0	22.6
Program expenditures	86.8	85.8	89.4	94.4
Percentage change	10.5	–1.1	4.2	5.6
Percentage of GDP	19.6	18.0	17.7	17.4
Statutory programs	48.1	50.2	52.3	55.7
Percentage change	8.6	4.3	4.3	6.4
Percentage of GDP	10.8	10.5	10.3	10.3
Non-statutory programs	38.7	35.6	37.1	38.7
Percentage change	12.8	–7.9	4.0	4.4
Percentage of GDP	8.7	7.5	7.3	7.1
Public debt charges	22.5	25.4	27.3	28.2
Percentage change	24.2	13.3	7.2	3.4
Percentage of GDP	5.1	5.3	5.4	5.2
Budgetary deficit				
Percentage of GDP	8.6	7.2	6.3	5.4
Financial requirements[1]				
Percentage of GDP	6.7	6.4	4.7	3.9
Net public debt	199	234	266	295
Percentage change	23.8	17.3	13.7	11.0
Percentage of GDP	44.9	49.0	52.4	54.4
Gross domestic product[2]	443	476	506	542
Percentage change	9.3	7.5	6.3	7.0

Note: Figures may not add due to rounding.

[1] Excluding foreign exchange transactions.

[2] For the calendar year in which the fiscal year begins.

The figures in Table 3.3 reflect estimated cash payments for past years and forecast entitlements for the year ahead. Cash payments include adjustments due to under- or over-payments in respect of prior years. The most appropriate measure of equalization transfers to provinces to gauge their growth from year to year on a consistent basis is the "entitlement" – the amount due to provinces in respect of each fiscal year. This is the amount determined by the equalization formula set out in the legislation. Equalization entitlements for 1985-86 are currently estimated at approximately $5,025 million. Entitlements are expected to grow by about 5.5 per cent to $5,300 million for 1986-87 and by 5.7 per cent to $5,600 million for 1987-88.

The reserves net of lapse category is the difference between the reserves built into the expenditure framework to handle contingencies and the anticipated lapsing of appropriated funds. Reserves are necessary to provide a margin for changed circumstances and contingencies. They provide a measure of flexibility throughout the year. The reserves are not allocated by envelope until their ultimate use has been determined.

The Public Debt envelope covers interest payments on federal liabilities. This envelope has grown rapidly in recent years reflecting the sharp rise in the stock of debt and high interest rates. The slowdown in the rates of growth in 1986-87 and 1987-88 reflects both the year-over-year reductions in the deficit as well as the effect of lower interest rates. The rate of growth of public debt charges in 1987-88, projected at only 3.4 per cent, is the lowest since 1960.

Table 3.4 sets out the details of budgetary expenditures by major program. The projections for statutory programs, which for the most part are demand-driven or formula-funded, largely reflect expected developments in economic activity. The world grain price situation heavily influenced the overall growth rate in 1986-87 and will continue to do so in 1987-88. Increased payments under the automatic farm income stabilizers account for almost half of the projected $1.4 billion increase in the other statutory category in 1987-88. Under EPF enabling legislation, the federal government assists provinces in the financing of insured health services, extended health care services and post-secondary education, through cash payments and tax transfers to provincial governments. While cash payments are expected to increase by only 3.7 per cent in 1987-88, total entitlements (cash plus the value of tax transfers) are projected to rise by 6.3 per cent, bringing total EPF transfers to $17.6 billion.

Non-statutory programs are those over which the government has the most direct management control. Since 1985-86, spending on these programs has shown rates of growth well below those of previous fiscal years. Excluding defence and ODA, non-statutory spending will be almost $2 billion lower in 1987-88 than it was in 1984-85. In real terms, this represents a decline of 17 per cent. This performance is directly attributable to the expenditure reduction measures that the government has introduced since November 1984 as well as to continued improvement in the management and operation of the government.

Table 3.3

Budgetary Expenditures by Envelope

	1984-85 (actual)	1985-86 (actual)	1986-87 (estimate)	1987-88 (forecast)
		(millions of dollars)		
Economic and Regional Development	14,851	11,823	11,750	11,955
Social Development	50,538	51,812	54,785	57,200
Services to Government	3,789	4,439	3,805	3,985
Parliament	196	198	205	220
Defence	8,762	9,094	9,765	10,200
External Affairs and Aid	2,639	2,479	2,970	3,370
Fiscal Arrangements	5,985	5,941	6,005	6,200
Reserves net of lapse	—	—	75	1,220
Total program expenditures	86,760	85,786	89,360	94,350
Public debt charges	22,455	25,441	27,275	28,200
Total budgetary expenditures	109,215	111,227	116,635	122,550
Percentage change from previous year				
Economic and Regional Development	23.0	–20.4	–0.6	1.7
Social Development	8.3	2.5	5.7	4.4
Services to Government	9.4	17.2	–14.3	4.7
Parliament	8.9	1.0	3.5	7.3
Defence	11.7	3.8	7.4	4.5
External Affairs and Aid	11.9	–6.1	19.8	13.5
Fiscal Arrangements	0.0	–0.7	1.1	3.2
Total program expenditures	10.5	–1.1	4.2	5.6
Public debt charges	24.2	13.3	7.2	3.4
Total budgetary expenditures	13.0	1.8	4.9	5.1
Percentage of total expenditures				
Program expenditures	79.4	77.1	76.6	77.0
Public debt charges	20.6	22.9	23.4	23.0
Total budgetary expenditures	100.0	100.0	100.0	100.0

Table 3.4

Budgetary Expenditures by Major Program

	1984-85 (actual)	1985-86 (actual)	1986-87 (estimate)	1987-88 (forecast)
		(millions of dollars)		
Program expenditures				
Statutory programs				
Unemployment insurance	10,052	10,029	10,475	10,615
Old Age Security	11,418	12,525	13,530	14,600
Established Programs Financing[1]	8,595	8,664	8,885	9,210
Fiscal transfers	6,480	6,525	6,625	6,900
Canada Assistance Plan	3,745	3,916	4,050	4,190
Family allowances	2,418	2,501	2,535	2,560
Other	5,392	6,010	6,210	7,580
Total	48,100	50,170	52,310	55,655
Non-statutory programs				
Defence[2]	8,762	9,094	9,765	10,200
Official Development Assistance	2,089	1,815	2,245	2,545
Other	27,809	24,707	25,040	25,950
Total	38,660	35,616	37,050	38,695
Total program expenditures	86,760	85,786	89,360	94,350
Public debt charges	22,455	25,441	27,275	28,200
Budgetary expenditures	109,215	111,227	116,635	122,550
		(percentage change)		
Program expenditures				
Statutory programs				
Unemployment insurance	2.8	–0.2	4.4	1.3
Old Age Security	9.7	9.7	8.0	7.9
Established Programs Financing[1]	10.0	0.8	2.6	3.7
Fiscal transfers	2.2	0.7	1.5	4.2
Canada Assistance Plan	13.9	4.6	3.4	3.5
Family allowances	4.0	3.4	1.4	1.0
Other	24.9	11.5	3.3	22.1
Total	8.6	4.3	4.3	6.4
Non-statutory programs				
Defence[2]	11.7	3.8	7.4	4.5
Official Development Assistance	16.4	–13.1	23.7	13.4
Other	13.0	–11.2	1.3	3.6
Total	12.8	–7.9	4.0	4.4
Total program expenditures	10.5	–1.1	4.2	5.6
Public debt charges	24.2	13.3	7.2	3.4
Budgetary expenditures	13.0	1.8	4.9	5.1

[1] Cash portion only.

[2] Includes defence pensions which are statutory.

Comparison of Expenditures with the February 1986 Budget

Table 3.5 provides a summary of the changes to budgetary expenditures since the February 1986 budget. The increase in statutory programs in 1986-87 largely reflects the automatic response of farm income support programs, as well as an increase in unemployment insurance benefits paid in those provinces most affected by the decline in oil prices. The government has also taken direct action to assist grain producers. The impact of these increased costs has been entirely offset in 1986-87 by the use of contingency reserves and through better management of government programs.

Developments influencing the fiscal framework in 1986-87 will continue to play a role in 1987-88. In particular, higher farm income stabilization payments and increased unemployment insurance benefits will put substantial upward pressure on statutory spending relative to the February 1986 budget forecast. In addition, through the Special Canadian Grains Program the government will provide $700 million in further discretionary aid to grain producers.

Table 3.5

Changes to the Budgetary Expenditure Forecast Since the February 1986 Budget

	1986-87	1987-88
	(millions of dollars)	
February 1986 budget	116,740	119,965
Changes due to budget actions		
Defence reprofiling into 1988-89		–200
Reduction in ODA cash		–150
Reduction in reserves		–250
Total from budget actions		–600
Other adjustments		
Public debt charges	–100	–1,170
Statutory programs	935	3,240
Non-statutory programs		
Special Canadian Grains Program	300	700
Other	–1,240	415
Total other adjustments	–105	3,185
Total changes	–105	2,585
February 1987 budget	116,635	122,550

These spending pressures will be partially offset by lower public debt charges. In addition, actions totalling $600 million are being taken in this budget to further offset spending pressures. These actions include a $200 million deferral from defence spending levels to 1988-89 and improved cash management practices that will permit savings of $150 million from ODA in 1987-88 without compromising the government's objectives in this area. In addition, the government has cut its reserves by $250 million, which will impose further discipline on the management of government operations and programs and lead to further productivity gains in the public sector.

The Revenue Projections

The decline in budgetary revenues, relative to GDP, experienced from 1981-82 to 1984-85 was largely the result of the 1981-1982 recession and the relatively slow growth experienced in the early stages of the recovery. The subsequent strengthening in economic growth together with tax measures introduced in previous budgets have reversed this trend. By 1987-88 budgetary revenues are projected to be 17.2 per cent of GDP, up from 16.0 per cent in 1984-85, but still well below the peak levels reached in the mid-1970s.

Table 3.6 presents the revenue projections by major component. Total budgetary revenues are projected to increase by 10.2 per cent in 1986-87. However, the increase is unevenly distributed across components with personal income taxes and sales and excise taxes and duties rising strongly, while corporate income tax revenues grow relatively slowly. In 1987-88, total budgetary revenues are projected to advance at about the same rate as in 1986-87. This reflects both the continuing improvement in economic activity and the impact of the revenue measures introduced in this and previous budgets.

In 1986-87, personal income tax revenues are expected to increase by 14.5 per cent, reflecting both the continued expansion of the economy as well as the impact and timing of past budget measures. These included the temporary surtax on high-income individuals effective for the period July 1, 1985 to December 31, 1986 introduced in the May 1985 budget, the modification of the indexation formula for tax brackets and personal exemptions, and the introduction of the 3-per-cent surtax on basic federal tax effective July 1, 1986. Personal income growth, primarily reflecting increases in employment, has also contributed to the advance in personal income taxes. Personal income tax revenue growth, excluding the effects of the accelerated remittance of source deductions for large employers, is expected to slow somewhat in 1987-88. This is in part due to the expiry of the temporary surtax on high-income individuals, the introduction of the refundable sales tax credit, the changes to pension and RRSP provisions, the introduction of an improved permanent measure of tax assistance for residents of the North and isolated posts, and an increase in the disability deduction.

Since November 1984, the government has introduced a number of cash management initiatives in line with its commitment to tighten the overall management of programs and public resources. The accelerated remittance of source deductions relating to personal income taxes and other federal contributions announced in this budget is consistent with this approach to better management. This cash management initiative will not increase personal tax liabilities, but will result in a one-time revenue increase of $1.2 billion in 1987-88. It will not affect the tax payments of individuals.

The corporate income tax is the most volatile component of budgetary revenues. This volatility reflects both the sensitivity of corporate profits to economic conditions and the workings of the tax system, particularly the loss carry-over provisions. These factors have resulted in substantial year-to-year swings in corporate income tax collections.

For the current fiscal year, corporate income tax collections are expected to increase by only 2.2 per cent, due in part to the dramatic drop in world oil prices in 1986 which has substantially reduced cash flow of the petroleum industry. In addition, the large stock of unused losses and deductions built up and carried over from the 1981-1982 recession continues to restrain the growth in revenues. These losses will continue to be a factor in 1987-88 in dampening the impact of strong corporate profit growth on corporate income tax collections.

The main components in the sales and excise taxes and duties category are the federal sales tax, customs import duties and the gasoline excise tax. Federal revenues from these taxes are expected to increase by 22.4 per cent in 1986-87, somewhat above the rate of growth in 1985-86. Part of the continued strong growth is due to the strength in consumption. The broadening of the sales tax base to include goods previously exempt, as well as increases in the tax rates have also contributed to the large increase in 1986-87. An increase of just over 10 per cent is projected in 1987-88, largely reflecting the continued strength in consumer spending, but also due in part to some additional broadening of the sales tax base, increases in the excise taxes on tobacco and gasoline and measures announced in this budget to protect the sales tax base from erosion.

The profiles for the Petroleum and Gas Revenue Tax (PGRT) and other revenues have been heavily influenced by the signing of the Western Energy Accord. The Accord eliminated the Canadian Ownership Special Charge, the Oil Export Charge, and the Natural Gas and Gas Liquids Tax and established a schedule for phasing out the PGRT. In response to the cash flow problems in the industry, the government quadrupled the PGRT credit for small oil and gas producers. Subsequently, the government decided to eliminate the PGRT, effective October 1, 1986, to enhance cash flow in the oil and gas sector.

Table 3.6

Budgetary Revenue Projections

	1984-85 (actual)	1985-86 (actual)	1986-87 (estimate)	1987-88 (forecast)
	(millions of dollars)			
Personal income tax	29,254	33,008	37,800	43,300[1]
Corporate income tax	9,379	9,210	9,415	9,780
UI contributions	7,553	8,712	9,350	10,135
Sales and excise taxes/duties	14,102	16,913	20,695	22,830
Petroleum and Gas Revenue Tax	2,563	2,037	395	0
Other revenue	8,040	6,943	7,020	7,175
Total budgetary revenues	70,891	76,823	84,675	93,220
Percentage change from previous year				
Personal income tax	8.5	12.8	14.5	14.6[1]
Corporate income tax	28.7	–1.8	2.2	3.9
UI contributions	4.1	15.3	7.3	8.4
Sales and excise taxes/duties	13.4	19.9	22.4	10.3
Petroleum and Gas Revenue Tax	21.7	–20.5	–80.6	–
Other revenue	–1.5	–13.6	1.1	2.2
Total budgetary revenues	10.4	8.4	10.2	10.1

(1) The 1987-88 personal income tax figure includes $1.2 billion for the accelerated remittance of source deductions for large employers. This is a one-time increase and does not affect personal income tax liabilities. Excluding the impact of the accelerated remittance of source deductions, personal income tax collections are expected to increase by 11.4 per cent in 1987-88.

Comparison of Revenues with the February 1986 Budget

Table 3.7 compares the current projection for budgetary revenues with that underlying the February 1986 budget forecast. The changes between the two forecasts are divided into those attributable to changes in the economic environment and those relating to policy actions. Corporate income tax collections for 1985-86 were approximately $1.2 billion below the level expected at the time of the February 1986 budget, mainly reflecting the unexpectedly large application of loss carry-forwards. As a result of this experience, as well as the impact of lower oil prices on the petroleum industry, corporate income tax projections have been lowered for both 1986-87 and 1987-88. Lower oil prices also substantially reduced the expected flow of revenue from the PGRT.

Policy actions taken during 1986-87 and in this budget have also altered the outlook for revenues. The increase in the fuel tax rebate for farmers, coupled with the quadrupling of the PGRT small producers' credit and the subsequent elimination of the PGRT, reduced revenues by $330 million in 1986-87 and by $525 million in 1987-88. The excise tax changes and the broadening of the sales tax base are expected to yield an additional $640 million in 1987-88. Accelerating the remittance of source deductions by large employers should result in a one-time

increase in revenues in 1987-88 of $1.2 billion. Relative to the February 1986 budget projections, customs import duty changes increase customs import duties by $50 million in 1986-87, but have no impact in 1987-88, as tariff increases introduced on June 6, 1986 are being removed, effective February 19, 1987.

Table 3.7

Changes to the Budgetary Revenue Forecast Since the February 1986 Budget

	1986-87	1987-88
	(millions of dollars)	
February 1986 budget	87,275	94,025
Changes due to economic factors		
Personal income tax	95	–400
Corporate income tax	–2,260	–2,325
Sales and excise taxes/duties	365	390
Petroleum and Gas Revenue Tax	–460	–300
Other revenue	–60	540
Total	–2,320	–2,095
Changes due to policy actions		
Increase in fuel tax credit for farmers	–55	–110
Changes to Petroleum and Gas Revenue Tax	–275	–415
Change to interest accrual rules for pre-1982 investments		–25
Sales tax changes		120
Increase in tobacco excise taxes		70
Increase in gasoline excise tax		450
Accelerated remittance of source deductions		1,200
Customs import duty changes	50	–
Total	–280	1,290
Total changes	–2,600	–805
February 1987 budget	84,675	93,220

Non-Budgetary Transactions

The government's net financial requirements reflect not only its budgetary transactions but also its non-budgetary transactions. These transactions have normally provided the government with a net source of funds and have thus lessened the extent to which the government has needed to borrow on financial markets.

The underlying principle of classification between budgetary and non-budgetary transactions is that transactions changing the net indebtedness of the government are classified as budgetary, while transactions involving the receipt of offsetting

financial assets or the creation of liabilities are non-budgetary. These include government loans to Crown corporations and third parties. In addition, the government maintains a number of specified purpose accounts that are held in trust for third parties, such as pension accounts for federal public employees. Other non-budgetary transactions include an adjustment to convert public debt charges from an accrual to a cash basis as well as a number of other adjustments with respect to accounts payable, cash-in-transit and outstanding cheques.

Table 3.8

Non-Budgetary Transactions Projections

	1984-85 (actual)	1985-86 (actual)	1986-87 (estimate)	1987-88 (forecast)
		(millions of dollars)		
Loans, investments and advances	709	41	720	700
Specified purpose accounts				
Canada Pension Plan	211	511	1,565	325
Superannuation account	4,374	4,776	5,205	5,595
Other	546	159	55	180
Total	5,131	5,446	6,825	6,100
Other non-budgetary transactions				
Interest and debt accounts	796	–389	390	750
Accounts payable and outstanding cheques	1,619	–1,063	–195	260
Other	268	107	185	205
Total	2,683	–1,345	380	1,215
Total non-budgetary receipts	8,523	4,142	7,925	8,015

As indicated in Table 3.8, the net funds provided to the government by non-budgetary transactions are expected to amount to $7.9 billion in 1986-87 and to $8.0 billion in 1987-88. The specified purpose accounts are expected to continue to be a major source of these funds. In 1986-87, there were surpluses in the Canada Pension Plan account in excess of working capital requirements that were not taken up by provincial governments. This is not projected to be repeated in 1987-88. The increase in the interest and debt accounts, which primarily reflects the flow of interest on Canada Savings Bonds that accrues to individuals but is not paid until later, tends to show wide year-over-year fluctuations as does the change in the level of accounts payable and outstanding cheques.

Financial Requirements and Borrowing Authority

The amount of borrowing authority requested from Parliament for any given fiscal year has traditionally been tied to the financial requirements forecast for that year. The actual level of borrowing will be influenced by foreign exchange transactions which cannot be accurately forecast. Given the current economic

assumptions and the policy actions introduced in this budget, financial requirements, excluding foreign exchange transactions, are expected to decline to $24.0 billion in 1986-87 and further to $21.3 billion in 1987-88.

The government will be seeking supplementary borrowing authority for 1986-87 as well as regular borrowing authority for 1987-88. The supplementary borrowing authority for 1986-87, amounting to $3.6 billion, is equal to the borrowing authority used to increase the foreign exchange reserves during the course of the year. Much of this increase occurred during January and early February when the Canadian dollar came under strong upward pressure. Official operations in the foreign excharge market to maintain orderly conditions led to large purchases of foreign exchange, which required borrowing Canadian dollars.

For 1987-88, the government will be seeking borrowing authority in the amount of $24.3 billion compared to the projection for financial requirements, excluding foreign exchange transactions, of $21.3 billion. A contingency of $3 billion will provide for flexibility in managing foreign exchange reserves as well as scope for rebuilding the current low level of cash balances.

Fiscal Reference Tables

Table I

Fiscal Transactions

	Budgetary revenues	Budgetary expenditures	Budgetary surplus or deficit (–)	Non-budgetary transactions	Financial requirements (excl. foreign exchange transactions)
			(millions of dollars)		
1926-27	372	–330	42	–38	4
1931-32	303	–417	–114	–104	–218
1936-37	420	–498	–78	10	–68
1941-42	1,487	–1,839	–352	–269	–621
1946-47	3,034	–2,604	430	–896	–466
1951-52	4,101	–3,745	356	64	420
1956-57	5,582	–5,257	325	130	455
1957-58	5,456	–5,652	–196	–150	–346
1958-59	5,159	–6,036	–877	–601	–1,478
1959-60	5,896	–6,496	–600	116	–484
1960-61	6,322	–6,851	–529	205	–324
1961-62	6,468	–7,416	–948	95	–853
1962-63	6,662	–7,495	–833	–106	–939
1963-64	7,099	–8,268	–1,169	910	–259
1964-65	8,220	–8,535	–315	399	84
1965-66	8,955	–8,652	303	–205	98
1966-67	9,752	–9,939	–187	–473	–660
1967-68	10,637	–11,348	–711	–667	–1,378
1968-69	11,939	–12,339	–400	–411	–811
1969-70	14,291	–13,959	332	–98	234
1970-71	14,874	–15,654	–780	–248	–1,028
1971-72	16,511	–18,053	–1,542	176	–1,366
1972-73	19,097	–20,772	–1,675	367	–1,308
1973-74	22,322	–24,321	–1,999	482	–1,517
1974-75	29,143	–31,152	–2,009	–130	–2,139
1975-76	31,549	–37,286	–5,737	963	–4,774
1976-77	34,300	–40,597	–6,297	749	–5,548
1977-78	34,518	–44,944	–10,426	1,977	–8,449
1978-79	36,866	–49,483	–12,617	1,405	–11,212
1979-80	41,922	–53,422	–11,500	1,370	–10,130
1980-81	48,775	–62,131	–13,356	3,319	–10,037
1981-82	60,001	–74,873	–14,872	5,636	–9,236
1982-83	60,705	–88,521	–27,816	4,023	–23,793
1983-84	64,211	–96,610	–32,399	7,200	–25,199
1984-85	70,891	–109,215	–38,324	8,523	–29,801
1985-86	76,823	–111,227	–34,404	4,142	–30,262

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Table II

Fiscal Transactions

	Budgetary revenues	Budgetary expenditures	Budgetary surplus or deficit (–)	Non-budgetary transactions	Financial requirements (excl. foreign exchange transactions)
			(percentage of GDP)*		
1926-27	7.2	–6.4	0.8	–0.7	0.1
1931-32	6.5	–8.9	–2.4	–2.2	–4.6
1936-37	9.1	–10.7	–1.7	0.2	–1.5
1941-42	18.0	–22.2	–4.3	–3.2	–7.5
1946-47	25.5	–21.9	3.6	–7.5	–3.9
1951-52	19.0	–17.3	1.6	0.3	1.9
1956-57	17.4	–16.4	1.0	0.4	1.4
1957-58	16.3	–16.9	–0.6	–0.4	–1.0
1958-59	14.8	–17.4	–2.5	–1.7	–4.2
1959-60	16.4	–18.1	–1.7	0.3	–1.4
1960-61	16.5	–17.9	–1.4	0.5	–0.8
1961-62	15.8	–18.1	–2.3	0.2	–2.1
1962-63	15.0	–16.9	–1.9	–0.2	–2.1
1963-64	14.9	–17.3	–2.5	1.9	–0.5
1964-65	15.7	–16.4	–0.6	0.8	0.2
1965-66	15.6	–15.0	0.5	–0.4	0.2
1966-67	15.1	–15.4	–0.3	–0.7	–1.0
1967-68	15.4	–16.4	–1.0	–1.0	–2.0
1968-69	15.8	–16.4	–0.5	–0.5	–1.1
1969-70	17.2	–16.8	0.4	–0.1	0.3
1970-71	16.7	–17.6	–0.9	–0.3	–1.2
1971-72	17.0	–18.6	–1.6	0.2	–1.4
1972-73	17.6	–19.1	–1.5	0.3	–1.2
1973-74	17.5	–19.1	–1.6	0.4	–1.2
1974-75	19.2	–20.5	–1.3	–0.1	–1.4
1975-76	18.4	–21.7	–3.3	0.6	–2.8
1976-77	17.3	–20.5	–3.2	0.4	–2.8
1977-78	15.8	–20.5	–4.8	0.9	–3.9
1978-79	15.3	–20.5	–5.2	0.6	–4.6
1979-80	15.2	–19.3	–4.2	0.5	–3.7
1980-81	15.7	–20.0	–4.3	1.1	–3.2
1981-82	16.9	–21.0	–4.2	1.6	–2.6
1982-83	16.2	–23.6	–7.4	1.1	–6.3
1983-84	15.8	–23.8	–8.0	1.8	–6.2
1984-85	16.0	–24.6	–8.6	1.9	–6.7
1985-86	16.1	–23.3	–7.2	0.9	–6.4

* For 1926-27 to 1960-61 inclusive, figures are expressed as a percentage of GNP.

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Table III

Budgetary Revenues

	Personal income tax	Corporate income tax	Sales and excise taxes	Unemployment insurance contributions	Other tax revenues	Non-tax revenues	Total budgetary revenues
				(millions of dollars)			
1961-62	2,052	1,302	2,204	278	197	435	6,468
1962-63	2,018	1,298	2,395	285	216	450	6,662
1963-64	2,168	1,375	2,525	296	216	519	7,099
1964-65	2,535	1,669	2,890	310	233	583	8,220
1965-66	2,637	1,759	3,344	327	278	610	8,955
1966-67	3,050	1,743	3,628	343	305	683	9,752
1967-68	3,650	1,821	3,718	346	323	779	10,637
1968-69	4,334	2,213	3,747	432	318	895	11,939
1969-70	5,588	2,839	4,009	490	349	1,016	14,291
1970-71	6,395	2,426	4,060	493	378	1,122	14,874
1971-72	7,227	2,396	4,637	569	420	1,262	16,511
1972-73	8,378	2,920	5,272	745	353	1,429	19,097
1973-74	9,226	3,710	6,068	1,001	625	1,692	22,322
1974-75	11,710	4,836	6,837	1,585	2,103	2,072	29,143
1975-76	12,709	5,748	6,655	2,039	1,981	2,417	31,549
1976-77	14,634	5,363	7,376	2,470	1,782	2,675	34,300
1977-78	13,988	5,280	8,093	2,537	1,599	3,021	34,518
1978-79	14,656	5,654	8,853	2,783	1,489	3,431	36,866
1979-80	16,808	6,951	9,095	2,778	2,054	4,236	41,922
1980-81	19,837	8,106	10,232	3,303	2,475	4,822	48,775
1981-82	24,046	8,118	11,322	4,753	5,659	6,103	60,001
1982-83	26,330	7,139	10,629	4,900	6,277	5,430	60,705
1983-84	26,967	7,286	12,047	7,259	5,202	5,450	64,211
1984-85	29,254	9,379	13,698	7,553	5,607	5,400	70,891
1985-86	33,008	9,210	16,143	8,712	4,527	5,223	76,823

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Table IV

Budgetary Revenues

	Personal income tax	Corporate income tax	Sales and excise taxes	Unemployment insurance contributions	Other tax revenues	Non-tax revenues	Total budgetary revenues
			(percentage of GDP)				
1961-62	5.0	3.2	5.4	0.7	0.5	1.1	15.8
1962-63	4.5	2.9	5.4	0.6	0.5	1.0	15.0
1963-64	4.5	2.9	5.3	0.6	0.5	1.1	14.9
1964-65	4.9	3.2	5.5	0.6	0.4	1.1	15.7
1965-66	4.6	3.1	5.8	0.6	0.5	1.1	15.6
1966-67	4.7	2.7	5.6	0.5	0.5	1.1	15.1
1967-68	5.3	2.6	5.4	0.5	0.5	1.1	15.4
1968-69	5.7	2.9	5.0	0.6	0.4	1.2	15.8
1969-70	6.7	3.4	4.8	0.6	0.4	1.2	17.2
1970-71	7.2	2.7	4.6	0.6	0.4	1.3	16.7
1971-72	7.4	2.5	4.8	0.6	0.4	1.3	17.0
1972-73	7.7	2.7	4.9	0.7	0.3	1.3	17.6
1973-74	7.2	2.9	4.8	0.8	0.5	1.3	17.5
1974-75	7.7	3.2	4.5	1.0	1.4	1.4	19.2
1975-76	7.4	3.4	3.9	1.2	1.2	1.4	18.4
1976-77	7.4	2.7	3.7	1.2	0.9	1.4	17.3
1977-78	6.4	2.4	3.7	1.2	0.7	1.4	15.8
1978-79	6.1	2.3	3.7	1.2	0.6	1.4	15.3
1979-80	6.1	2.5	3.3	1.0	0.7	1.5	15.2
1980-81	6.4	2.6	3.3	1.1	0.8	1.6	15.7
1981-82	6.8	2.3	3.2	1.3	1.6	1.7	16.9
1982-83	7.0	1.9	2.8	1.3	1.7	1.4	16.2
1983-84	6.7	1.8	3.0	1.8	1.3	1.3	15.8
1984-85	6.6	2.1	3.1	1.7	1.3	1.2	16.0
1985-86	6.9	1.9	3.4	1.8	1.0	1.1	16.1

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Table V

Budgetary Revenues

	Personal income tax	Corporate income tax	Sales and excise taxes	Unemployment insurance contributions	Other tax revenues	Non-tax revenues	Total budgetary revenues
			(percentage of total)				
1961-62	31.7	20.1	34.1	4.3	3.0	6.7	100.0
1962-63	30.3	19.5	36.0	4.3	3.2	6.8	100.0
1963-64	30.5	19.4	35.6	4.2	3.0	7.3	100.0
1964-65	30.8	20.3	35.2	3.8	2.8	7.1	100.0
1965-66	29.4	19.6	37.3	3.7	3.1	6.8	100.0
1966-67	31.3	17.9	37.2	3.5	3.1	7.0	100.0
1967-68	34.3	17.1	35.0	3.3	3.0	7.3	100.0
1968-69	36.3	18.5	31.4	3.6	2.7	7.5	100.0
1969-70	39.1	19.9	28.1	3.4	2.4	7.1	100.0
1970-71	43.0	16.3	27.3	3.3	2.5	7.5	100.0
1971-72	43.8	14.5	28.1	3.4	2.8	7.6	100.0
1972-73	43.9	15.3	27.6	3.9	1.8	7.5	100.0
1973-74	41.3	16.6	27.2	4.5	2.8	7.6	100.0
1974-75	40.2	16.6	23.5	5.4	7.2	7.1	100.0
1975-76	40.3	18.2	21.1	6.5	6.3	7.7	100.0
1976-77	42.7	15.6	21.5	7.2	5.2	7.8	100.0
1977-78	40.5	15.3	23.4	7.3	4.6	8.8	100.0
1978-79	39.8	15.3	24.0	7.5	4.0	9.3	100.0
1979-80	40.1	16.6	21.7	6.6	4.9	10.1	100.0
1980-81	40.7	16.6	21.0	6.8	5.1	9.9	100.0
1981-82	40.1	13.5	18.9	7.9	9.4	10.2	100.0
1982-83	43.4	11.8	17.5	8.1	10.3	8.9	100.0
1983-84	42.0	11.3	18.8	11.3	8.1	8.5	100.0
1984-85	41.3	13.2	19.3	10.7	7.9	7.6	100.0
1985-86	43.0	12.0	21.0	11.3	5.9	6.8	100.0

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Table VI

Budgetary Expenditures

	Major transfers to persons	Major transfers to govts.	National defence	Other	Program expendi-tures	Public debt charges	Total budgetary expendi-tures
			(millions of dollars)				
1961-62	1,860	667	1,626	2,431	6,584	832	7,416
1962-63	1,933	766	1,575	2,306	6,580	915	7,495
1963-64	1,977	829	1,684	2,785	7,275	993	8,268
1964-65	2,076	954	1,536	2,919	7,485	1,050	8,535
1965-66	2,120	878	1,548	2,996	7,542	1,110	8,652
1966-67	2,291	1,054	1,640	3,772	8,757	1,182	9,939
1967-68	2,698	1,504	1,754	4,106	10,062	1,286	11,348
1968-69	2,941	1,856	1,761	4,317	10,875	1,464	12,339
1969-70	3,210	2,286	1,789	4,980	12,265	1,694	13,959
1970-71	3,595	3,008	1,818	5,346	13,767	1,887	15,654
1971-72	4,263	3,667	1,862	6,151	15,943	2,110	18,053
1972-73	5,493	4,196	1,937	6,846	18,472	2,300	20,772
1973-74	6,457	4,650	2,224	8,425	21,756	2,565	24,321
1974-75	8,099	5,956	2,526	11,333	27,914	3,238	31,152
1975-76	9,766	6,953	2,966	13,631	33,316	3,970	37,286
1976-77	10,466	8,492	3,373	13,558	35,889	4,708	40,597
1977-78	11,743	8,635	3,776	15,259	39,413	5,531	44,944
1978-79	12,735	9,688	4,096	15,940	42,459	7,024	49,483
1979-80	12,711	10,839	4,377	17,001	44,928	8,494	53,422
1980-81	14,594	11,792	5,063	20,024	51,473	10,658	62,131
1981-82	16,955	13,842	5,989	22,973	59,759	15,114	74,873
1982-83	22,712	14,762	6,938	27,206	71,618	16,903	88,521
1983-84	23,615	17,681	7,843	29,394	78,533	18,077	96,610
1984-85	25,048	19,316	8,762	33,634	86,760	22,455	109,215
1985-86	26,280	19,565	9,094	30,847	85,786	25,441	111,227

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Table VII

Budgetary Expenditures

	Major transfers to persons	Major transfers to govts.	National defence	Other	Program expendi-tures	Public debt charges	Total budgetary expendi-tures
			(percentage of GDP)				
1961-62	4.5	1.6	4.0	5.9	16.1	2.0	18.1
1962-63	4.4	1.7	3.5	5.2	14.8	2.1	16.9
1963-64	4.1	1.7	3.5	5.8	15.3	2.1	17.3
1964-65	4.0	1.8	2.9	5.6	14.3	2.0	16.4
1965-66	3.7	1.5	2.7	5.2	13.1	1.9	15.0
1966-67	3.6	1.6	2.5	5.9	13.6	1.8	15.4
1967-68	3.9	2.2	2.5	5.9	14.6	1.9	16.4
1968-69	3.9	2.5	2.3	5.7	14.4	1.9	16.4
1969-70	3.9	2.8	2.2	6.0	14.8	2.0	16.8
1970-71	4.0	3.4	2.0	6.0	15.4	2.1	17.6
1971-72	4.4	3.8	1.9	6.3	16.4	2.2	18.6
1972-73	5.1	3.9	1.8	6.3	17.0	2.1	19.1
1973-74	5.1	3.7	1.7	6.6	17.1	2.0	19.1
1974-75	5.3	3.9	1.7	7.5	18.4	2.1	20.5
1975-76	5.7	4.1	1.7	7.9	19.4	2.3	21.7
1976-77	5.3	4.3	1.7	6.9	18.1	2.4	20.5
1977-78	5.4	3.9	1.7	7.0	18.0	2.5	20.5
1978-79	5.3	4.0	1.7	6.6	17.6	2.9	20.5
1979-80	4.6	3.9	1.6	6.2	16.3	3.1	19.3
1980-81	4.7	3.8	1.6	6.5	16.6	3.4	20.0
1981-82	4.8	3.9	1.7	6.5	16.8	4.2	21.0
1982-83	6.1	3.9	1.9	7.3	19.1	4.5	23.6
1983-84	5.8	4.4	1.9	7.3	19.4	4.5	23.8
1984-85	5.7	4.4	2.0	7.6	19.6	5.1	24.6
1985-86	5.5	4.1	1.9	6.5	18.0	5.3	23.3

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Table VIII

Budgetary Expenditures

	Major transfers to persons	Major transfers to govts.	National defence	Other	Program expendi-tures	Public debt charges	Total budgetary expendi-tures
			(percentage of total)				
1961-62	25.1	9.0	21.9	32.8	88.8	11.2	100.0
1962-63	25.8	10.2	21.0	30.8	87.8	12.2	100.0
1963-64	23.9	10.0	20.4	33.7	88.0	12.0	100.0
1964-65	24.3	11.2	18.0	34.2	87.7	12.3	100.0
1965-66	24.5	10.1	17.9	34.6	87.2	12.8	100.0
1966-67	23.1	10.6	16.5	38.0	88.1	11.9	100.0
1967-68	23.8	13.3	15.5	36.2	88.7	11.3	100.0
1968-69	23.8	15.0	14.3	35.0	88.1	11.9	100.0
1969-70	23.0	16.4	12.8	35.7	87.9	12.1	100.0
1970-71	23.0	19.2	11.6	34.2	87.9	12.1	100.0
1971-72	23.6	20.3	10.3	34.1	88.3	11.7	100.0
1972-73	26.4	20.2	9.3	33.0	88.9	11.1	100.0
1973-74	26.5	19.1	9.1	34.6	89.5	10.5	100.0
1974-75	26.0	19.1	8.1	36.4	89.6	10.4	100.0
1975-76	26.2	18.6	8.0	36.6	89.4	10.6	100.0
1976-77	25.8	20.9	8.3	33.4	88.4	11.6	100.0
1977-78	26.1	19.2	8.4	34.0	87.7	12.3	100.0
1978-79	25.7	19.6	8.3	32.2	85.8	14.2	100.0
1979-80	23.8	20.3	8.2	31.8	84.1	15.9	100.0
1980-81	23.5	19.0	8.1	32.2	82.8	17.2	100.0
1981-82	22.6	18.5	8.0	30.7	79.8	20.2	100.0
1982-83	25.7	16.7	7.8	30.7	80.9	19.1	100.0
1983-84	24.4	18.3	8.1	30.4	81.3	18.7	100.0
1984-85	22.9	17.7	8.0	30.8	79.4	20.6	100.0
1985-86	23.6	17.6	8.2	27.7	77.1	22.9	100.0

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Table IX

Public Debt Charges

	Gross public debt charges	Return on investments	Net public debt charges	Ratio of gross public debt charges to gross debt	Ratio of net public debt charges to net debt
		(millions of dollars)		(per cent)	
1926-27	130	9	121	4.8	5.2
1931-32	121	9	112	4.3	4.7
1936-37	137	11	126	3.9	4.1
1941-42	172	22	150	2.6	3.7
1946-47	469	69	400	2.8	3.2
1951-52	512	118	394	3.2	3.8
1956-57	508	207	301	3.0	2.6
1957-58	543	227	316	3.2	2.7
1958-59	636	247	389	3.4	3.1
1959-60	776	265	511	4.0	3.8
1960-61	788	287	501	3.9	3.6
1961-62	832	308	524	3.8	3.5
1962-63	915	312	603	4.0	3.9
1963-64	993	366	627	4.0	3.7
1964-65	1,050	423	627	4.0	3.7
1965-66	1,110	438	672	4.2	4.0
1966-67	1,182	519	663	4.2	3.9
1967-68	1,286	612	674	4.3	3.8
1968-69	1,464	695	769	4.6	4.3
1969-70	1,694	860	834	5.1	4.7
1970-71	1,887	1,000	887	5.1	4.8
1971-72	2,110	1,133	977	5.1	4.9
1972-73	2,300	1,265	1,035	5.2	4.8
1973-74	2,565	1,461	1,104	5.4	4.7
1974-75	3,238	1,802	1,436	6.1	5.6
1975-76	3,970	2,083	1,887	6.7	6.0
1976-77	4,708	2,410	2,298	7.0	6.1
1977-78	5,531	2,592	2,939	6.9	6.1
1978-79	7,024	3,059	3,965	7.3	6.5
1979-80	8,494	3,659	4,835	8.1	6.7
1980-81	10,658	4,360	6,298	8.9	7.4
1981-82	15,114	5,064	10,050	11.0	10.0
1982-83	16,903	4,616	12,287	10.2	9.6
1983-84	18,077	4,372	13,705	9.1	8.5
1984-85	22,455	4,252	18,203	9.5	9.1
1985-86	25,441	3,739	21,702	9.4	9.3

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Table X

Public Debt Charges in Comparative Terms

	Gross public debt charges as a percentage of			Net public debt charges as a percentage of		
	GDP*	Budgetary revenues	Budgetary expenditures	GDP*	Budgetary revenues	Budgetary expenditures
1926-27	2.5	34.9	39.4	2.4	32.5	36.7
1931-32	2.6	39.9	29.0	2.4	37.0	26.9
1936-37	3.0	32.6	27.5	2.7	30.0	25.3
1941-42	2.1	11.6	9.4	1.8	10.1	8.2
1946-47	3.9	15.5	18.0	3.4	13.2	15.4
1951-52	2.4	12.5	13.7	1.8	9.6	10.5
1956-57	1.6	9.1	9.7	0.9	5.4	5.7
1957-58	1.6	10.0	9.6	0.9	5.8	5.6
1958-59	1.8	12.3	10.5	1.1	7.5	6.4
1959-60	2.1	13.2	11.9	1.4	8.7	7.9
1960-61	2.1	12.5	11.5	1.3	7.9	7.3
1961-62	2.0	12.9	11.2	1.3	8.1	7.1
1962-63	2.1	13.7	12.2	1.4	9.1	8.0
1963-64	2.1	14.0	12.0	1.3	8.8	7.6
1964-65	2.0	12.8	12.3	1.2	7.6	7.3
1965-66	1.9	12.4	12.8	1.2	7.5	7.8
1966-67	1.8	12.1	11.9	1.0	6.8	6.7
1967-68	1.9	12.1	11.3	1.0	6.3	5.9
1968-69	1.9	12.3	11.9	1.0	6.4	6.2
1969-70	2.0	11.9	12.1	1.0	5.8	6.0
1970-71	2.1	12.7	12.1	1.0	6.0	5.7
1971-72	2.2	12.8	11.7	1.0	5.9	5.4
1972-73	2.1	12.0	11.1	1.0	5.4	5.0
1973-74	2.0	11.5	10.5	0.9	4.9	4.5
1974-75	2.1	11.1	10.4	0.9	4.9	4.6
1975-76	2.3	12.6	10.6	1.1	6.0	5.1
1976-77	2.4	13.7	11.6	1.2	6.7	5.7
1977-78	2.5	16.0	12.3	1.3	8.5	6.5
1978-79	2.9	19.1	14.2	1.6	10.8	8.0
1979-80	3.1	20.3	15.9	1.8	11.5	9.1
1980-81	3.4	21.9	17.2	2.0	12.9	10.1
1981-82	4.2	25.2	20.2	2.8	16.7	13.4
1982-83	4.5	27.8	19.1	3.3	20.2	13.9
1983-84	4.5	28.2	18.7	3.4	21.3	14.2
1984-85	5.1	31.7	20.6	4.1	25.7	16.7
1985-86	5.3	33.1	22.9	4.6	28.2	19.5

* For 1926-27 to 1960-61 inclusive, figures are expressed as a percentage of GNP.

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Table XI

Public Debt

	Gross public debt ($M)	Net recorded Assets ($M)	Net public debt ($M)	Net public debt % of GDP*	GNP/GDP ($M)
1926-27	2,726	378	2,348	45.6	5,145
1931-32	2,827	451	2,376	50.6	4,693
1936-37	3,542	458	3,084	66.6	4,634
1941-42	6,563	2,562	4,001	48.3	8,282
1946-47	16,849	4,180	12,669	106.6	11,885
1951-52	15,940	5,544	10,396	48.0	21,640
1956-57	16,658	5,045	11,613	36.2	32,058
1957-58	16,972	5,163	11,809	35.2	33,513
1958-59	18,848	6,162	12,686	36.5	34,777
1959-60	19,576	6,290	13,286	36.1	36,846
1960-61	20,287	6,472	13,815	36.0	38,359
1961-62	21,724	6,961	14,763	36.1	40,886
1962-63	23,154	7,558	15,596	35.1	44,408
1963-64	24,936	8,171	16,765	35.2	47,678
1964-65	26,014	8,934	17,080	32.7	52,191
1965-66	26,612	9,835	16,777	29.2	57,523
1966-67	28,036	11,072	16,964	26.3	64,388
1967-68	29,621	11,946	17,675	25.6	69,064
1968-69	31,831	13,756	18,075	24.0	75,418
1969-70	33,071	15,328	17,743	21.4	83,026
1970-71	36,924	18,401	18,523	20.8	89,116
1971-72	40,981	20,916	20,065	20.6	97,290
1972-73	44,504	22,764	21,740	20.0	108,629
1973-74	47,353	23,614	23,739	18.6	127,372
1974-75	52,680	26,932	25,748	16.9	152,111
1975-76	59,617	28,132	31,485	18.4	171,540
1976-77	67,128	29,346	37,782	19.1	197,924
1977-78	79,684	31,476	48,208	22.0	218,879
1978-79	96,762	35,937	60,825	25.2	241,604
1979-80	104,680	32,355	72,325	26.2	276,096
1980-81	120,245	34,564	85,681	27.6	309,891
1981-82	137,244	36,691	100,553	28.2	355,994
1982-83	165,728	37,359	128,369	34.3	374,750
1983-84	199,056	38,288	160,768	39.7	405,425
1984-85	237,112	38,020	199,092	44.9	443,327
1985-86	269,286	35,790	233,496	49.0	476,361

*For 1926-27 to 1960-61 inclusive, figures are expressed as a percentage of GNP.

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Note: Figures for GNP and GDP relate to the corresponding calendar year.

Table XII

Total Borrowing

	Financial requirements			Total borrowing		
	Excluding foreign exchange transactions	Including foreign exchange transactions	Change in cash position	Domestic borrowing	Foreign borrowing	Total borrowing
			(millions of dollars)			
1961-62	−853	−662	416	1,078	0	1,078
1962-63	−939	−1,234	−400	834	281	1,115
1963-64	−259	−330	451	781	−35	746
1964-65	84	−377	−145	232	0	232
1965-66	98	−63	−46	17	−5	12
1966-67	−660	−417	181	598	−5	593
1967-68	−1,378	−752	203	955	−205	750
1968-69	−811	−1,571	−415	1,156	282	1,438
1969-70	234	−154	236	390	5	395
1970-71	−1,028	−2,423	431	2,854	−110	2,744
1971-72	−1,366	−2,038	322	2,360	−2	2,358
1972-73	−1,308	−1,383	399	1,782	−2	1,780
1973-74	−1,517	−1,386	−1,189	197	−76	121
1974-75	−2,139	−1,546	2,394	3,940	−50	3,890
1975-76	−4,774	−4,779	−152	4,627	−28	4,599
1976-77	−5,548	−4,267	545	4,812	−2	4,810
1977-78	−8,449	−7,263	909	8,172	855	9,027
1978-79	−11,212	−6,851	1,927	8,778	6,186	14,964
1979-80	−10,130	−10,573	−2,695	7,878	−2,516	5,362
1980-81	−10,037	−8,960	2,193	11,153	84	11,237
1981-82	−9,236	−8,678	689	9,367	634	10,001
1982-83	−23,793	−24,433	−2,041	22,392	977	23,369
1983-84	−25,199	−24,785	1,833	26,618	−299	26,319
1984-85	−29,801	−27,378	−554	26,824	2,971	29,795
1985-86	−30,262	−24,648	−1,114	23,534	4,728	28,262

Source: Public Accounts of Canada adjusted to reflect accounting changes.

Table XIII

Gross Public Debt

	Unmatured debt – held by outside parties										
	Marketable bonds[1]			Treasury bills	Canada Savings Bonds[1]	Less: government's own holdings	Total	Superannuation accounts	Interest and debt accounts	Other liabilities	Gross public debt
	Domestic	Foreign	Total								
	(millions of dollars)										
1961-62	10,813	130	10,943	1,885	4,055	−95	16,788	2,291	275	2,370	21,724
1962-63	10,792	411	11,203	2,165	4,582	−32	17,918	2,562	293	2,381	23,154
1963-64	11,041	376	11,417	2,230	5,092	−99	18,640	3,447	321	2,528	24,936
1964-65	10,866	376	11,242	2,140	5,552	−61	18,873	4,150	339	2,652	26,014
1965-66	10,712	371	11,083	2,150	5,733	−81	18,885	4,489	391	2,847	26,612
1966-67	10,986	366	11,352	2,310	6,017	−200	19,479	4,890	427	3,240	28,036
1967-68	11,542	160	11,702	2,480	6,096	−49	20,229	5,350	499	3,543	29,621
1968-69	12,263	442	12,705	2,840	6,169	−47	21,667	5,883	581	3,700	31,831
1969-70	12,248	447	12,695	2,895	6,579	−107	22,062	6,503	600	3,906	33,071
1970-71	12,989	337	13,326	3,735	7,804	−60	24,805	7,200	839	4,080	36,924
1971-72	13,354	336	13,690	3,830	9,712	−67	27,165	7,934	1,158	4,724	40,981
1972-73	13,391	334	13,725	4,290	10,989	−60	28,944	8,792	1,506	5,262	44,504
1973-74	13,560	258	13,818	4,905	10,406	−64	29,065	9,794	1,801	6,693	47,353
1974-75	14,282	208	14,490	5,630	12,915	−77	32,958	11,054	2,257	6,411	52,680
1975-76	15,447	176	15,623	6,495	15,517	−87	37,548	12,557	2,923	6,589	59,617
1976-77	17,714	174	17,888	8,255	16,304	−89	42,358	14,212	3,619	6,939	67,128
1977-78	21,146	1,031	22,177	11,295	18,011	−98	51,385	16,101	4,523	7,675	79,684
1978-79	26,496	7,217	33,713	13,535	19,247	−146	66,349	18,056	4,014	8,343	96,762
1979-80	32,900	4,710	37,610	16,325	18,081	−305	71,711	20,021	3,976	8,972	104,680
1980-81	40,795	4,794	45,589	21,770	15,812	−223	82,948	22,329	4,162	10,806	120,245
1981-82	43,429	5,428	48,857	19,375	24,978	−261	92,949	25,343	6,095	12,857	137,244
1982-83	48,304	6,405	54,709	29,125	32,641	−157	116,318	28,826	7,710	12,874	165,728
1983-84	56,961	6,106	63,067	41,700	38,204	−334	142,637	32,688	8,622	15,109	199,056
1984-85	69,356	9,077	78,433	52,300	41,960	−261	172,432	36,990	9,418	18,272	237,112
1985-86	81,067	13,811	94,878	61,950	44,245	−379	200,694	41,670	9,084	17,838	269,286

[1] Including government's holdings of its own debt.

Source: Public Accounts of Canada adjusted to reflect accounting changes

Table XIV

Government Revenues, Expenditures and Surpluses or Deficits, 1961-1985
National Accounts Basis

	Total government[1]			Federal government			Provincial-local-hospital		
	Revenues	Expenditures	Surplus or deficit(-)	Revenues	Expenditures	Surplus or deficit(-)	Revenues	Expenditures	Surplus or deficit(-)
	(billions of dollars)								
1961	11.3	12.2	−0.9	6.8	7.2	−0.4	5.7	6.1	−0.4
1962	12.4	13.2	−0.8	7.0	7.5	−0.5	6.6	6.8	−0.2
1963	13.3	13.9	−0.7	7.3	7.6	−0.3	7.1	7.5	−0.4
1964	15.0	14.9	0.0	8.4	8.0	0.3	7.9	8.1	−0.3
1965	16.7	16.5	0.2	9.1	8.6	0.5	9.0	9.4	−0.4
1966	19.4	19.1	0.4	10.0	9.8	0.2	10.4	10.9	−0.5
1967	21.9	21.8	0.0	10.9	11.0	−0.1	12.0	12.8	−0.7
1968	24.9	24.5	0.3	12.2	12.3	–	13.9	14.6	−0.6
1969	29.0	27.2	1.8	14.5	13.5	1.0	16.0	16.4	−0.3
1970	31.8	31.1	0.7	15.5	15.3	0.2	18.3	19.1	−0.7
1971	35.2	35.2	0.0	17.3	17.4	−0.1	20.8	21.9	−1.1
1972	39.7	39.8	0.0	19.6	20.1	−0.5	23.0	23.9	−0.9
1973	46.1	45.0	1.1	22.8	22.4	0.4	26.3	27.0	−0.8
1974	58.6	55.8	2.9	30.0	28.7	1.3	32.5	32.7	−0.2
1975	64.2	68.5	−4.3	31.8	35.6	−3.8	37.2	39.7	−2.5
1976	73.4	77.0	−3.5	35.5	38.8	−3.3	43.2	45.6	−2.4
1977	81.4	86.9	−5.5	36.7	44.0	−7.3	51.0	51.4	−0.4
1978	89.3	96.9	−7.6	38.3	49.1	−10.9	57.7	56.9	0.8
1979	101.5	107.0	−5.5	43.4	52.8	−9.4	64.9	63.8	1.1
1980	116.3	124.9	−8.6	50.7	61.3	−10.7	72.8	73.8	−1.0
1981	141.6	146.9	−5.2	65.0	72.3	−7.3	84.2	85.3	−1.2
1982	151.3	172.8	−21.5	66.0	86.4	−20.4	93.3	98.1	−4.9
1983	162.1	188.8	−26.6	69.6	94.7	−25.1	102.1	106.9	−4.7
1984	177.8	206.9	−29.1	76.7	107.2	−30.5	112.0	113.9	−1.9
1985	191.1	222.4	−31.3	83.7	115.9	−32.3	119.3	121.5	−2.2

[1] Including the Canada and Quebec Pension Plans.

Source: Statistics Canada, *National Income and Expenditure Accounts*, quarterly, cat. 13-001.

Table XV

Government Revenues, Expenditures and Surpluses or Deficits, 1961-1985
As a Percentage of Gross Domestic Product (National Accounts Basis)

	Total government[1]			Federal government			Provincial-local-hospital		
	Revenues	Expenditures	Surplus or deficit(–)	Revenues	Expenditures	Surplus or deficit(–)	Revenues	Expenditures	Surplus or deficit(–)
1961	27.7	29.8	–2.1	16.6	17.6	–1.0	13.9	15.0	–1.1
1962	28.0	29.7	–1.7	15.7	16.9	–1.2	14.9	15.4	–0.5
1963	27.8	29.2	–1.4	15.4	16.0	–0.6	14.9	15.7	–0.8
1964	28.7	28.6	0.1	16.0	15.4	0.6	15.0	15.6	–0.6
1965	29.0	28.7	0.3	15.8	14.9	0.9	15.7	16.3	–0.6
1966	30.2	29.6	0.6	15.5	15.2	0.3	16.1	17.0	–0.9
1967	31.7	31.6	0.1	15.8	16.0	–0.2	17.4	18.5	–1.1
1968	33.0	32.5	0.4	16.2	16.3	0.0	18.5	19.3	–0.8
1969	34.9	32.8	2.1	17.5	16.3	1.2	19.3	19.7	–0.4
1970	35.7	34.9	0.8	17.4	17.2	0.3	20.6	21.4	–0.8
1971	36.2	36.2	0.0	17.8	17.9	–0.1	21.4	22.5	–1.1
1972	36.6	36.6	0.0	18.0	18.5	–0.5	21.2	22.0	–0.8
1973	36.2	35.3	0.9	17.9	17.6	0.3	20.6	21.2	–0.6
1974	38.5	36.7	1.9	19.7	18.9	0.8	21.4	21.5	–0.1
1975	37.4	39.9	–2.5	18.5	20.8	–2.2	21.7	23.1	–1.4
1976	37.1	38.9	–1.8	17.9	19.6	–1.7	21.8	23.0	–1.2
1977	37.4	39.9	–2.5	16.8	20.2	–3.4	23.4	23.6	–0.2
1978	37.0	40.1	–3.2	15.8	20.3	–4.5	23.9	23.5	0.3
1979	36.7	38.8	–2.0	15.7	19.1	–3.4	23.5	23.1	0.4
1980	37.5	40.3	–2.8	16.3	19.8	–3.4	23.5	23.8	–0.3
1981	39.8	41.3	–1.5	18.3	20.3	–2.1	23.6	24.0	–0.3
1982	40.4	46.1	–5.7	17.6	23.1	–5.4	24.9	26.2	–1.3
1983	40.0	46.6	–6.6	17.2	23.3	–6.2	25.2	26.4	–1.2
1984	40.1	46.7	–6.6	17.3	24.2	–6.9	25.3	25.7	–0.4
1985	40.1	46.7	–6.6	17.6	24.3	–6.8	25.0	25.5	–0.5

[1] Including the Canada and Quebec Pension Plans.

Source: Statistics Canada, *National Income and Expenditure Accounts*, quarterly, cat. 13-001.

Table XVI

Federal Government Assets and Liabilities
System of National Accounts: National Balance Sheet Accounts Basis

	Billions of dollars					Percentage of GDP				
	Financial			Non-financial assets	Assets less liabilities	Financial			Non-financial assets	Assets less liabilities
	Liabilities	Assets	Net debt			Liabilities	Assets	Net debt		
1961	19.0	11.4	7.6	4.0	−3.6	46.5	27.9	18.7	9.8	−8.8
1962	20.0	12.1	8.0	4.2	−3.8	45.1	27.1	18.0	9.4	−8.6
1963	21.1	12.8	8.4	4.4	−4.0	44.3	26.8	17.6	9.2	−8.4
1964	21.6	13.6	8.1	4.5	−3.6	41.5	26.0	15.5	8.6	−6.8
1965	21.8	14.3	7.5	4.9	−2.6	37.8	24.8	13.0	8.5	−4.5
1966	22.5	15.3	7.2	5.5	−1.7	35.0	23.8	11.2	8.5	−2.7
1967	23.8	16.5	7.4	6.0	−1.3	34.5	23.9	10.6	8.7	−1.9
1968	25.6	18.2	7.4	6.4	−1.1	33.9	24.1	9.9	8.4	−1.4
1969	26.0	19.6	6.3	7.0	0.6	31.3	23.6	7.6	8.4	0.7
1970	28.2	21.9	6.3	7.5	1.2	31.7	24.6	7.1	8.4	1.3
1971	31.4	24.9	6.5	8.4	1.9	32.2	25.5	6.7	8.6	1.9
1972	33.7	26.8	6.9	9.1	2.3	31.0	24.7	6.3	8.4	2.1
1973	33.9	27.7	6.2	10.1	3.9	26.6	21.7	4.9	7.9	3.1
1974	39.2	33.6	5.6	12.2	6.6	25.8	22.1	3.7	8.0	4.3
1975	43.8	34.7	9.1	14.2	5.1	25.5	20.2	5.3	8.3	3.0
1976	48.1	35.3	12.7	16.0	3.3	24.3	17.9	6.4	8.1	1.6
1977	56.0	37.6	18.3	17.9	−0.4	25.7	17.3	8.4	8.2	−0.2
1978	71.2	41.3	29.9	19.5	−10.4	29.5	17.1	12.4	8.1	−4.3
1979	78.0	39.8	38.2	21.7	−16.5	28.3	14.4	13.8	7.9	−6.0
1980	92.8	43.8	49.0	23.8	−25.2	29.9	14.1	15.8	7.7	−8.1
1981	106.7	50.0	56.7	26.3	−30.4	30.0	14.0	15.9	7.4	−8.5
1982	126.8	49.3	77.5	28.5	−49.0	33.8	13.1	20.7	7.6	−13.1
1983	154.6	55.2	99.4	29.9	−69.5	38.1	13.6	24.5	7.4	−17.1
1984	183.3	55.4	127.9	31.6	−96.3	41.3	12.5	28.8	7.1	−21.7
1985	220.4	59.8	160.5	33.6	−126.9	46.3	12.6	33.7	7.1	−26.6

Source: Statistics Canada, *National Balance Sheet Accounts*, annual, cat. 13-214.

Table XVII

Provincial-Local-Hospital Government Assets and Liabilities
(System of National Accounts: National Balance Sheet Accounts Basis)

	Billions of dollars					Percentage of GDP				
	Financial			Non-financial assets	Assets less liabilities	Financial			Non-financial assets	Assets less liabilities
	Liabilities	Assets	Net debt			Liabilities	Assets	Net debt		
1961	10.8	7.2	3.6	16.4	12.7	26.4	17.5	8.9	40.0	31.1
1962	11.7	7.8	3.9	17.9	14.0	26.3	17.5	8.8	40.3	31.5
1963	12.6	8.3	4.4	20.0	15.6	26.5	17.3	9.2	41.9	32.7
1964	13.8	9.0	4.8	21.8	16.9	26.4	17.2	9.3	41.7	32.4
1965	15.1	9.8	5.3	25.2	19.9	26.3	17.0	9.3	43.8	34.6
1966	17.3	11.1	6.2	28.8	22.5	26.9	17.2	9.7	44.7	35.0
1967	19.8	12.2	7.6	31.2	23.6	28.7	17.7	11.0	45.2	34.1
1968	22.1	13.8	8.3	33.1	24.8	29.3	18.3	11.0	43.9	32.9
1969	24.3	16.0	8.3	36.7	28.4	29.3	19.3	10.0	44.2	34.2
1970	27.0	18.3	8.7	40.7	31.9	30.3	20.5	9.8	45.6	35.9
1971	29.6	19.9	9.7	46.2	36.5	30.4	20.5	10.0	47.5	37.5
1972	32.8	21.6	11.2	51.1	39.9	30.2	19.9	10.3	47.0	36.7
1973	36.4	24.5	11.9	58.4	46.5	28.6	19.3	9.3	45.9	36.5
1974	41.1	28.5	12.7	74.5	61.8	27.1	18.7	8.3	49.0	40.6
1975	47.7	31.3	16.4	86.9	70.6	27.8	18.2	9.6	50.7	41.1
1976	53.7	35.3	18.4	97.0	78.6	27.2	17.9	9.3	49.0	39.7
1977	62.2	41.7	20.4	108.5	88.0	28.5	19.2	9.4	49.8	40.4
1978	69.9	49.6	20.3	120.1	99.8	28.9	20.5	8.4	49.7	41.3
1979	75.5	56.2	19.3	135.9	116.6	27.3	20.4	7.0	49.2	42.2
1980	84.0	66.1	18.0	154.4	136.5	27.1	21.3	5.8	49.8	44.0
1981	97.9	82.2	15.7	180.4	164.7	27.5	23.1	4.4	50.7	46.3
1982	114.3	90.3	24.0	198.9	174.9	30.5	24.1	6.4	53.1	46.7
1983	121.8	96.9	24.9	211.2	186.3	30.0	23.9	6.1	52.1	45.9
1984	134.4	107.8	26.6	222.2	195.6	30.3	24.3	6.0	50.1	44.1
1985	146.6	113.9	32.7	238.5	205.8	30.8	23.9	6.9	50.1	43.2

Source: Statistics Canada, *National Balance Sheet Accounts*, annual, cat. 13-214.

Table XVIII

Canada and Quebec Pension Plan Assets and Liabilities
(System of National Accounts: National Balance Sheet Accounts Basis)

	Billions of dollars					Percentage of GDP				
	Financial			Non-financial assets	Assets less liabilities	Financial			Non-financial assets	Assets less liabilities
	Liabilities	Assets	Net debt			Liabilities	Assets	Net debt		
1966	–	0.7	–0.7	–	0.7	–	1.1	–1.1	–	1.1
1967	–	1.6	–1.6	–	1.6	–	2.3	–2.3	–	2.3
1968	–	2.6	–2.6	–	2.6	–	3.4	–3.4	–	3.4
1969	–	3.7	–3.7	–	3.7	–	4.5	–4.5	–	4.5
1970	–	4.9	–4.9	–	4.9	–	5.5	–5.5	–	5.5
1971	–	6.2	–6.2	–	6.2	–	6.4	–6.4	–	6.4
1972	–	7.6	–7.6	–	7.6	–	7.0	–7.0	–	7.0
1973	–	9.0	–9.0	–	9.0	–	7.1	–7.1	–	7.1
1974	–	10.8	–10.8	–	10.8	–	7.1	–7.1	–	7.1
1975	–	12.8	–12.8	–	12.8	–	7.5	–7.5	–	7.5
1976	–	15.0	–15.0	–	15.0	–	7.6	–7.6	–	7.6
1977	–	17.2	–17.2	–	17.2	–	7.9	–7.9	–	7.9
1978	–	19.7	–19.7	–	19.7	–	8.1	–8.1	–	8.1
1979	–	22.4	–22.4	–	22.4	–	8.1	–8.1	–	8.1
1980	–	25.4	–25.4	–	25.4	–	8.2	–8.2	–	8.2
1981	–	28.6	–28.6	–	28.6	–	8.0	–8.0	–	8.0
1982	–	32.4	–32.4	–	32.4	–	8.7	–8.7	–	8.7
1983	–	35.6	–35.6	–	35.6	–	8.8	–8.8	–	8.8
1984	–	38.8	–38.8	–	38.8	–	8.8	–8.8	–	8.8
1985	–	41.9	–41.9	–	41.9	–	8.8	–8.8	–	8.8

Source: Statistics Canada, *National Balance Sheet Accounts*, annual, cat. 13-214.

Supplementary Information and Notices of Ways and Means Motions

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V Notices of Ways and Means Motions

I Income Tax Measures

Accelerated Remittance of Source Deductions

The budget proposes to require employers with average monthly remittances of $15,000 or more to remit source deductions (income taxes, CPP contributions and UI premiums) on a twice-monthly basis starting January 1, 1988. Under the present system, all employers are required to remit source deductions on the 15th day of the month following the month in which the deductions are made.

This represents a one-time acceleration of source deductions and does not increase an individual's liability for personal income tax, or contributions to the Canada Pension Plan or unemployment insurance.

Employers at or above the $15,000 threshold will be required to remit the deductions twice per month commencing January 1988: on the 25th for amounts withheld from employee remuneration paid in the first 15 days of the month, and on the 10th of the following month for amounts withheld in the remainder of the month. For 1988, this new remittance system will apply to employers whose average monthly remittance of source deductions, CPP contributions and UI premiums in the 1986 calendar year as declared on the T4 Summary exceeds $15,000. For subsequent years, the $15,000 threshold will be based on the employer's T4 Summary filed in the previous year. For example, for 1989, twice-monthly remittance will be based on an employer's T4 Summary filed by the end of February 1988, which relates to deductions made in the 1987 calendar year.

The regulations to the Canada Pension Plan and Unemployment Insurance Act will be amended to ensure that the relevant deductions thereunder will be required to be remitted on the same basis.

This measure will affect only a small number of large employers, since most businesses have average monthly remittances below the $15,000 threshold. Those below the threshold will continue to remit source deductions on the 15th of the month following the month in which the deductions were made.

Many employers have more than one employer account with Revenue Canada, Taxation. For the purposes of the $15,000 threshold, it is the combined total of the average monthly withholdings of all accounts of an employer that is relevant. As well, the various employer accounts of groups of associated corporations will be combined for this purpose.

The budget proposes a further modification to the system for remittance of source deductions to require receipt of payments by Revenue Canada by the due date.

Payments due after 1987 must be received at any district or regional taxation office of Revenue Canada or by a financial institution by the due date.

The penalty provision for late or deficient remittances of source deductions after 1987 will be amended so that, for monthly remittances, the penalty will be assessed only on the amount by which the required remittance exceeds $500 except in cases of wilful default. However, interest will continue to be charged after the due date on late or deficient remittances.

The budget also proposes that anything (other than the remittance of source deductions) sent by mail after 1987 be considered, for the purposes of the Income Tax Act, to have been received on the date it was mailed only if it was sent by first class mail in Canada or by its equivalent.

Investment Income Accrual Rules

Two changes are proposed in the budget relating to the taxation of accrued investment income. These changes involve the transitional provisions relating to interest on debt obligations acquired before 1982 and the special tax treatment available in respect of prescribed annuity contracts.

Pre-1982 Debt Obligations

Rules introduced in 1982 require individuals to report income accrued on certain long-term debt instruments at least every three years. When these rules (commonly referred to as the interest accrual rules) were introduced, special transitional provisions applied for debt obligations acquired before 1982. In such circumstances, provided the instruments had not been sold, reporting of accrued interest could be delayed to 1987. Thus, for example, unpaid interest accrued on compound interest Canada Savings Bonds purchased in 1981 must be reported in 1987 even though the bonds do not mature until 1988.

The budget proposes to amend the interest accrual rules for individuals, so that 1988 rather than 1987 will be the first year in which accrued interest will be required to be reported on all debt obligations acquired before 1982. Accordingly, purchasers of Series C-36 Canada Savings Bonds will not be required to report accrued income on the bonds in 1987. They may delay reporting until 1988, the year in which that series matures. For individuals who elect to report accrued investment income on an annual basis, the election would continue to apply until the instrument has been disposed of.

This measure reflects the government's concern with the complexity arising out of the interest accrual rules and should provide some relief for debt instruments acquired prior to 1982. More fundamental changes to the interest accrual rules are under consideration.

Prescribed Annuity Contracts

The budget proposes to amend the Income Tax Regulations to allow individuals of all ages to acquire "prescribed annuity contracts" that are exempt from the

interest accrual rules. Under the existing rules, the holder of such an annuity must be at least age 60 or totally and permanently disabled. Only actual annuity payments received under a prescribed annuity contract are required to be included in income and the annuitant is entitled to deduct an amount in respect of the "capital element" of such receipts, which is a prorated portion of the purchase price based on the expected number of annuity payments.

Under the new rules, the age and disability requirements are removed so that a prescribed annuity contract in a year will be one that meets all of the following requirements:

(a) Payments must have commenced under the annuity and the holder must be the annuitant.

(b) The issuer of the annuity must be a bank, trust company, credit union, licensed annuity or investment contract issuer, loan company or insurance company.

(c) The annuity contract must provide for equal annual (or more frequent) payments for the life of the holder (or, in the case of a joint and last survivor annuity, until the later of the death of the holder and the death of his or her spouse) or for a fixed term, and where there is a guaranteed or fixed term it may not extend beyond the 91st birthday of the holder (or, in the case of a joint and last survivor annuity, the younger of the holder or spouse).

(d) The annuity contract must provide that no loans may exist under the contract and that the contract may not be disposed of (except on death) or commuted.

These changes, which are proposed to take effect for the 1987 and subsequent taxation years, will benefit those individual holders of deferred annuities who choose to avoid the impact of the accrual rules by having annuity payments commence, provided the contract meets the requirements described above. This may be of particular interest to those holders of deferred annuities acquired before December 2, 1982 to which the accrual rules would otherwise apply for the first time this year.

It is also proposed to amend the Income Tax Regulations to provide that the special treatment for prescribed annuity contracts will apply unless the annuitant elects otherwise. Because the interest costs of money borrowed to acquire a prescribed annuity contract are not deductible, a taxpayer who has borrowed to purchase such an annuity may wish to make this election. Where the election is made, or the annuity does not meet the necessary conditions, the annuitant will be required to include in his or her income each year or every third year the accrued investment income under the contract, in accordance with the provisions of section 12.2 and paragraph 56(1)(d.1) of the Income Tax Act.

Investment Dealers and Self-administered RRSPs

The government intends to allow investment dealers and brokers contributing to the National Contingency Fund (which now covers all members of the Investment Dealers Association and of the Vancouver, Alberta, Toronto and Montreal stock exchanges) to act as custodians of self-administered registered retirement savings plans (RRSPs) and thus offer these plans directly to the public. Currently, RRSPs can be administered only by trustees authorized by law to offer their services to the public.

Before introducing the necessary legislative amendments, the government intends to consult with a view to developing an appropriate mechanism by which investment dealers and brokers may offer self-administered RRSPs. Consultations will focus on the details of how the RRSP mechanism will be accommodated outside a trust arrangement. It is contemplated that funds and securities held by investment dealers in self-administered RRSPs will be required to be kept separate from other funds of the institution. In addition, it is expected that any taxes or penalties under the Income Tax Act that are now payable by the trust will become a joint and several liability of the plan administrator and the planholder.

Cooperative Corporations

The budget proposes two measures of benefit to cooperative corporations.

The Income Tax Act now requires that at least 90 per cent of the members of a cooperative corporation be individuals or other cooperative corporations, and that at least 90 per cent of its shares be held by such persons. The budget proposes to broaden the categories of the members of a cooperative who are eligible for the purposes of meeting this 90-per-cent membership and share ownership to corporations, and partnerships, that carry on the business of farming.

A second measure will allow more flexibility to cooperatives in paying tax-deductible patronage dividends to their member customers. Under the current rules, where a cooperative pays patronage dividends to members at a different rate than to non-members, its deduction for dividends paid to members is limited to its income for the year attributable to business done with members. No deduction may be taken with respect to any excess. The budget proposes that excess patronage dividends paid to members in a year may be carried over and deducted in the subsequent year, provided that the total deduction in respect of patronage dividends for any year does not exceed the cooperative's income for the year attributable to business done with member customers.

Unclaimed Dividends, Interest and Proceeds

The Income Tax Act currently requires brokers or securities dealers who have received dividends, the ownership of which cannot be traced by the end of the

taxation year following that in which they were received, to pay a tax on behalf of the beneficial owner equal to 25 per cent of the amount of the dividends. The budget proposes to extend this rule to any person who receives dividends in such circumstances. The rate of tax will be increased to 33 1/3 per cent to approximate the highest rate of tax payable by individuals on dividend income.

The budget also proposes to introduce a similar tax for interest and for the proceeds of disposition of any property where the beneficial owner is unknown. In any such case, the rate of tax payable by the taxpayer on the beneficial owner's behalf will be 50 per cent.

Should the beneficial owner claim the dividend, interest or proceeds, he or she would be taxable on the income and would receive credit for the tax previously paid.

This tax is to apply for taxation years beginning after 1986 to amounts received before the taxation year and after 1984, unless they were subject to tax in a preceding taxation year.

Federal Sales Tax Credit

The refundable federal sales tax credit enacted in 1986 provides assistance for lower-income families. The credit provides up to $50 for each adult and $25 for each child. It is paid in full to individuals whose family net income is less than $15,000 and is refundable to families who pay no federal income tax. The credit is reduced by 5 per cent of family net income in excess of the $15,000 threshold amount.

The budget proposes to amend the Income Tax Act to clarify that in all cases only one eligible individual can claim the federal sales tax credit in respect of the same child or dependant. The budget also proposes to aggregate the incomes of a parent of a child and any other supporting person of that child for purposes of computing family income to determine credit entitlements. The persons whose incomes are aggregated for purposes of computing the sales tax credit will be the same as those persons whose incomes are aggregated for purposes of computing the child tax credit. Thus, for example, the change would require the aggregation of the incomes of unmarried parents of a child who reside together, for purposes of computing the sales tax credit. These changes are to be effective for 1987 and subsequent tax years.

Forgiveness of Employee and Shareholder Debt

The budget proposes to clarify the valuation of the benefit for tax purposes when an employer has forgiven a loan made to an employee or when a corporation cancels the indebtedness of a shareholder. In the case of loans bearing market interest rates, the existing rules generally require the amount forgiven to be included as a benefit in the income of the employee or shareholder at the time of

the forgiveness. However, a valuation problem for tax purposes arises where the current value of the indebtedness is less than the amount owing. In the case of an interest-free loan due in the future, for example, the value of the loan forgiven would be less than the amount owing.

To clarify the valuation of this benefit, the budget proposes that the face amount of the indebtedness and not the lesser value is to be included in income at the time of forgiveness. The income included will be reduced to the extent that a benefit was included in computing the income of the employee or shareholder at the time the loan was granted or the indebtedness arose. The budget proposal will apply to indebtedness forgiven after February 17, 1987.

Successor Corporations

Under the existing tax law, where a corporation (successor corporation) acquires all or substantially all of the resource properties of another taxpayer (predecessor), the successor corporation is permitted to deduct any unused resource expenses of the predecessor only to the extent of its income from the resource properties acquired from the predecessor. These rules are generally referred to as the successor rules and are designed to prevent the trading of unused resource expense deductions. If the same properties are transferred once again, the second successor corporation is also permitted within the same limit to deduct the unused resource expenses of the original predecessor. However, no deduction is allowed under the successor rules to third and subsequent successor corporations on subsequent transfers of the properties.

The absence of a deduction in respect of transfers to a third and subsequent successor stands in the way of normal business reorganizations. To address this issue, the budget proposes to extend the successor rules to allow third and subsequent successor corporations to deduct the unused resource expenses of a predecessor within the same limitations that apply to the first and second successor corporations. This measure will apply to acquisitions of resource properties after February 17, 1987.

Deposit Insurance Corporations

Under the existing tax law, double taxation can occur when amounts are advanced by a deposit insurance corporation, such as the Canada Deposit Insurance Corporation, to a member institution in financial difficulty or to its depositors and the member's obligation to repay the advance is subsequently forgiven or cancelled. The budget proposes to exclude from the income of a member financial institution any cancellation of indebtedness by a deposit insurance corporation to the extent that the payment which gave rise to the indebtedness was previously included in the member's income.

In addition, the budget proposes that where the assistance is repaid by a member institution to a deposit insurance corporation in the same year that it is received,

only the net assistance is required to be included in the member institution's income for the year. Where assistance received in one year is repaid in a subsequent year, the member institution will be allowed to exclude the repaid amount from the amount included in income for the year of receipt by filing an amended return for the year in which the assistance was received. Any reassessment to give effect to this exclusion will be made even if the earlier year is outside the normal three-year reassessment period. Interest will be credited to the member institution on the amount of any overpayment of tax for the earlier year resulting from this exclusion. This change will be effective for the 1983 and subsequent taxation years.

The budget also proposes to allow a member institution to post security with Revenue Canada, Taxation for up to 10 years in respect of the tax resulting from the inclusion in its income of assistance received from a deposit insurance corporation. This will allow the member institution to postpone payment of the tax until it has had sufficient time to liquidate its assets. This proposal will be effective after February 17, 1987.

Treatment of Master Trusts

A master trust is a trust which holds investments exclusively for one or more registered pension plans or funds. These trusts are currently taxable, even though all of their pension plan beneficiaries are exempt from Part I tax. This creates an unnecessary administrative burden for trustees, since in order to ensure that no tax is payable with respect to their income, the trustees must distribute the trust income annually to beneficiaries. In addition, these trusts are not able to utilize the "3 for 1" small business investment provisions, which allow a pension fund $3 of additional investments in foreign property for every $1 placed in qualifying small business investments.

The budget proposals will permit a master trust to elect to be exempt from tax under Part I of the Act and to be subject to the foreign property rules. The measures proposed will also entitle such trusts to hold additional foreign property in accordance with the "3 for 1" small business investment provisions. For the purposes of the foreign property rules, a beneficiary's interest in such a trust will not be treated as foreign property unless both the trust and the beneficiary hold foreign property. These new rules apply for the 1987 and subsequent taxation years.

Foreign Property

The foreign property holdings of a registered pension plan, RRSP or other tax-exempt deferred income plan are subject to a limit based on the "fair market value at the time of acquisition" of its property. This may result in a plan being subject to a penalty as a result of certain corporate transactions over which it has no control, such as a share-for-share exchange.

The budget proposes to base the foreign property limit for these plans on the cost amount of their property where such property was acquired in an arm's-length transaction. This change will avoid the inappropriate results to which the fair market value test gives rise in certain circumstances such as reorganizations, the exercise of stock rights or warrants, the conversion of securities and the receipt of stock dividends. This will be effective for all periods commencing on or after January 1, 1988 or such earlier date after 1984 as the taxpayer elects.

Part IV Tax

Prescribed venture capital corporations established under provincial programs are exempt from Part IV tax on dividends they receive. This exemption is intended to apply in respect of dividends from qualifying investments – typically shares of small businesses and new ventures – provided for in the provincial programs. However, a prescribed venture capital corporation may, in certain circumstances, obtain an unintended benefit under this exemption when it invests, for example, in shares of public companies. It is proposed that for such corporations the exemption from Part IV tax be limited to dividends received after February 18, 1987 on shares which qualify as eligible investments under the appropriate provincial venture capital programs.

Prizes for Achievement

The budget proposes a clarifying change for the 1983 and subsequent taxation years to the rules affecting the taxability of prizes for achievement. Amounts received by a taxpayer in a year, as or on account of a prize for achievement in a field of endeavour ordinarily carried on by the taxpayer, are technically required to be included in the taxpayer's income for the year. As a result of judicial decisions, the word "prize" has been interpreted more broadly than is appropriate. The budget therefore proposes to provide for regulation to prescribe the kind of prizes that will be excluded from a taxpayer's income. Such prizes would be limited to widely recognized prizes for meritorious endeavour. Scholarships, fellowships and prizes such as those awarded by an employer to an employee, or by a business to its customers or suppliers, will continue to be subject to tax.

Attribution Rules: Canada Pension Plan

Amendments to the Canada Pension Plan, effective January 1, 1987, provide for a division of benefits payable between spouses where either spouse applies. However, where the beneficiary of the pension makes the application, the attribution rules in the Income Tax Act require the beneficiary to pay tax on the full amount of the pension including the portion that is received by the beneficiary's spouse. Where the spouse of the beneficiary makes the application, the attribution rules do not apply. The proposed amendment to the attribution rules ensures that the pension under the Canada or Quebec Pension Plan received by either spouse will be taxed in the hands of the recipient.

Prescribed Provincial Pension Plans

The Province of Saskatchewan has introduced a pension plan for its residents. It is a contributory, money-purchase pension plan under which the provincial government will match, on a sliding scale, contributions by individuals whose incomes are below a specified amount. The maximum contribution in respect of an individual is $600 a year. The budget proposes amendments to the Income Tax Act for the 1987 and subsequent taxation years to permit individuals to deduct their contributions in computing income to the extent that they have unused room to contribute to an RRSP. As a transitional measure, because the plan came into effect late in 1986, contributions for 1986 and 1987 will be deductible in 1987, provided the individual has sufficient unused 1987 RRSP contribution room.

Share-for-Share Exchanges

Section 85.1 of the Income Tax Act permits a tax deferred rollover for shareholders who exchange shares of a corporation for shares of a purchasing corporation in the course of an arm's-length sale of the acquired corporation's shares. Under this rule, the shareholder's tax cost of the shares given up becomes the tax cost of his new shares and any capital gain is deferred. In addition, the section provides that the tax cost to the purchasing corporation of the shares of the acquired corporation will be increased to their fair market value. This increase in tax basis represents a departure from the ordinary rules relating to rollovers and can be used in ways that produce unintended results. However, section 85.1 is an important provision as it permits a tax deferral to shareholders without the need to file an election, a cumbersome procedure in many circumstances.

The budget proposes that, for share-for-share exchanges to which section 85.1 of the Act applies, the tax cost to the purchasing corporation of the shares of the acquired corporation be the lesser of the fair market value of those shares and their paid-up capital. Where an election under subsection 85(1) of the Act has been filed with respect to a share-for-share exchange, the tax cost to the purchasing corporation will continue to be the elected amount, usually the adjusted cost base to the shareholder of his or her shares.

This amendment will apply to exchanges after February 17, 1987 other than exchanges made after that date pursuant to an agreement in writing entered into on or before that date, or pursuant to the terms of a prospectus, preliminary prospectus or registration statement filed and, where required by law, accepted for filing by a public authority before February 18, 1987.

Income Interests in a Trust

The budget proposes a change to the treatment of the cost of an income interest in a trust. Currently, purchasers of such an interest in a trust from another beneficiary of the trust are allowed to deduct that cost against income from the

trust. This was designed to accommodate transfers of interests in testamentary and certain other *inter vivos* family trusts.

The budget proposals will permit such deductions only in the case of testamentary and certain other non-commercial trusts. The change will affect income interests in trusts issued after January 31, 1987 in those circumstances where the beneficiary acquired the interest after 10 p.m. Eastern Standard Time on February 6, 1987.

Instalment Interest Offset

The budget proposes that interest owing on late or deficient tax instalments be calculated using an interest offset method. Under this method a taxpayer can eliminate interest charged on a deficient tax instalment by prepaying or overpaying other instalments. This amendment is to be effective for taxation years commencing after 1986 and will enable a large number of taxpayers to reduce interest charges by making up for deficient and late instalments.

II Sales and Excise Tax Measures

Sales and Excise Tax on Motive Fuels

Motive fuels are now subject to specific rates of federal sales tax and to a special excise tax. The budget proposes several changes in these levies.

Increased Excise Tax

Effective February 19, 1987, the excise tax on motive fuels will be raised by 1 cent per litre. The tax applies to gasoline, diesel fuel, aviation gasoline and jet fuel. The existing fuel tax rebate for fuel for off-highway use by farmers will be increased by 1 cent per litre effective February 19, 1987 so that farm fuels will continue to be effectively exempt from tax.

Changes in Method of Computing Tax

Sales and excise taxes on motive fuels are generally imposed at the time of sale to retailers or users. To address administration and compliance problems and facilitate enforcement, these levies will in future be payable at the time of sale by the manufacturer, in the case of domestically produced fuels, and by the importer at the time of importation in the case of imported fuels. The effective date of this change is March 1, 1987 to facilitate the administrative changes necessary for wholesalers of these goods, who will no longer be able to maintain their inventories of motive fuels on a tax-excluded basis. Wholesalers who make tax-exempt sales to farmers can elect to continue to do so and apply for a refund of tax already paid on such sales.

Leaded Gasoline

The budget proposes that leaded and unleaded gasoline bear the same amount of federal sales tax. Effective April 1, 1987, both types of fuel will be taxed at the rate applicable to unleaded gasoline. At current rates, the tax on leaded gasoline is now about one-third of a cent per litre lower than on unleaded gasoline.

Sales Tax Applied to Certain Snack Foods

Candy and confectionery products are currently subject to the federal sales tax. The federal sales tax is being extended to a range of snack foods including potato chips, corn- and cheese-based puffs, brittle pretzels, salted nuts, popped corn,

granola bars and frozen snacks packaged in single servings such as popsicles and ice cream bars. The tax will apply at the wholesale level, effective July 1, 1987.

Change in Trade Level for Imposition of Federal Sales Tax

To correct serious disparities and anomalies in the application of tax and the bias in favour of imports, the budget proposes to shift the imposition of the federal sales tax from the manufacturers' level to the wholesale level for a range of products. Effective May 1, 1987, pet foods will be taxable at the wholesale level. Snack foods, candy and confectionery, microwave ovens, televisions, and video recorders and players will be taxable at the wholesale level, effective July 1, 1987.

Excise Taxes and Duties on Alcohol and Tobacco

The budget proposes to increase the specific excise taxes and duties on cigarettes and other tobacco products by 4 per cent. This will result in a tax increase of a little more than 3 cents per pack of 25 cigarettes.

Spirits marketed in the form of pre-mixed drinks, such as spirit coolers, and containing not more than 7.0 per cent absolute ethyl alcohol by volume will be taxed at 21.47 cents per litre, which is also the rate applicable to directly competing wine coolers. Spirit coolers are currently taxed at a higher rate.

Certain of the compliance provisions in the Excise Act will be amended. The Act currently requires on-site surveillance of the production and warehousing of alcohol and tobacco products. Protection of the revenue now provided through the surveillance program can be provided more efficiently through post-audit compliance programs.

The changes pertaining to tax and duty rates will be effective after February 18, 1987. Amendments to the administrative provisions of the Excise Act will become effective when approved by Parliament.

Other Commodity Tax Changes

The following technical changes intended to clarify federal sales tax legislation will be proposed:

- The exemption for trucks designed primarily for the carriage of freight will be clarified to ensure that the benefits of the exemption are restricted to such trucks designed for on-highway use. Also, the exemption for certain parts and equipment for installation on qualifying transportation equipment will be clarified to ensure that the relief is available only to those parts and equipment actually installed on vehicles entitled to relief from sales tax.

- The exemption for production machinery and apparatus will be clarified to ensure that pipes, valves, fittings and ancillary equipment for use in

distributing, transporting or conveying gases or liquids to or from gas processing plants remain subject to tax. Similarly, the taxable status of transformers, conductors and ancillary equipment for use in the distribution and transmission of electricity from the generating plant to the ultimate user will be confirmed. This will not affect exemptions for electrical goods acquired for use within a manufacturing or production facility or pipes and ancillary goods used in field gathering systems for natural gas, gas liquids or oil.

- Articles and materials and supplies acquired by the medical profession are subject to sales tax. Questions have risen about the tax status of certain dental supplies and equipment. Amendments are proposed to confirm that the sales tax is applicable to all supplies acquired by medical and dental professionals.

Air Transportation Tax

The air transportation tax on domestic and international air travel will be increased by $4 per ticket to recover a greater proportion of the costs of the air transport program, including the improvement of civil aviation security.

Currently, the Air Transportation Tax on travel within Canada, as well as travel between Canada and the continental U.S.A., is imposed at a rate of 10 per cent of the ticket price to a maximum of $50. In cases where tickets for travel between Canada and the continental U.S.A. are purchased outside Canada, and are also subject to a U.S. air transportation tax, a reduced Canadian tax of 5 per cent, up to a maximum of $15, is charged. For other international travel, a specific tax of $15 is imposed.

The Air Transportation Tax on travel in Canada and to the continental U.S.A. will be 10 per cent plus $4, to a maximum of $50 per ticket. The reduced Canadian tax on trans-border air travel which is also subject to an ad valorem American air transportation tax will be 5 per cent plus $4, to a maximum of $19. The tax on other international travel will be increased to $19. These new rates of tax will be applicable to tickets sold in Canada on or after May 1, 1987, and to tickets sold outside Canada that include an international emplanement in Canada, on or after August 1, 1987.

Proceeds of the Air Transportation Tax are made available to the Department of Transport for use in the provision of air transport facilities and services.

III Tariff Measures

Withdrawal of the General Preferential Tariff on Specialty and Carbon Steel Mill Products

The General Preferential Tariff (GPT) is being withdrawn on most specialty and carbon steel mill products, effective February 19, 1987.

The international capacity for producing steel far exceeds demand. One result is that a significant portion of the steel produced in the more advanced developing countries is being directed to markets in the industrialized countries. This has contributed to excess supply and depressed prices which are having an adverse impact on the profitability of Canadian producers.

Canada introduced the GPT in 1974 as part of an effort by developed countries to provide, on a unilateral and non-contractual basis, preferential rates of customs duty for many goods from developing countries. These preferences were introduced on the understanding that they could be withdrawn when imports benefiting from preferential access were found to cause injury, or threaten injury, to domestic producers. Many other developed countries either did not grant tariff preferences on all steel products at the outset or have already instituted safeguard procedures or quota restrictions to prevent steel imports from developing countries from becoming disruptive to their industries.

The decision to withdraw the GPT from steel mill products is consistent with Canada's multilateral rights and obligations under the General Agreement on Tariffs and Trade (GATT).

The benefit of the GPT is being withdrawn from goods entitled to entry under the following tariff items of Schedule A to the *Customs Tariff*:

37800-1,	37900-1,	37900-2,	37905-1,	37905-2,	37910-1,
37910-2,	37915-1,	37950-1,	37950-2,	38001-1,	38001-2,
38009-1,	38010-1,	38100-1,	38100-2,	38105-1,	38105-2,
38110-1,	38110-2,	38201-1,	38201-2,	38202-1,	38202-2,
38203-1,	38204-1,	38205-1,	38205-2,	38207-1,	38208-1,
38400-1,	38400-2,	38700-1,	38700-2,	38705-1,	38710-1,
38715-1,	39700-1,	39700-2,	39705-1,	39705-2,	39800-1,
39805-1,	39900-1,	39905-1,	40000-1,	40000-2,	40005-1,
40101-1,	40101-2,	40102-1,	40102-2,	40103-1,	40103-2,
40104-1,	40111-1,	40112-1,	40113-1,	40140-1,	41105-3,
43015-1,	43020-1,	43025-1,	43030-1,	and	43035-1.

Goods that are either imported into, or in transit to, Canada before February 19, 1987 will not be affected by the withdrawal.

Statutory Tariff Adjustments in Response to Domestic Concerns

Effective February 19, 1987, a limited number of amendments are being made to the *Customs Tariff* in response to requests from the private sector for tariff changes to take into account the evolving needs of Canadian business and industry. For example, duty-free entry is being granted to mobile veterinary clinics; these clinics, which are not produced in Canada, enable veterinarians to provide a more comprehensive service to clients in rural areas.

The *Customs Tariff* is also being amended, effective the same date, to implement Tariff Board recommendations on "made/not made" tariff items stemming from a commitment made by Canada in the Tokyo Round of trade negotiations. Canada agreed at that time to review the "made" and "not made" items in its system of tariff classification in return for freer access to markets of interest to Canadian exporters.

The Tariff Board was requested to review the relevant tariff items, identify products "made" and "not made" in Canada and recommend rates of duty. Its recommendations have been largely implemented in previous budgets. The current amendments to the *Customs Tariff* complete the statutory changes responding to Canada's Tokyo Round commitment on this matter.

Details of these initiatives are contained in the Notice of Ways and Means Motion to Amend the Customs Tariff and the Duties Relief Act.

The Adoption of the Harmonized Commodity Description and Coding System

Canada will be replacing the current *Customs Tariff* with the Harmonized Commodity Description and Coding System as of January 1, 1988 provided that our trading partners, including the United States, Japan and the European Economic Community, take the same action at that time. The Harmonized System is an internationally agreed tariff system for describing, classifying and statistically recording imported goods. Unlike the current Tariff which has developed in an ad hoc manner since Confederation, the Harmonized System is based on a consistent set of principles better suited to modern technological economies. Its implementation by Canada and its major trading partners represents a significant step forward in reducing barriers to trade. The various complex tariff systems now in existence in individual countries will be replaced with a uniform tariff structure.

To provide an opportunity for interested parties to submit assessments of the possible effects of the new Tariff on their operations, the Tariff Board has held public hearings on the draft conversion of the current Tariff to the Harmonized

System. As a result, the Board has submitted reports to the Minister of Finance which have been tabled in the House of Commons. The recommendations in these reports are being taken into account in the preparation of the new tariff nomenclature and rate structure.

The conversion to the Harmonized System is meant to be as neutral as possible – that is, changes in the rates of duty are being kept to a minimum. However, in view of the substantial differences in nomenclature between the current Tariffs of the major trading nations and the Harmonized System, some changes in tariff rates can be expected. These rate changes may, in some circumstances, affect current obligations under the GATT with respect to the level of "bindings" on individual rates. Therefore, international negotiations are currently being conducted under GATT auspices among those countries which will be implementing the Harmonized System. These are scheduled to be concluded by mid-April. It is expected that legislation, taking into account the results of these negotiations, will be ready for consideration by Parliament shortly thereafter. The legislation will contain the appropriate amendments to the *Customs Tariff* and its Schedules to bring existing law into line with the International Convention on the Harmonized Commodity Description and Coding System.

Tariffs on Books, Computer Parts, Christmas Trees and Other Items

In response to the imposition in June of 1986 by the United States of a 35-per-cent tariff on Canadian exports of red cedar shakes and shingles, the government increased tariff rates on a number of goods imported principally from the United States.

The government does not believe it is necessary to maintain these tariffs any longer. The rates of duty in effect prior to June 6, 1986 will be reinstated, effective February 19, 1987.

Orders in Council will restore the free rates of duty on books and other printed matter covered by tariff items 16900-1, 17100-1, 17800-6, 18030-2, and 18200-2 and on computer parts and semiconductors covered by tariff items 41417-1 and 44544-2.

Effective February 19, 1987, duty-free entry will be restored for tea in tea bags (item 2805-2), Christmas trees and teasel (item 8000-1), asphaltum oil (item 27310-1), and diesel motor rail cars (item 43720-1). The previous rates of duty for oatmeal and rolled oats (item 5700-1), non-sparkling cider (item 14805-1) and ozone generators or airifiers (item 42600-1) also become effective February 19, 1987. Details are contained in the Notice of Ways and Means Motion to Amend the Customs Tariff and the Duties Relief Act.

IV Federal Revenue Impact of Budget Tax and Tariff Measures

	Effective date	Federal revenue impact: Tax year[1] 1987	Federal revenue impact: Fiscal year 1987-88
Major tax and tariff measures		(millions of dollars)	
Accelerate remittance of employer source deductions	Jan. 1, 1988	–	1,200[2]
Increase excise tax on motive fuels 1¢ per litre	Feb. 19, 1987	335	450
Equate sales tax on leaded and unleaded gasoline	April 1, 1987	20	30
Impose sales tax on snack foods	July 1, 1987	35	60
Move sales tax on selected items to the wholesale level[3]	May 1, 1987 and July 1, 1987	15	30
Increase tax on cigarettes and tobacco by 4 per cent	Feb. 19, 1987	55	70
Increase air transport tax[4]	May 1, 1987 and Aug. 1, 1987	30	45
Alter interest accrual rules for pre-1982 investments	1987 tax year	-145	-25
Restore duty-free entry on books, computer parts, Christmas trees and tea in tea bags	Feb. 19, 1987	-80	-80
Other tax measures			
Amend successor corporation rules	Feb. 18, 1987	small revenue impact	
Tighten rules for forgiveness of loans	Feb. 18, 1987	preventive	
Extend tax on unclaimed dividends, interest and proceeds	tax years commencing after 1986	small revenue impact	
Amend tax treatment of master trusts	tax years commencing after 1986	small revenue impact	
Alter rules on foreign property investments of deferred income plans	Jan. 1, 1988	small revenue impact	
Alter rules on income interests in a trust	Feb. 6, 1987	preventive	

	Effective date	Federal revenue impact: Tax year[1] 1987	Federal revenue impact: Fiscal year 1987-88
		(millions of dollars)	
Alter rules for cooperative corporations	1987 tax year	small revenue impact	
Change related to federal sales tax credit	1987 tax year	small revenue impact	
Deductions for provincial pension plan contributions	1987 tax year	small revenue impact	
Alter rules on share-for-share exchanges	Feb. 18, 1987	preventive	
Allow offset of instalment interest	tax years commencing after 1986	small revenue impact	
Reduce excise tax on spirit coolers	Feb. 19, 1987	small revenue impact	
Alter sales tax exemption – production equipment – transportation equipment – medical and dental articles and materials	Feb. 19, 1987	small revenue impact	
Move motive fuel taxes to manufacturer's level	March 1, 1987	preventive	

(1) For sales and excise taxes the amount refers to the impact in the 1987 calendar year.

(2) This represents the one-time effect of the accelerated remittance of source deductions and does not increase the amount of an individual's personal income tax, CPP or UI contributions.

(3) For pet food, the effective date of this change is May 1, 1987. For other commodities, the effective date of this change is July 1, 1987.

(4) Amounts raised are made available to the Department of Transport to cover costs of airports, air navigation and airport security. These new rates of tax will be applicable to tickets sold in Canada on or after May 1, 1987 and to tickets sold outside Canada, that include an international emplanement in Canada, on or after August 1, 1987.

Notice of Ways and Means Motion Relating to the Income Tax Act

Notice of Ways and Means Motion Relating to the Income Tax Act

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

Remittance of Source Deductions

(1) That for the 1988 and subsequent calendar years, amounts withheld by a person pursuant to subsection 153(1) of the Act on payments made

(a) before the 16th day of a month be required to be received by the Receiver General or a Canadian financial institution on his behalf on or before the 25th day of the month, and

(b) after the 15th day of a month be required to be received by the Receiver General or a Canadian financial institution on his behalf on or before the 10th day of the following month

where the average monthly withholding amount of the person for the second calendar year preceding the year is not less than $15,000 and, for this purpose, "average monthly withholding amount" of a person for a calendar year is the quotient obtained when

(c) the aggregate of all amounts so required to be withheld and the amounts required to be remitted under the *Canada Pension Plan* and the *Unemployment Insurance Act, 1971*, by the person and, in the case of a corporation, by any other corporation associated with it, for the year,

is divided by

(d) the number of months in the year for which such amounts were required to be remitted.

Penalties

(2) That after 1987 the penalty for the late or deficient remittance of source deductions for any period (other than a wilful delay or deficiency) apply only to the amount by which the total of the required remittance of source deductions and of amounts required to be remitted under the *Canada Pension Plan* and the *Unemployment Insurance Act, 1971* for the period exceeds $500.

Receipt of Things Mailed

(3) That for the purposes of the Act with respect to anything sent by mail after 1987, other than the remittance of source deductions, only things sent by first class mail or its equivalent be deemed to have been received by the recipient on the day that they were mailed and that source deductions be deemed to have been remitted only when received by the Receiver General.

Accrual of Investment Income

(4) That for the 1987 and subsequent taxation years, for the purposes of the accrual rules the reference in the definition "third anniversary" in paragraph 12(11)(b) of the Act to "December 31, 1984" be amended to read "December 31, 1985".

Patronage Dividends

(5) That any non-deductible portion of a patronage dividend paid by a taxpayer to his member customers in respect of his 1986 or any subsequent taxation year be allowed to be treated as the payment of a patronage dividend in respect of the following taxation year to his member customers.

Definition of Cooperative Corporation

(6) That for the 1987 and subsequent taxation years, paragraph (c) of the definition of "cooperative corporation" in subsection 136(2) of the Act be amended to refer to a corporation at least 90% of the members of which are individuals, other cooperative corporations, or corporations or partnerships that carry on the business of farming and at least 90% of the shares, if any, of which are held by such members.

Unclaimed Dividends, Interest and Proceeds

(7) That for taxation years commencing after 1986, a taxpayer who has, after 1984 and before the beginning of the year, received dividends, interest or proceeds of disposition of property in respect of which the beneficial owner is unknown at the end of the year be required to pay tax on behalf of the beneficial owner equal to

(a) in the case of dividends, 33 1/3% of the amount thereof,

(b) in the case of interest, 50% of the amount thereof, and

(c) in the case of a disposition of property, 50% of the amount by which the proceeds exceed any expenses of the taxpayer relating to the disposition,

except to the extent that the amount was either included in computing his income for the year or a preceding taxation year and not deducted in computing his taxable income for any such year or was subject to the tax referred to in this paragraph or subsection 153(4) of the Act in a preceding taxation year.

Federal Sales Tax Credit

(8) That for the 1987 and subsequent taxation years, the provisions relating to the refundable federal sales tax credit be amended to provide that

(a) a person may not be a qualified relation of more than one eligible individual for the year, and

(b) for the purposes of the $15,000 income threshold, an individual claiming the credit in respect of a child be required to add to his income for the year the income of the child's parent with whom the individual resided at the end of the year or any person who claimed a deduction under section 109 of the Act for the year in respect of the child.

Forgiveness of Loans

(9) That, for the purposes of paragraph 6(1)(a) and subsection 15(1) of the Act, the value of the benefit received or enjoyed by an employee or conferred

on a shareholder with respect to the forgiveness, after February 17, 1987, of a loan or other indebtedness be the amount forgiven to the extent that such benefit exceeds the benefit in respect of the indebtedness that was included in income at the time the loan was made or the indebtedness arose.

Successor Corporation Rules

(10) That for acquisitions of resource properties after February 17, 1987, the successor rules of the Act be extended to third and subsequent successor corporations.

Deposit Insurance Corporations – Income

(11) That for the 1983 and subsequent taxation years, a member institution of a deposit insurance corporation be permitted to exclude from its income

(a) any assistance received from the corporation in the year that the member institution has repaid in the year or a subsequent taxation year, and

(b) the amount of any indebtedness of the member institution to the corporation that is extinguished in the year without payment to the extent that an amount in respect of the indebtedness has otherwise been included in its income for the year or a preceding taxation year.

Deposit Insurance Corporations – Tax Payable

(12) That a member institution of a deposit insurance corporation, on providing security satisfactory to the Minister of National Revenue, be permitted after February 17, 1987 to defer the payment of its tax payable for a taxation year in respect of assistance received in the year from the corporation until the earlier of

(a) the day on which the member institution's obligation to repay the assistance is extinguished, and

(b) the expiry of the 10-year period commencing at the end of the year.

Master Trusts

(13) That for taxation years commencing after 1986, a trust which is resident in Canada, does not borrow money and holds investments exclusively for registered pension plans or funds, be permitted an election to be exempt from tax under Part I of the Act and to be subject to the foreign property rules in Part XI of the Act and an interest in such a trust held by a pension plan or fund be regarded as property other than foreign property unless both the trust and the plan or fund hold foreign property.

Foreign Property

(14) That for all periods commencing on or after January 1, 1988 or such earlier date after 1984 as a taxpayer elects, the foreign property rules in Part XI of the Act be applied by reference to the cost amount to the taxpayer of property instead of the fair market value at the time of its acquisition except where the property was acquired from a person with whom the taxpayer was not dealing at arm's length.

Part IV Tax

(15) That the exemption from tax under Part IV of the Act for prescribed venture capital corporations be limited to dividends received after February 18, 1987 on shares that are eligible or qualifying investments as described under the appropriate provincial venture capital program.

Prescribed Prizes

(16) That for the 1983 and subsequent taxation years, amounts received as or on account of a prescribed prize be excluded from an individual's income.

Communication of Information

(17) That after February 18, 1987, officials of the Department of National Revenue and other authorized persons be authorized to communicate tax information

(a) to officials of the government of a province for the purpose of assisting the Minister of National Revenue in the administration or enforcement of the taxes for which the Minister is responsible, and

(b) in criminal proceedings only after an information has been laid in the proceedings.

Offences

(18) That after Royal Assent to any measure giving effect to this paragraph, any official of the government of Canada or a province or other authorized person who uses tax information for any use other than an authorized use be guilty of an offence under section 241 of the Act.

Attribution Rules

(19) That for the 1987 and subsequent taxation years, the attribution rules not apply in respect of an assignment as between a member and the member's spouse of benefits under the *Canada Pension Plan* or a provincial pension plan defined in section 3 of that Act.

Prescribed Provincial Pension Plans

(20) That

(a) for the purposes of calculating the income of a taxpayer for the 1987 and subsequent taxation years, a contribution made for the year by the taxpayer to his account in a prescribed provincial pension plan be deductible to the extent that it would be deductible if it were a premium paid by him for the year to a registered retirement savings plan under which he is the annuitant and, for this purpose, any such contribution made for 1986 shall be treated as if it were made for 1987, and

(b) benefits paid under any such plan not be eligible for the $1,000 pension income deduction.

Foreign Tax Credit

(21) That the denominator in the formula for determining a corporation's foreign tax credit limitation for the 1985 and subsequent taxation years be modified so that the inclusion therein in respect of section 110.5 of the Act is not reduced by the corporation's taxable income deductions.

Individual Surtax

(22) That

(a) for the 1986 and subsequent taxation years, the special table used in determining an individual's tax payable for the year under Part I of the Act be authorized for use in determining the surtax payable for the year under Part I.1 of the Act, and

(b) the administrative provisions of Part I of the Act be made applicable for the purposes of the surtax to the 1987 and subsequent taxation years.

Income Interests in Trust

(23) That the deduction from the income from a trust of the cost of an income interest in the trust be denied for such interests issued after January 31, 1987 and acquired after 10:00 p.m. E.S.T. on February 6, 1987 except in the case of a testamentary trust or a trust no beneficial interest in which was acquired for consideration payable directly or indirectly to the trust or any person who has made a contribution to the trust by way of transfer, assignment or other disposition of property.

Share-for-Share Exchanges

(24) That the cost to a purchasing corporation of a share of the capital stock of a corporation acquired after February 17, 1987 in exchange for a share of its capital stock in a transaction to which subsection 85.1(1) of the Act applies be the lesser of the fair market value of the share and its paid-up capital immediately before it was acquired unless the share was acquired after February 17, 1987 pursuant to an agreement in writing to do so entered into on or before that date or pursuant to the terms of a prospectus, preliminary prospectus or registration statement filed before February 18, 1987 with a public authority in Canada in accordance with the securities legislation of Canada or of any province and, where required by law, accepted for filing by such public authority.

Instalment Interest Offset

(25) That for taxation years commencing after 1986, interest on late or deficient tax instalments of a taxpayer for a taxation year be offset by interest on his early or excess tax instalments for the year.

Notice of Ways and Means Motion
Relating to the Unemployment Insurance Act, 1971

Notice of Ways and Means Motion Relating to the Unemployment Insurance Act, 1971

That it is expedient to amend the *Unemployment Insurance Act, 1971* to provide among other things:

(1) That the provisions relating to the remittance of employer and employee premiums under the Act be amended to reflect the corresponding changes proposed in paragraphs (1), (2) and (3) of the Notice of Ways and Means Motion Relating to the *Income Tax Act* tabled in the House of Commons on February 18, 1987 in respect of source deductions and that such amendments be made effective as of the dates provided in those paragraphs.

(2) That section 145 of the Act be amended to provide that subsections 161(11) and 248(11) of the *Income Tax Act* relating to the computation of interest are applicable after 1986 to Part VIII of the *Unemployment Insurance Act, 1971* with such modifications as the circumstances require.

Notice of Ways and Means Motion Relating to the Canada Pension Plan

Notice of Ways and Means Motion Relating to the Canada Pension Plan

That it is expedient to amend the *Canada Pension Plan* to provide that the provisions relating to the remittance of employee and employer contributions under the Plan be amended to reflect the corresponding changes proposed in paragraphs (1), (2) and (3) of the Notice of Ways and Means Motion Relating to the *Income Tax Act* tabled in the House of Commons on February 18, 1987 in respect of source deductions and that such amendments be made effective as of the dates provided in those paragraphs.

Notice of Ways and Means Motion to Amend the Excise Act

Notice of Ways and Means Motion to Amend the Excise Act

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

Excise Duty on Spirit Coolers

1. That the excise duty on mixed beverages produced in a distillery that contain not more than 7.0 per cent absolute ethyl alcohol by volume be imposed at the rate of 21.47 cents per litre of the beverage so produced, and so in proportion for any less quantity than one litre.

Excise Duty on Tobacco

2. That the excise duties on tobacco, cigars and cigarettes be imposed at the following rates:

(a) on manufactured tobacco of all descriptions except cigarettes, per kilogram actual mass, $2.433;

(b) on cigarettes having a mass of not more than one thousand three hundred and sixty-one grams (1 361 g) per thousand, $10.525 per thousand;

(c) on cigarettes having a mass of more than one thousand three hundred and sixty-one grams (1 361g) per thousand, $12.424 per thousand;

(d) on cigars, $5.799 per thousand; and

(e) on Canadian raw leaf tobacco when sold for consumption, per kilogram actual mass, $0.63278.

Excise Act Administration

3. That the time set out in subsection 32(1) of the Act at which a distiller, tobacco manufacturer, cigar manufacturer or bonded manufacturer is required to make an annual inventory be changed from the close of business on March 31 to the close of business on the last day of that person's fiscal period as determined for purposes of the Income Tax Act and that brewers be added to the list of persons required to make such an inventory.

4. That the requirement in subsection 32(2) of the Act that a stock-taking necessary to complete an annual inventory be done under the immediate supervision of an excise officer be replaced with a requirement that the stock-taking be done in a manner specified by departmental regulations.

5. That the time set out in section 37 of the Act for making a return for a month be extended from the third to the tenth working day of the following month.

6. That the requirement in section 39 of the Act that statements and accounts rendered under the Act be attested under oath in the form prescribed by that section by the person signing them be replaced with a requirement that the person signing them give a certificate to like effect.

7. That any person who fails to make a return within the time prescribed therefor by any enactment founded on paragraph 5 of this motion be required to pay a penalty of two hundred and fifty dollars.

8. That any person who fails to pay any duty payable under the Act within the time prescribed by the Act or regulations be required to pay forthwith, in addition to the amount of duty in default,

(a) a penalty of one-half of one per cent in respect of each month or fraction of a month between the expiry of that time and the day on which the total duty, penalty and interest outstanding is paid, calculated on the total duty, penalty and interest outstanding at the beginning of that month or fraction of a month, and

(b) interest, at the rates per annum prescribed from time to time for purposes of the Income Tax Act, in respect of each day between the expiry of that time and the day on which the total duty, penalty and interest outstanding is paid, calculated on the total duty, penalty and interest outstanding on that day.

9. That the Minister of National Revenue be authorized to extend in writing, before or after the expiry of the time for payment of duty prescribed by the Act or regulations, the time for paying any duty, and that where the Minister does so,

(a) interest described in any enactment founded on paragraph 8 of this motion be imposed in respect of the duty as if the time for paying the duty had not been extended,

(b) the duty and any interest thereon be required to be paid within the time as so extended, and

(c) penalty described in any enactment founded on paragraph 8 of this motion be imposed in respect of any failure to pay the duty and interest thereon within the time as so extended, as if the failure to pay were a failure referred to therein.

10. That the requirement in subsection 142(2) of the Act that an excise officer ascertain the quantities of spirits be replaced with a requirement that the quantities be ascertained in a manner prescribed by departmental regulations.

11. That the requirement in section 144 of the Act that the key or keys to the locks and seals of a closed spirit-receiver be kept in the sole possession of the collector or other officer be replaced with a requirement that the key or keys be kept and controlled, in a manner prescribed by departmental regulations, by an officer or employee of the distiller designated in accordance with departmental regulations.

12. That the requirement in subsection 175(2) of the Act that the destruction of beer that is unfit for use be under excise supervision be repealed.

Effective Date

13. That any enactment founded on paragraphs 1 and 2 of this motion come into force on February 19, 1987.

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

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

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

Motive Fuels

1. That paragraph (e) of the definition "manufacturer or producer" in subsection 2(1) of the Act which relates to persons who sell gasoline, diesel fuel or aviation fuel be repealed.

2. That the portion of subsection 2(3) of the Act that deems a manufacturer who imports gasoline, diesel fuel or aviation fuel to be the manufacturer or producer of those goods in Canada and the portion that deems those goods so imported to be goods produced or manufactured in Canada be repealed.

3. That the relief from payment of the consumption or sales tax and the excise tax on gasoline, diesel fuel and aviation fuel purchased or imported by a licensed manufacturer who is a person described in paragraph (e) of the definition "manufacturer or producer" in subsection 2(1) of the Act be repealed.

4. That any licensed manufacturer who is, immediately before March 1, 1987, a manufacturer or producer of gasoline, diesel fuel or aviation fuel solely by virtue of paragraph (e) of the definition of that term in subsection 2(1) of the Act be deemed to have sold, immediately before March 1, 1987, any gasoline, diesel fuel or aviation fuel held by him in inventory at that time on which the excise tax or consumption or sales tax has not been paid or become payable by that time.

Rates for Gasoline

5. That the rates prescribed for all grades of gasoline in Schedule II.1 to the Act be replaced with the following rates:

(a) Regular gasoline and unleaded gasoline ... $0.00360 per litre; and

(b) Premium leaded gasoline and premium unleaded gasoline ... $0.00370 per litre.

Excise Tax on Motive Fuels

6. That the rates of excise tax on gasoline, aviation gasoline, diesel fuel and aviation fuel be increased by one cent per litre.

Fuel Tax Rebate

7. That the amount of the fuel tax rebate in respect of the excise tax imposed on gasoline and diesel fuel sold to or imported by a farmer for farming purposes be calculated

(a) in the case of gasoline or diesel fuel sold to or imported by a farmer on or after January 1, 1987 and before February 19, 1987, at the rate of three cents per litre, and

(b) in the case of gasoline or diesel fuel sold to or imported by a farmer on or after February 19, 1987, at the rate of four cents per litre.

Excise Tax on Tobacco Products

8. That the excise tax on cigarettes and manufactured tobacco be imposed at the following rates:

(a) For each five cigarettes or fraction of five cigarettes contained in any package ... $0.10688; and

(b) Manufactured tobacco, including snuff, but not including cigars and cigarettes ... $6.504 per kilogram.

Air Transportation Tax

9. That the tax imposed on an amount paid or payable for transportation of a person by air that begins in the taxation area and ends in the taxation area be increased

(a) in the case of an aircraft that has been chartered, to the aggregate of 10 per cent of the amount paid or payable and $2.00 in respect of each emplanement pursuant to the charter agreement of the charterer, or such lesser amount as may be prescribed by order of the Governor in Council in respect of each such emplanement, and

(b) in any other case, to the aggregate of 10 per cent of the amount paid or payable and $4.00 or such lesser amount as may be prescribed by order of the Governor in Council.

10. That the tax imposed on an amount paid or payable for transportation of a person by air that begins in the taxation area and ends outside the taxation area be increased to $19.00 or such lesser amount as may be prescribed by order of the Governor in Council.

Snack Foods

11. That the following foods be excluded from the exemption from the consumption or sales tax for food and drink for human consumption:

(a) chips, crisps, puffs, curls and sticks (such as potato chips, corn chips, cheese puffs, potato sticks, bacon crisps and cheese curls) and other similar snack foods; popcorn and brittle pretzels; but not including any product sold primarily as a breakfast cereal, or any product manufactured or produced in a retail outlet for sale in that outlet exclusively and directly to consumers;

(b) salted nuts and seeds;

(c) products commonly known as granola bars;

(d) snack mixtures containing cereals, nuts, seeds, dried fruit or other edible products, but not including any mixture sold primarily as a

breakfast cereal or any mixture manufactured or produced in a retail outlet for sale in that outlet exclusively and directly to consumers;

(e) ice lollies and flavoured, coloured or sweetened ice waters, whether or not frozen, but not including any product manufactured or produced in a retail outlet for sale in that outlet exclusively and directly to consumers; and

(f) ice cream, ice milk, sherbet, frozen yogurt or frozen pudding, or any product containing any of those goods, when packaged in individual servings, but not including any product manufactured or produced in a retail outlet for sale in that outlet exclusively and directly to consumers.

12. That grains and seeds described in any paragraph of section 1 of Part V of Schedule III to the Act or in any enactment founded on paragraph 11 of this motion be excluded from the exemption from the consumption or sales tax for grains and seeds in their natural state.

Definition "Manufacturer or Producer"

13. That the definition "manufacturer or producer" in subsection 2(1) of the Act be amended to include any person who sells, otherwise than exclusively and directly to consumers,

(a) feeds, or supplements for addition to such feeds, for animals, fish or fowl that are not ordinarily raised to produce or to be used as food for human consumption,

(b) food for human consumption that is enumerated in paragraph 1(e) of Part V of Schedule III to the Act or in any enactment founded on paragraph 11 of this motion,

(c) microwave ovens,

(d) television receivers (including projection-type television receivers and screens, television tuners and video monitors, other than monitors designed for use exclusively as computer or word processing video display terminals), other than such goods designed exclusively for commercial use, or

(e) video recorders or players, other than those designed exclusively for commercial use.

14. That every manufacturer or producer of goods described in any enactment founded on paragraph 13 of this motion (other than a member of a class of small manufacturer or producer that is exempted by regulations made under subsection 31(2) of the Act from the requirement under subsection 31(1) of the Act to apply for a licence) who imports into Canada goods described in any enactment founded on paragraph 13 of this motion be deemed to be the manufacturer or producer in Canada of the goods so imported and not the importer thereof, and that the goods so imported be deemed to be goods produced or manufactured in Canada and not imported goods.

15. That the consumption or sales tax not be payable on goods described in any enactment founded on paragraph 13 of this motion sold to or imported by a licensed manufacturer who is a manufacturer or producer described in any enactment founded on paragraph 13 of this motion.

Health Goods

16. That epinephrine and its salts be exempt from the consumption or sales tax.

17. That the exemption from the consumption or sales tax, in sections 5 and 22 of Part VIII (Health) of Schedule III to the Act, for articles and materials for use in the manufacture or production of the tax exempt goods mentioned in that Part be limited to articles and materials acquired by a manufacturer or producer for incorporation into or to form a constituent or component part of the tax exempt goods mentioned in that Part.

18. That the exemption from the consumption or sales tax for goods listed in section 19 of Part VIII of Schedule III to the Act be limited to

(a) aural, nasal, mastectomy and other medical or surgical prostheses,

(b) ileostomy, colostomy and urinary appliances and similar articles designed to be worn by an individual, and

(c) articles and materials, not including cosmetics, for use by the individual user of such a prosthesis, appliance or similar article and necessary for its proper application and maintenance.

Production Equipment

19. That the following goods be excluded from the exemption from the consumption or sales tax for production equipment, processing materials and plans in section 1 of Part XIII of Schedule III to the Act:

(a) goods, including transformers, for use in the transmission or distribution of electricity, other than goods for use within the plant where the electricity is generated or within a plant where goods, other than electricity, are manufactured or produced; and

(b) pipes, valves, fittings, pumps, compressors, regulators and equipment ancillary thereto for use in transporting or distributing goods, but not including such goods for use within a manufacturing or production facility or in gathering systems for natural gas, natural gas liquids or oil in natural gas or oil fields.

Transportation Equipment

20. That the exemption from the consumption or sales tax for trucks in section 1 of Part XVII of Schedule III to the Act be limited to highway trucks.

21. That the limitation on the exemption from the consumption or sales tax for parts and equipment for transportation equipment in section 8 of Part XVII of Schedule III to the Act to parts and equipment designed for permanent installation on the tax exempt goods be replaced with a limitation to parts and equipment installed on the tax exempt goods.

Effective Dates

22. That any enactment founded on paragraphs 9 and 10 of this motion come into force on

(a) May 1, 1987 in respect of any amount paid or payable on or after that date, in the case of a tax imposed on an amount paid or payable in Canada, and

(b) August 1, 1987 in respect of any amount paid or payable for transportation of a person by air which includes an emplanement in Canada on or after that date on a specific flight having as a destination an airport outside Canada and subsequent deplanement by the person from the flight at an airport outside Canada, in the case of a tax imposed on an amount paid or payable outside Canada.

23. That any enactment founded on

(a) paragraphs 6 to 8 and 16 to 21 of this motion come into force on February 19, 1987,

(b) paragraphs 1 to 4 of this motion come into force on March 1, 1987,

(c) paragraph 5 of this motion come into force immediately prior to April 1, 1987,

(d) paragraphs 13 to 15 of this motion come into force on May 1, 1987 with respect to the goods listed in subparagraph 13(a) of this motion and on July 1, 1987 with respect to the other goods listed in paragraph 13 of this motion, and

(e) paragraphs 11 and 12 of this motion come into force on July 1, 1987.

Notice of Ways and Means Motion to Amend the Customs Tariff and the Duties Relief Act

Notice of Ways and Means Motion to Amend the Customs Tariff and the Duties Relief Act

1. That section 2 of the *Customs Tariff* be amended by adding the following subsection immediately after subsection 2(5) thereof:

> "*(6) The expressions "for use in", "for use exclusively in" and "for use only in", wherever they appear in any tariff item* of *Schedule A, mean, unless the context of the tariff item otherwise requires, that the goods enumerated in the item must be wrought into, attached to or incorporated into other goods as provided for in that item.*"

2. That subparagraph 3.1(2)(a) of the said Act be amended by striking out the reference to tariff items 43807-1, 43810-1, 43819-1, 43824-1, 43825-1 and 43826-1.

3. That section 11 of the said Act be repealed and the following substituted therefor:

> "11. The Governor in Council may, by order,
>
> (a) *reduce or remove the* duties on goods imported into Canada from any other country or countries by way of compensation for concessions granted by any such country or countries; and
>
> (b) extend *the benefits of any order* made pursuant to paragraph (a) to any other *country or* countries as may be required by Canada's international obligations."

4. That subsection 15(1) of the English version of the said Act be repealed and the following substituted therefor:

> "15.(1) The Minister or Deputy Minister may order
>
> (a) that the specific rate of duty, or *ad valorem* minimum rate of duty, as the case may be, provided for in tariff items 8701-1, 8703-1, 8705-1, 8707-1, 8709-1 to 8717-1 inclusive, 8724-1, 8727-1 to 8730-1 inclusive, 8732-1, 8734-1, 8737-1, 8738-1, 8742-1, 9202-1, 9205-1, 9206-1, 9210-1, 9212-1, 9214-1, 9216-1, 9217-1, 9219-1 and 9220-1 shall apply in lieu of the free rate of duty, and
>
> (b) that with respect to any goods enumerated in tariff items 8721-1, 8723-1, 8740-1, 8747-1 and 9222-1, the *ad valorem* rate of duty shall be suspended and a free rate of duty shall apply,

to goods described in the order imported through a customs office in a region or part of Canada during such period or periods as may be fixed by the *Minister or* Deputy Minister."

5. That Schedule A to the said Act be amended by striking out tariff items 21950-1, 32645-1, 32669-1, 35205-1, 40700-1, 41022-1, 41047-1, 41106-1, 41505-1, 42726-1, 42729-1, 43806-1, 43807-1, 43810-1, 43811-1, 43812-1, 43813-1, 43814-1, 43815-1, 43816-1, 43819-1, 43820-1, 43821-1, 43824-1, 43825-1, 43826-1, 44022-1, 44025-1, 44205-1, 44210-1, 44532-2, 44545-1, 47835-1, 49105-1, 60810-1, 61800-1, 70000-1, 70200-1, 70320-1, 70505-1, 86000-1, 86400-1, 89905-1, 93819-5 and 93819-14 and the enumerations of goods and the rates of duty set opposite each of those items and by inserting in numerical order within Schedule A to the said Act the items, enumerations of goods and rates of duty specified in Schedule I to this motion.

6. That Schedule A to the said Act be amended by striking out tariff items 5700-1, 8000-1, 14805-1, 27310-1, 42600-1 and 43720-1 and the enumerations of goods and the rates of duty set opposite each of those items and by inserting in numerical order within Schedule A to the said Act the items, enumerations of goods and rates of duty specified in Schedule II to this motion.

7. That the French version of Schedule A to the said Act be amended by striking out in tariff item 61620-1 the reference to "caoutchouc naturel brut" and substituting therefor a reference to "caoutchouc brut".

8. That Schedule B to the said Act be amended by striking out item 97056-1 and the enumeration of goods, their purposes and the rate of drawback of duty set opposite that item.

9. That Schedule C to the said Act be amended by striking out subsection (c) of item 99215-1.

10. That Schedule I to the *Duties Relief Act* be amended by striking out item 97021-1 and the enumeration of goods, their purposes and the rate of drawback of duty set opposite that item.

11. That subsection 41(2) of the *Duties Relief Act* be amended by striking out the words "Canadian sales".

12. That any enactment founded on paragraphs 1 to 5 inclusive and 7 to 9 inclusive of this motion shall be deemed to have come into force on the 19th day of February, 1987, and to have applied to all goods mentioned therein imported on or after that day and to have applied to goods previously imported that had not been accounted for under section 32 of the *Customs Act* before that day.

13. That any enactment founded on paragraph 6 of this motion shall be deemed to have come into force on the 6th day of June, 1986, and to have been applied to all goods mentioned therein 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.

14. That any enactment founded on paragraph 10 of this motion shall be deemed to have come into force on the day on which Schedule I to the *Duties Relief Act* comes into force.

15. That any enactment founded on paragraph 11 of this motion shall be deemed to have come into force on the day on which subsection 41(2) of the *Duties Relief Act* comes into force.

SCHEDULE I

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
32645-1	Illuminating *glassware, other than globes or spherical shapes decorated by the application of any material to the surface of the glass after it has been shaped*, designed for use with light fixtures or with portable lamps	Free	Free	32.5 p.c.	Free	Free Free	Free Free	32.5 p.c. 10 p.c.	Free Free
35205-1	Bells, *and fitted cases therefor*, when imported for use of churches only	Free	Free	Free	Free	11.3 p.c. Free	11.3 p.c. Free	40 p.c. Free	7.5 p.c. Free
40700-1	Silent chain and finished roller chain, of iron or steel, and complete parts thereof, n.o.p., either chain of the type which operates over or with gears or sprockets or radially grooved wheels with machine cut teeth	Free	9.2 p.c.	25 p.c.	Free	Free 10.2 p.c.	9.2 p.c. 10.2 p.c.	25 p.c. 25 p.c.	Free 6.5 p.c.
	Machinery and apparatus for use in the processing, smelting or refining of ores, metals or minerals, namely:								
	Agitators;								
	Amalgam cleaners;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Automatic ore samplers; Classifiers; Converting apparatus for metallurgical processes; Feeders, mechanical; Filters; Flotation machines, flotation cells, and oil feeders and reagent feeders therefor; Furnace slag trucks and slag pots; Pyrometers; Retorts; Screens, including oscillating, revolving, shaking, stationary, travelling and vibrating screens, and grizzlies; Separators, including jigs and magnetic or electric separators and magnetic pulleys; Thickeners; Chemical conversion, extraction, reduction or recovery apparatus for use in metallurgical operations; Machinery and apparatus, *other than crucibles*, for use in the refining of metals or in roasting or smelting or the production of anodes, cathodes, blocks, slabs, pigs or ingots in such processes; Machinery and apparatus for use in washing, screening, drying or dry cleaning coal; Parts of all the foregoing:								
41022-1	Other than the following	5 p.c.	9.2 p.c.	25 p.c.	5 p.c.	5 p.c.	9.2 p.c.	25 p.c.	5 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: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
41047-1	Semi-diesel engines; Diesel dual fuel engines; Diesel engines *of a power not exceeding 74.6 kW per cylinder or of a power exceeding 207.3 kW per cylinder or a displacement of less than 8 193.5 cm³ per cylinder*; Engines, gas, *of a power not exceeding 56 kW*; Turbines, gas, *of a power not exceeding 746 kW or of a power exceeding 44 742 kW*; Air engines; Hydraulic general-purpose motors; Compressed gas general-purpose engines without combustion; Electric DC motors, *of an output not exceeding 746 W*; Hydraulic couplings for power transmission; Hydraulic pumps; Portable air compressors *having a capacity exceeding 0.75 m³/s*; Centrifugal, multi-stage, single suction pumps, with head over *5 516 kPa*; Braised aluminum heat exchangers for cryogenic service; Parts of all the foregoing; All the foregoing when otherwise classifiable under tariff items 41013-1, 41022-1, 41026-1, 41031-1, 49104-1 or 49215-1, or when for use in the distillation or recovery of products from natural gas	Free	Free	25 p.c.	Free	Free	Free	25 p.c.	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
41106-1	*Body bottom cross members and steel shapes for the manufacture thereof*; *Bumpers, front and rear, including spring steel bumper plates*; *Door and step mechanism, hand, vacuum or air operated*; *Electric switches, buzzers, bells, push buttons, fuse assemblies*; *Forward drive control conversion assemblies*; *Lamp sockets, flanges, terminals and glassware*; *Metal stampings and assemblies thereof, whether or not coated with oil, primer or sound deadening compound*; *Rubber fenders*; *Ventilators, including motor driven fan type, and grilles*; *Parts of all the foregoing other than bumper bar bolts capped with stainless steel*; *All of the foregoing* for use in the repair of self-propelled trucks enumerated in tariff item 41105-1, or the manufacture of repair parts therefor	Free	Free	20 p.c.	Free	Free	Free	20 p.c.	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Refrigerators and combination refrigerator-freezers, domestic or store, completely equipped or not:								
41505-1	Domestic, electric, with *refrigeration* capacity of not less than 0.38 m^3	12.6 p.c.	12.6 p.c.	30 p.c.	8 p.c.	12.6 p.c.	12.6 p.c.	30 p.c.	8 p.c.
	Ball and roller bearings, n.o.p.; parts of the foregoing, n.o.p.:								
42726-1	*Other than the following*	Free	Free	35 p.c.	Free	Free	Free	35 p.c.	Free
42727-1	*Automobile front wheel, double row, angular contact ball bearings, up to and including 76 mm outside diameter;* *Ball bearings with unground raceways up to and including 60.325 mm outside diameter of the single row radial type;* *Miniature or small single row radial ball bearings up to and including 12.7 mm outside diameter;* *Single row radial ball bearings (not including maximum capacity or maximum type, or cartridge type bearings) up to and including 90 mm outside diameter;* *Single row tapered roller bearings up to and including 168.275 mm outside diameter;* *Cylindrical needle rollers having a diameter of up to and including 6.35 mm and having a length not less than three times the diameter;* *Parts of all the foregoing*	Free	9.2 p.c.	35 p.c.	Free	Free	9.2 p.c.	35 p.c.	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
43804-1	*Veterinary units, designed for the transportation and storage of veterinary equipment and preparations, for installation in or on motor vehicles; parts and accessories of the foregoing.*	Free	Free	30 p.c.	Free	Various	Various	Various	Various
43806-1	*Automotive turn signal flasher units*; Compressors, air, *of at least 3.42 litres per second but not exceeding 11.33 litres per second*; Distributor rotors and cam assemblies; Electric wiring terminals, sockets, fittings and connectors and parts and combinations thereof, including brackets and fittings permanently attached thereto, but not to include battery terminals; Gaskets of any material except cork or felt, composite or not, and parts therefor; Lock washers *of steel, other than lock washers with internal or external teeth, or helical spring lock washers with an inside diameter greater than 38 mm*; *Materials for gaskets, namely: compressed asbestos and combinations of asbestos and synthetic rubber*; *Parts of spring brakes, other than: spring locators, bulkheads, spring retainers and diaphragms*;								

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
Parts *of vacuum, hydraulic or air control assemblies, namely*: *Electric weld tubing, with outside diameter 9.525 mm or less and wall thickness 0.711 mm or less, and double wall copper brazed tubing, with outside diameter 9.525 mm or less and wall thickness 0.711 mm or less*; *Hydraulic brake hoses and hydraulic brake locks*; *Hydraulic gear pumps to operate hoists and other accessories*; *Manual slack adjusters for air brake systems*; *Nylon (polyamide) air brake tubing*; Piston ring castings in the rough, with or without gates and fins removed, *for motor vehicles with engines ranging in size from 1 245 cm³ to 8 996 cm³*; *Spring brakes*; Steel bolts, studds, plugs, rivets or nuts, capped with stainless steel, and parts thereof; Vulcanized fibre in sheets, rods, strips and tubings; Parts of all the foregoing;								
All of the foregoing for use in the manufacture or repair of goods enumerated in tariff items 41006-1, 42400-1 and 43803-1, or for use in the manufacture of parts therefor	Free	8 p.c.	30 p.c.	5 p.c.	Free	8 p.c.	30 p.c.	5 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: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
Bearings, clutch release, with or without collar attached;								
Bearings, graphite;								
Bearings, steel or bronze backed, with non-ferrous metal lining, and materials therefor;								
Bearings, steering knuckle thrust;								
Bushings, graphited or oil impregnated;								
Bushings or sleeve bearings of bronze or powdered metal;								
Ceramic insulator spark plug cores not further manufactured than burned and glazed, printed or decorated or not, without fittings;								
Collars, crankshaft thrust;								
Commutator copper segments;								
Commutator insulating end rings;								
Compressors, air, *of less than 3.42 litres per second or more than 11.33 litres per second*;								
Diaphragms for fuel and vacuum pumps;								
Discs, tapered, of hot-rolled steel, with or without centre hole, for disc wheels;								
Door bumper shoes;								
Ignition contact points;								
Keys for shafting;								
Laminated composition plastic timing gear blanks;								
Lenses of glass for motor vehicle lamps and for light reflectors;								
Lock washers *of any metal, except steel; steel lock washers with internal or external teeth; and helical spring lock washers of steel, with an inside diameter greater than 38 mm;*								
Magnetic plugs;								

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
Materials for gaskets, *other than compressed asbestos and combinations of asbestos and synthetic rubber*;								
Metal frames for convertible soft tops;								
Permanent mould pistons for brake master cylinders;								
Piston ring castings in the rough, with or without gates and fins removed, *other than for motor vehicles with engines ranging in size from 1 245 cm³ to 8 996 cm³*;								
Propeller shaft tubes of steel bonded by rubber;								
Rails of lock seam section, corners, locks and catches, and unplated ventilators, the foregoing being of metal other than aluminum, for the manufacture of window sashes for bus bodies;								
Shift control, electric, for two speed rear axles;								
Steel formed bottoms, metal grommets (flanges) or rings of steel, copper or brass and blank layers of steel for cylinder heads or manifold gaskets;								
Switches, relays, circuit breakers and solenoids and combinations thereof, including starter switch assemblies *but not automotive turn signal flasher units*;								
Synchronizing cones or blocking rings for transmissions;								
Vacuum, hydraulic or air control assemblies, *other than spring brakes*;								
Parts of spring brakes, namely: spring locators, bulkheads, spring retainers and diaphragms;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Parts of all the foregoing, *other than the following*:								
	Parts of vacuum, hydraulic or air control assemblies, namely:								
	Electric weld tubing, with outside diameter 9.525 mm or less and wall thickness 0.711 mm or less, and double wall copper brazed tubing, with outside diameter 9.525 mm or less and wall thickness 0.711 mm or less;								
	Hydraulic brake hoses and hydraulic brake locks;								
	Hydraulic gear pumps to operate hoists and other accessories;								
	Manual slack adjusters for air brake systems;								
	Nylon (polyamide) air brake tubing;								
43807-1	All of the foregoing for use in the manufacture or repair of goods enumerated in tariff items 41006-1, 42400-1 and 43803-1, or for use in the manufacture of parts therefor.....	Free	Free	30 p.c.	Free	Free	Free	30 p.c.	Free
43808-1	*All of the foregoing for use in the repair of self-propelled trucks enumerated in tariff item 41105-1, or the manufacture of repair parts therefor*.....	Free	Free	20 p.c.	Free	Free	Free	20 p.c.	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
43810-1	Ammeters; Arm rests and wheel housing lining of indurated fibre, pressed to shape; Axle housings, one piece welded, machined or not, including parts welded thereto; Carburetors; Chassis frames and steel shapes for the manufacture therefor; Cigar and cigarette lighters, whether in combination with a cigarette holder or not, including base; Composite frame and floor structure of metal in the rough; Control ventilator gear box; Cylinder lock barrels, with or without sleeves and keys therefor; Dash heat indicators; Door opening weatherseal retainers; Engine speed governor units; External ornaments unplated, including name plates, letters and numerals, but not including finish or decorative mouldings; Fluid couplings with or without drive plate assemblies; Gauges, gasoline, oil or air; Grilles not plated, polished or not before assembly, and parts thereof not plated or polished after final forming, casting or piercing, not including added finish or decorative mouldings; Hinges, finished or not, for bodies; Horns;								

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
Instrument bezel assemblies; instrument board lamps; instrument panel, glove compartment, luggage compartment, hood compartment and door step lamps and wire assemblies;								
Instrument board panels of moulded or laminated glass fibres and plastic;								
Locks, electric ignition, steering gear, transmission, or combinations of such locks;								
Mouldings of metal, with nails or prongs set in position, lead filled or not;								
Oil filter parts, namely: perforated filter refill oil board bodies, refill end discs, and roll-seam perforated tubes;								
Ornaments and identification plates of metal, unplated, not including finished or decorative mouldings;								
Pipe lines of tubing, rigid, covered or not, with or without fittings, and tubing therefor;								
Purifiers for gasoline, including brackets and fittings therefor;								
Radiator shutter assemblies, automatic;								
Radiator water gauges;								
Radiator shells not plated nor metal finished in any degree;								
Reclining seat mechanisms;								
Shackles, bearing spring;								
Speedometers;								
Spring covers of metal and closing strips or shapes therefor;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Stampings, body, cowl, fender, front end, hood, instrument board, shields and baffles, of plain or coated metal, in the rough, trimmed or not, whether or not welded in any manner before final forming or piercing, but not metal finished in any degree, including such stampings incorporating pierce or clinch nuts; Steering wheels, rims and spiders therefor; Sun visor blanks of gypsum weatherboard; Swivel seat mechanisms; Tachometers, with or without tachographs, both electric and gear driven; Thermostatic controls; Throttle, spark, choke, and hood lock release assemblies, including buttons therefor; Torque converters; Auxiliary transmission overdrive units and controls therefor; Universal joint ball assemblies; Windshield and window wipers; Parts of all the foregoing, including brackets, fittings and connections therefor;								
	All of the foregoing for use in the manufacture of the goods enumerated in tariff items 41006-1, 42400-1 and 43803-1, or for use in the manufacture of *original equipment* parts therefor.....	Free	8 p.c.	30 p.c.	5 p.c.	Free	8 p.c.	30 p.c.	5 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: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
Ammeters;								
Arm rests and wheel housing lining of indurated fibre, pressed to shape, *other than for automobiles and motor trucks*;								
Axle housings, one piece welded, machined or not, including parts welded thereto;								
Carburetors;								
Chassis frames and steel shapes for the manufacture therefor;								
Cigar and cigarette lighters, whether in combination with a cigarette holder or not, including base;								
Composite frame and floor structure of metal in the rough;								
Control ventilator gear box;								
Cylinder lock barrels, with or without sleeves and keys therefor;								
Dash heat indicators;								
Fluid couplings with or without drive plate assemblies;								
Gauges, gasoline, oil or air;								
Grilles not plated, polished or not before assembly, and parts thereof not plated or polished after final forming, casting or piercing, not including added finish or decorative mouldings;								
Hinges, finished or not, for bodies;								
Horns;								

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
Instrument bezel assemblies; instrument board lamps; instrument panel, glove compartment, luggage compartment, hood compartment and door step lamps and wire assemblies;								
Locks, electric ignition, steering gear, transmission, or combinations of such locks;								
Mouldings of metal, with nails or prongs set in position, lead filled or not;								
Oil filter parts, namely: refill end discs;								
Ornaments and identification plates of metal, unplated, not including finished or decorative mouldings, *other than for past models of automobiles and motor trucks*;								
Pipe lines of tubing, rigid, covered or not, with or without fittings, and tubing therefor, *other than for automobiles and motor trucks*;								
Radiator shutter assemblies, automatic;								
Radiator water gauges;								
Reclining seat mechanisms;								
Shackles, bearing spring;								
Speedometers;								
Spring covers of metal and closing strips or shapes therefor;								

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
Stampings, body, cowl, fender, front end, hood, instrument board, shields and baffles, of plain or coated metal, in the rough, trimmed or not, whether or not welded in any manner before final forming or piercing, but not metal finished in any degree, including such stampings incorporating pierce or clinch nuts, *but not including door pillars, shields and baffles for current models of automobiles and motor trucks*;								
Steering wheels, rims and spiders therefor, *other than for current models of automobiles and motor trucks*;								
Sun visor blanks of gypsum weatherboard;								
Swivel seat mechanisms;								
Tachometers, with or without tachographs, both electric and gear driven;								
Throttle, spark, choke, and hood lock release assemblies, including buttons therefor;								
Torque converters;								
Transmission overdrive units, auxiliary, and controls therefor;								
Universal joint ball assemblies, *other than cross type*;								
Windshield and window wipers;								
Parts of thermostatic controls, other than: power element cups, guides, pistons, pellets, valves, flanges, top frames, bottom frames and springs;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Parts of all the foregoing, including brackets, fittings and connections therefor, *other than the following:* *Parts of speedometers, namely: speedometer cables, and speedometer cable and housing assemblies*; *Parts of windshield and window wipers, namely: blades and refills for automobiles and motor trucks*; *Sintered powdered metal parts of auxiliary transmission overdrive units and controls therefor*;								
43811-1	*All of the foregoing* when for use as original equipment by a manufacturer of passenger automobiles (having a seating capacity for not more than ten persons each) enumerated in tariff item 43803-1, whose total factory output, during the year in which importation is sought, does not exceed ten thousand such complete passenger automobiles, and if not less than forty per cent of the factory cost of production of such automobiles, not including duties and taxes, is incurred in the British Commonwealth.	Free	Free	25 p.c.	Free	Free	Free	25 p.c.	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
43812-1	*All of the foregoing* when for use as original equipment by a manufacturer of passenger automobiles (having a seating capacity for not more than ten persons each) enumerated in tariff item 43803-1, whose total factory output, during the year in which importation is sought, exceeds ten thousand, but does not exceed twenty thousand such complete passenger automobiles, and if not less than fifty per cent of the factory cost of production of such automobiles, not including duties and taxes, is incurred in the British Commonwealth	Free	Free	25 p.c.	Free	Free	Free	25 p.c.	Free
43813-1	*All of the foregoing* when for use as original equipment by a manufacturer of passenger automobiles (having a seating capacity for not more than ten persons each) enumerated in tariff item 43803-1, whose total factory output, during the year in which importation is sought, exceeds twenty thousand such complete passenger automobiles, and if not less than sixty per cent of the factory cost of production of such automobiles, not including duties and taxes, is incurred in the British Commonwealth	Free	Free	25 p.c.	Free	Free	Free	25 p.c.	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
43814-1	*All of the foregoing* when for use as original equipment by a manufacturer of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, motor ambulances, and hearses, or chassis for same, as enumerated in tariff items 41006-1, 42400-1 and 43803-1, whose total factory output of such vehicles during the year in which importation is sought, does not exceed ten thousand such vehicles, and if not less than forty per cent of the factory cost of production of such vehicles, not including duties and taxes, is incurred in the British Commonwealth	Free	Free	25 p.c.	Free	Free	Free	25 p.c.	Free
43815-1	*All of the foregoing* when for use as original equipment by a manufacturer of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, motor ambulances, and hearses, or chassis for same, as enumerated in tariff items 41006-1, 42400-1 and 43803-1, whose total factory output of such vehicles during the year in which importation is sought, exceeds ten thousand units, and if not less than fifty per cent of the factory cost of production of such vehicles, not including duties and taxes, is incurred in the British Commonwealth	Free	Free	25 p.c.	Free	Free	Free	25 p.c.	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
43816-1	*All of the foregoing when* for use *in the repair of self-propelled trucks enumerated in tariff item 41105-1 or for use in the repair* of the goods enumerated in tariff items 41006-1, 42400-1 and 43803-1, or for use in the manufacture of repair parts therefor.....	Free	Free	25 p.c.	Free	Free	Free	25 p.c.	Free
43817-1	*Arm rests and wheel housing lining of indurated fibre, pressed to shape, for automobiles and motor trucks*;					Free	Free	20 p.c.	Free
	Cross type universal joint ball assemblies;								
	Door opening weatherseal retainers;								
	Engine speed governor units;								
	External ornaments unplated, including name plates, letters and numerals, but not including finish or decorative mouldings;								
	Instrument board panels of moulded or laminated glass fibres and plastic;								
	Oil filter parts namely: perforated filter refill oil board bodies and roll-seam perforated tubes;								
	Ornaments and identification plates of metal, unplated, not including finished or decorative mouldings, for past models of automobiles and motor trucks;								
	Pipe lines of tubing, rigid, covered or not, with or without fittings, and tubing therefor, for automobiles and motor trucks;								
	Purifiers for gasoline, including brackets and fittings therefor;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Radiator shells not plated nor metal finished in any degree;								
	Speedometer cables and speedometer cable and housing assemblies;								
	Stampings, door pillar, shields and baffles, of plain or coated metal, in the rough, trimmed or not, whether or not welded in any manner before final forming or piercing, but not metal finished in any degree, including stampings incorporating pierce or clinch nuts, for current models of automobiles and motor trucks;								
	Steering wheels, rims and spiders therefor, for current models of automobiles and motor trucks;								
	Thermostatic controls;								
	Sintered powdered metal parts of auxiliary transmission overdrive units and controls therefor;								
	Windshield and window wiper blades and refills for automobiles and motor trucks;								
	Parts of all the foregoing, but not including parts of thermostatic controls, other than: power element cups, guides, pistons, pellets, valves, flanges, top frames, bottom frames and springs;								
	All of the foregoing for use in the repair of goods enumerated in tariff items 41006-1, 42400-1 and 43803-1, or for use in the manufacture of repair parts therefor	Free	8 p.c.	30 p.c.	5 p.c.	Free	8 p.c.	30 p.c.	5 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: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
Axles, front and rear;								
Bell or clutch housings for vehicles having a gross vehicle weight rating of over *8 845 kg*;								
Brakes, *other than: brakes ranging in size from 381 mm by 76.2 mm to 419.1 mm by 177.8 mm, and air and hydraulic brakes for current model service of vehicles having a capacity of up to 1.82 tonnes*;								
Brake drums;								
Cast aluminum road wheels for tube type tires using rim sizes larger than *508 mm* by *203.2 mm* and for tubeless type tires using rim sizes larger than *571.5 mm* by *209.55 mm*;								
Clutches *other than single plated clutches of up to 330.2 mm in diameter*;								
Continuous control or constant velocity half-shaft drive shafts;								
Fuel pumps *for use on automotive engines with a piston displacement of more than 4 949.8 cm³, not electrically operated*;								
Hubs;								
Hydraulic or fluid couplings *other than for heavy-duty motor trucks*;								
Internal combustion engines over *5 703.7 cm³* in displacement;								
Linkages and controls for use with clutches, transmission assemblies, power dividers or transfer cases;								
Magnetos;								
Power dividers or transfer cases;								

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
Rims for pneumatic tires *larger than 508 mm by 190.5 mm for tube type tires, and larger than 571.5 mm by 171.45 mm for tubeless tires*;								
Steel road wheels *larger than 622.3 mm in diameter*;								
Steering drag links for vehicles having a gross vehicle weight rating of *9 072 kg* or over;								
Steering gears;								
Tandem axle suspensions, not to include springs, *other than for current models of motor trucks*;								
Transmission assemblies;								
Parts of the foregoing, *other than*:								
Brake shoe assembly kits;								
Parts of axles, namely: axle shafts for motor vehicles having a gross vehicle weight rating of 8 845 kg or less;								
Parts of internal combustion engines over 5 703.7 cm³ in displacement, namely: timing chains; intake and exhaust valves, with the exception of sodium or sodium and mercury filled valves, for use in internal combustion engines, other than diesel;								
Parts of steering drag links for vehicles having a gross vehicle weight rating of 9 072 kg or over, namely: idler arms, tie rod assemblies, tie rod ends;								
Parts of transmission assemblies, namely: differentials (including axle housings), sintered powdered metal parts;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
43819-1	*All of the foregoing* for the manufacture of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, ambulances, hearses, and the chassis for same	Free	8 p.c.	27.5 p.c.	5 p.c.	Free	8 p.c.	27.5 p.c.	5 p.c.
43820-1	*All of the foregoing* for use as original equipment for motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, ambulances, hearses, or for chassis for same, by a manufacturer of the goods enumerated in tariff items 41006-1, 42400-1 and 43803-1, and during the year in which importation is sought, not less than forty per cent of the factory cost of production of such vehicles and chassis therefor, not including duties and taxes, is incurred in the British Commonwealth	Free	Free	27.5 p.c.	Free	Free	Free	27.5 p.c.	Free
43821-1	*All of the foregoing* for use in the repair of motor trucks, motor buses, *self-propelled trucks enumerated in tariff item 41105-1*, fire fighting vehicles, ambulances, hearses and electric trackless trolley buses, or for chassis for same or for use in the manufacture of repair parts therefor	Free	Free	27.5 p.c.	Free	Free Free	Free Free	27.5 p.c. 20 p.c.	Free Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Internal combustion engines of *5 703.7 cm³* and under in displacement; Parts of the foregoing, *other than: timing chains; intake and exhaust valves, with the exception of sodium or sodium and mercury filled valves, for use in internal combustion engines, other than diesel*;								
43824-1	*All of the foregoing* for the manufacture of motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, ambulances, hearses, and the chassis for same	Free	8 p.c.	27.5 p.c.	5 p.c.	Free	8 p.c.	27.5 p.c.	5 p.c.
43825-1	*All of the foregoing* for use as original equipment for motor trucks, motor buses, electric trackless trolley buses, fire fighting vehicles, ambulances, hearses, or for chassis for same, by a manufacturer of the goods enumerated in tariff items 41006-1, 42400-1 and 43803-1, and during the year in which importation is sought, not less than forty per cent of the factory cost of production of such vehicles and chassis therefor, not including duties and taxes, is incurred in the British Commonwealth	Free	5.5 p.c.	27.5 p.c.	3.5 p.c.	Free	5.5 p.c.	27.5 p.c.	3.5 p.c.
43826-1	*All of the foregoing* for use in the repair of motor trucks, motor buses, fire fighting vehicles, ambulances, hearses and electric trackless trolley buses, or for chassis for same or for use in the manufacture of repair parts therefor	Free	5.5 p.c.	27.5 p.c.	3.5 p.c.	Free	5.5 p.c.	27.5 p.c.	3.5 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: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
The Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of items 43810-1, 43811-1, 43812-1, 43813-1, 43814-1, 43815-1, 43816-1, *43817-1*, 43819-1, 43820-1, 43821-1, 43824-1, 43825-1 or 43826-1.								
44022-1 *The following* manufactures of iron, brass or other metal for use exclusively in the construction or equipment of the goods enumerated in tariff items 44000-1 to 44009-1 inclusive, under regulations prescribed by the Minister:								
Clutches, power transmission, over 46 cm, double;								
Drives, jet, marine, combined with engines;								
Engine propulsion units, inboard-outboard;								
Lights, navigation, for vessels exceeding 8 m in length;								
Locks and bars for boat doors;								
Motors, hydraulic;								
Motors, outboard, racing;								
Outboard parts of inboard-outboard vessels, not including engines;								
Power transmission equipment, hydraulic, including valves but not including actuators under 282.5 kNm of torque;								
Power transmission power take-offs;								
Propellers, marine, outboard or inboard-outboard, not over 23 cm in diameter;								
Pumps, bilge and water;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Pumps, power, rotary, twin-screw, with capacity in excess of 15 m³/m or 406.5 m of water at 4°C; *Stoves, marine, alcohol, one- or two-burner, for vessels exceeding 8 m in length;* *V-engine blocks for marine engines other than diesel or outboard;* *Other, of a class or kind not made in Canada*....	Free	Free	Free	Free	Free	Free	Free	Free
44025-1	Diesel engines *of a power not exceeding 74.6 kW per cylinder or of a power exceeding 207.3 kW per cylinder or a displacement of less than 8 193.5 cm³ per cylinder;* semi-diesel engines; parts of all the foregoing; all the foregoing for use exclusively in the construction or equipment of the goods enumerated in tariff items 44000-1 to 44009-1 inclusive.....	Free	Free	Free	Free	Free Free	Free 9.2 p.c.	Free 30 p.c.	Free Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Parts, wholly or in chief part of metal, when imported for use in the manufacture of goods entitled to entry under tariff items 41100-1, 41105-1, 41105-2, 41110-1, 42726-1, 42727-1, 42805-1, 42805-2, 42805-3, 42815-1, 42816-1, 42817-1, and 44705-1, and all other materials, wholly or in chief part of metal, when imported for use in the manufacture of goods entitled to entry under these tariff items or under tariff items 42732-1, 42733-1, and 42741-1, under such regulations as the Minister may prescribe:								
44205-1	*Axles of planetary type for woodland log handling equipment;*								
	Boiler tubes and tubing, seamless, of cold finished carbon steel, with an outside diameter of less than 17.46 mm or more than 101.6 mm;								
	Carburetors and ignition systems for woodworking chain saws;								
	Clutches, double, over 457.2 mm for power transmission;								
	Diesel engines of a power not exceeding 74.6 kW per cylinder or of a power exceeding 207.3 kW per cylinder or a displacement of less than 8 193.5 cm³ per cylinder and semi-diesel engines;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Mechanical tubing, seamless, of alloy steel, except stainless steel, with an outside diameter of less than 4.76 mm or more than 177.8 mm;								
	Parts of ball or roller bearings, namely: bearing wire, cages or snap retainers, seals, shields, snap rings;								
	Parts of gas turbines, steam turbines or subassemblies thereof, namely:								
	actuators, servomotors and governors;								
	blades and buckets larger than 203.2 mm for rotating elements;								
	castings for rotating blades and buckets;								
	castings for stationary blades, vanes and nozzles, or multiples thereof;								
	fluid film journal and thrust bearings;								
	forgings for rotating blades and buckets;								
	forgings, rough-machined, for discs, wheels and torque tubes;								
	forgings, rough-machined, for rotors, shafts and spindles, vertically heat treated and/or heat indication tested;								
	fully-machined blades, blade diaphragms, rotors, shafts and spindle discs for steam turbines with ratings of over 59 656 kW, or for gas turbines with ratings of less than 5 965.6 kW or more than 44 742 kW;								
	sensing and trip devices for speed, temperature, pressure and vibration;								
	trip and throttle valves;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Parts of outboard motors and stationary steam engines;								
	Plates of stainless steel, not less than 4.76 mm in thickness and more than 1 828.8 mm in width;								
	Pressure pipes and piping and pressure tubes and tubing, seamless, of alloy steel, except stainless steel, with an outside diameter of less than 4.76 mm or more than 177.8 mm;								
	Pressure pipes and piping, seamless, of hot-finished carbon steel, with an outside diameter of less than 25.4 mm or more than 339.73 mm;								
	Pressure pipes and piping, welded, of carbon steel, with an outside diameter of less than 12.7 mm or more than 114.3 mm;								
	Sheets of nickel-chromium alloy;								
	Transmissions for log loaders of tractor type and for log skidders;								
	V-engine blocks for marine gasoline engines other than diesel and outboards;								
	Other, of a class or kind not made in Canada;								
	Parts of all the foregoing	Free	Free	10 p.c.	Free	Free	Free	10 p.c.	Free
44210-1	Rotors, blade diaphragms, spindle discs, shafts and blades, wholly or in chief part of metal, when imported for use in the repair or remanufacture of gas or steam turbines and parts thereof entitled to entry under tariff item 42805-3	Free	Free	Free	Free	Free	Free	Free	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Electrical instruments and apparatus of precision, viz: — Meters or gauges for indicating and/or recording altitude, amperes, comparisons, capacity, density, depth, distance, electrolysis, flux, force, frequency, humidity, inductance, liquid levels, ohms, operation, power factor, pressure, space, speed, stress, thrust, synchronism, temperature, time, volts, volume, watts; complete parts thereof; all of the foregoing not to include geophysical precision instruments excluded from item 43150-1:								
44532-2	Alpha-beta geiger counters and geiger-muller counters; Ceilometers; Concrete testers; Electrical panel indicating instruments; Fault duration monitors designed to indicate or measure power stability and disturbances; Field strength meters; High voltage capacitance bridges; Detectors designed for high voltage inspection and detection of leakages and defects within pipeline coatings or wrappings; Instruments, except bridges, for measuring impedance; Instruments for measuring or detecting nuclear radiation;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Instruments for measuring wind speed or direction;								
	Interferometric spectrophotometers (Fourier transform type);								
	Meters for recording or measuring electricity supply, water current or water supply;								
	Multimeters of the portable or panel indicating type;								
	Null meters;								
	Portable tachometer testers designed to test automobile tachometers;								
	Portable relay test sets of a kind designed to test protective relays, circuit breakers and starters in high tension power distribution systems;								
	Portable instruments for testing motor vehicle engines;								
	Pyrometers;								
	Resistance bridges;								
	rH and pH meters;								
	Salinometers;								
	Sonar and echo sounding equipment;								
	Temperature bridges;								
	Temperature measuring devices employing resistance thermal detector sensing elements;								
	Thickness sensors;								
	Titrimeters;								
	Transducers *of all kinds, excluding torque cells, torque transducers, infrared pyrometers and humidity sensors*;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Transmissometers; Vibration, noise and spike energy measuring instruments, analysers and monitors; Voltmeters, panel type; Wattmeters; Wire spark testers designed to indicate faults in the insulated coating of wire as it comes from the extruding machine; Parts of all the foregoing	10.3 p.c.	10.3 p.c.	30 p.c.	6.5 p.c.	10.3 p.c.	10.3 p.c.	30 p.c.	6.5 p.c.
44545-1	Reproducers for commercial reproduction or duplication of audio cassette tapes; *parts thereof*	Free	Free	25 p.c.	Free	Free 8 p.c.	Free 8 p.c.	25 p.c. 25 p.c.	Free 5 p.c.
45111-1	*Sewing machine needles*	Free	Free	35 p.c.	Free	10 p.c.	11.3 p.c.	35 p.c.	7.5 p.c.
47835-1	Alternating pressure mattresses; canes and crutches; ceiling projectors and prismatic glasses, for reading; oscillating beds, mechanical percussors for postural drainage treatment; patient-lifters; powered feeders, powered page-turners; pressure-gradient elastic supports made to order for an individual in accordance with the written prescription of a registered *health professional*; attachments and accessories for the foregoing; parts of all the foregoing. All the foregoing when imported for the use of a disabled person or of a public hospital, under such regulations as the Minister may prescribe	Free	Free	Free	Free	Free Various	Free Various	Free Various	Free Various

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Machinery and apparatus for use in exploratory or discovery work in connection with oil or natural gas wells or for the development, maintenance, testing, depletion or production of such wells up to and including the wellhead assembly or surface oil pumping unit; well-drilling machinery and apparatus for use in the exploration, discovery, development or operation of potash or rock salt deposits; these provisions shall not include geophysical precision instruments and automotive vehicles or chassis on which the machinery and apparatus are mounted:								
	All other machinery and apparatus, and parts thereof; parts of goods enumerated in item 49103-1:								
49105-1	Bolted steel tanks; Equipment for testing/inspecting physical properties; Filter presses; Flexible metal tubing, non-electric; Pressure maintenance or *other formation* pressure improvement equipment *other than heat exchangers, air coolers, steam generators, economizers or process vessels*; Pressure measuring/controlling instruments;								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	Roller chain: power transmission, conveyor, and offset sidebar types; Scientific equipment for oceanographic exploration and discovery work; Seismic instruments other than geophone stringers imported in any configuration; Surveying instruments; Parts of all the foregoing, other than wing unions for pressure maintenance or *other formation* pressure improvement equipment	Free	Free	Free	Free	Free	Free	Free	Free
56608-1	*Nets or netting, whether or not made up, wholly of polyethylene monofilament, for use in the protection of fruit crops from birds*	Free	Free	35 p.c.	—	17.5 p.c.	20 p.c.	35 p.c.	—
60810-1	Sheepskin, *lambskin* and goatskin leather, not further finished than tanned, when imported by tanners for processing in their own factories	Free	6.8 p.c.	20 p.c.	Free	Free Various	6.8 p.c. Various	20 p.c. Various	Free Various
61800-1	Rubber cement and all manufactures *and compounds* of rubber and gutta percha, n.o.p.	10.3 p.c.	10.3 p.c.	27.5 p.c.	6.5 p.c.	10.3 p.c. Free	10.3 p.c. Free	27.5 p.c. 5 p.c.	6.5 p.c. Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
70000-1	Goods imported for a period not exceeding *six* months for the purpose of display at a convention or a public exhibition at which the goods of various manufacturers or producers are displayed	Free	Free	Free	Free	Free	Free	Free	Free
	The Minister may make regulations respecting the warehousing and bonding of such goods.								
70200-1	*Foreign-based conveyances, namely:* vehicles, aircraft, water borne craft, or reusable cargo containers having a length of at least *6.1 meters* and an internal capacity of at least 14 cubic meters, engaged in the international commercial transportation of passengers or goods, in accordance with such *regulations* as the Governor in Council may prescribe for each mode of conveyance provided for in this tariff item.....	Free	Free	Free	Free	Free	Free	Free	Free
	Goods entitled to entry under this tariff item shall be exempt from all imposts, notwithstanding the provisions of the Act or any other Act.								

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
70320-1	Goods imported by a member of the Canadian Forces, an employee of the Canadian Government, or by a former resident of Canada returning to Canada to resume residence therein *after having been a resident of another country for a period of not less than one year, or by a resident returning after an absence from Canada of not less than one year*, and acquired by him for personal or household use and actually owned by him abroad and in his possession and use for at least six months prior to his return to Canada	Free	Free	Free	Free	Free	Free	Free	Free

The provisions of this tariff item shall apply to alcoholic beverages not exceeding forty ounces and tobacco not exceeding fifty cigars, two hundred cigarettes and two pounds of manufactured tobacco where (a) they are included in the baggage accompanying the importer, and (b) no exemption is being claimed in respect of alcoholic beverages or tobacco under any tariff item at the time of importation.

The Governor in Council may, by order, exempt any goods or classes of goods *acquired during an absence from Canada and imported by any or all classes of persons referred to in this tariff item from any or all of the requirements, or substitute less exigent requirements, relating to the period during which such goods or classes of goods must be owned, possessed or used abroad by such classes of persons.*

Goods entitled to entry under this item shall be exempt from all imposts notwithstanding the provisions of this Act or any other Act except that

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	(a) any article entered under this item which was acquired after March 31, 1977 by the person claiming the exemption hereunder and which has a value for duty as determined under the *Customs Act* of more than $10,000 is subject to the duties and taxes as otherwise prescribed on the amount of the value for duty in excess of $10,000, and								
	(b) any goods imported under this item which are sold or otherwise disposed of within twelve months after importation are subject to the duties and taxes otherwise prescribed.								
70505-1	Goods, as defined by regulations made by the Minister, imported by a settler for his household or personal use, if actually owned by the settler and in his possession and use *prior to his arrival in* Canada, under such regulations as the Minister may prescribe	Free	Free	Free	Free	Free	Free	Free	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
	The Governor in Council may, by order, exempt any goods or classes of goods for any or all of the persons referred to in this item from any or all of the requirements relating to ownership, possession or use, or may, by order, substitute less exigent requirements relating to ownership, possession or use for goods referred to in this item.								
	Any goods imported under this tariff item which are sold or otherwise disposed of within twelve months after importation are subject to the duties and taxes otherwise prescribed.								
86400-1	*Chemicals for use in the manufacture of acrylonitrile-butadiene-styrene resins or acrylonitrile-butadiene-styrene moulding compositions described in tariff items 93902-12 and 93902-47, namely:*								
	Alkyl thiols;								
	N, N-bis (2-hydroxyethyl) alkyl amines;								
	Ferrous sulphate, heptahydrate;								
	Inorganic pigments of a kind not produced in Canada;								
	Magnesium oxide between 80 p.c. and 94 p.c. pure;								
	Synthetic waxes other than ethylene-bis-stearamide	Free	Free	15 p.c.	Free	Free	Free	15 p.c.	Free

Tariff Item		British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff	Rates in Effect Prior to Rates Proposed in this Motion: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
89905-1	Chemical and biological preparations, of a kind not produced in Canada, *including kits containing ancillary articles or materials, for medical diagnosis*	Free	Free	Free	Free	Free	Free	Free	Free
	93919 — Chemical products and preparations of the chemical or allied industries (not including those consisting of mixtures of natural products other than compounded extenders for paints), n.o.p.; residual products of the chemical or allied industries, n.o.p.; not including soap, nor pharmaceutical, flavouring, perfumery, cosmetic or toilet preparations:					10.2 p.c.	10.2 p.c	25 p.c.	6.5 p.c.
93819-5	*Catalysts with the exception of the following:*								
	Fluid bed silica-alumina cracking catalysts for the refining of petroleum, composed of silica-alumina and synthetic components whether or not containing clay;								
	Catalysts consisting of two or more of cobalt, molybdenum and nickel oxides on an aluminum oxide base or on an aluminum oxide base in a mixture with silica for the desulphurization, denitrogenation and polyaromatic saturation of petroleum feedstocks, in hydrotreating service only	Free	Free	25 p.c.	Free	Free	Free	25 p.c.	Free

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: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	General Preferential Tariff
2805-2	*Tea in tea bags* ..... *per pound*	Free	6 cts.	6 cts.	—	Free	Free	Free	—
	on and after February 19, 1987	Free	Free	Free	—				
5700-1	Oatmeal and rolled oats ..... per one hundred pounds	Free	50 cts.	80 cts.	—	Free	50 cts.	80 cts.	—
	but not less than		10 p.c.	10 p.c.	—				
	on and after February 19, 1987 per one hundred pounds	Free	50 cts.	80 cts.	—				
8000-1	Trees, n.o.p., and teasels.....	Free	30 p.c.	30 p.c.	—	Free	Free	Free	—
	on and after February 19, 1987	Free	Free	Free	—				
14805-1	Cider, but not including sparkling cider in bottles .	Free	20 p.c.	20 p.c.	—	Free	5 p.c.	5 p.c.	—
	on and after February 19, 1987	Free	5 p.c.	5 p.c.	—				
27310-1	Asphaltum oil for use only for paving purposes.....	Free	10 p.c.	10 p.c.	—	Free	Free	Free	—
	on and after February 19, 1987	Free	Free	Free	—				
42600-1	Ozone generators or ozone airifiers having a capacity of 11.34 kilograms or less per day; parts thereof	Free	10 p.c.	10 p.c.	Free	Free	5 p.c.	10 p.c.	Free
	on and after February 19, 1987	Free	5 p.c.	10 p.c.	Free				
43720-1	Diesel motor rail cars or units and chassis for same for use on railways for the carriage of passenger, baggage, mail or express traffic, and parts thereof	Free	12.5 p.c.	35 p.c.	Free	Free	Free	35 p.c.	Free
	on and after February 19, 1987	Free	Free	35 p.c.	Free				

Notice of Ways and Means Motion Respecting the Conversion of the Customs Tariff to Conform to the International Convention on the Harmonized Commodity Description and Coding System

Notice of Ways and Means Motion Respecting the Conversion of the Customs Tariff to Conform to the International Convention on the Harmonized Commodity Description and Coding System

That it is expedient to introduce a measure to provide, among other things:

1. for amendments to be made to the *Customs Tariff* to ensure that the provisions of that Act conform to Canada's international obligations under the International Convention on the Harmonized Commodity Description and Coding System;

2. for any enactment founded on this motion to come into force on January 1, 1988 or on any subsequent day to be fixed by proclamation.