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Budget Papers

Notices of Ways and Means Motions
and supplementary information
on the Budget

October 28, 1980



Department of Finance
Canada

Ministère des Finances
Canada

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**Notice of Ways
and Means Motion**

Income Tax Act

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

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

Travelling Allowances for Part-Time Employees

(1) That an allowance or reimbursement paid after 1979 by an employer to an arm's length part-time employee in respect of the necessary travelling expenses of the employee be excluded from the employee's income provided that he is required to travel a distance of at least 50 miles from his residence and from his principal work location.

Interest Income

(2) That for fiscal periods commencing after October 28, 1980, any interest accrued in respect of a fiscal period and any interest received or receivable in a fiscal period by a corporation, partnership, unit trust or any other trust of which a corporation or a partnership is a beneficiary be included in its income for the fiscal period except to the extent that any such interest was included in its income for a previous fiscal period.

Pension Contributions by Employers

(3) That the limitation on the deductibility of current service contributions by an employer to a registered defined-benefit pension plan be removed for special payments made after 1980 on the recommendation of a qualified actuary that are approved by the Minister of National Revenue.

Bank Reserves

(4) That for the 1980 and subsequent taxation years, subsection 26(2) of the Act be amended to permit a deferral of the deduction in respect of the reserves determined in accordance with rules prescribed under the Bank Act.

Partnership Interests

(5) That the cost base to a partner of an interest in a partnership at any time after October 28, 1980 be adjusted to reflect his share of the following amounts in respect of each fiscal period of the partnership ending after 1971 and before that time:

- (a) tax-free exploration and development grants and assistance received by the partnership,
- (b) inventory and resource allowances deducted in computing the partnership's income,
- (c) specified government resource royalties and taxes paid by the partnership, and

(d) amounts by which the income of the partnership was increased by virtue of paragraph 12(1)(o) or subsection 69(6) or (7) of the Act.

**Energy
Conversion
Grants**

(6) That an amount paid after 1980 under a government program relating to energy conversion be included in the income of the person on whose behalf it was received or, where that person is an individual residing with his spouse, in the income of the spouse with the higher income.

**Canadian
Exploration
Expense**

(7) That the restriction on the deduction of Canadian exploration expense incurred after 1981 by individuals and non-principal-business corporations be removed.

**Canadian
Exploration
Drilling
Expenses**

(8) That Canadian exploration expense exclude drilling and related costs incurred after 1980 other than costs incurred in respect of an oil or gas well drilled in an area where a commercial accumulation of oil or gas was not previously known to exist if the well is abandoned within 12 months of its completion or if it is the first well in the area capable of production in commercial quantities.

**Prepaid
Exploration or
Development
Expense**

(9) That the provisions relating to resource expenses be amended to clarify that an amount paid after October 28, 1980 as rent or for services qualifies as exploration or development expense in a taxation year only to the extent that it relates to the use of property or to services rendered before the end of the year.

**Exploration and
Development
Grants**

(10) That for taxation years ending after 1980, the cumulative Canadian exploration expense account, cumulative Canadian development expense account and cumulative Canadian oil and gas property expense account of a taxpayer be reduced by the amount of any assistance or benefit that he has received or is entitled to receive from a government, municipality or public authority relating to exploration or development activities after 1980 or to acquisitions of property after 1980.

**Employee
Loans**

(11) That for the 1980 and subsequent taxation years,

(a) the benefit with respect to an employee loan be computed by reference to the interest rate prescribed for the year in which the interest rate on the loan was established if the terms and conditions of the loan are substantially the same as those applicable to loans made to the public by the employer, and

(b) the housing loan exemption be extended to an individual relocating to commence a new employment.

**Short-Form
Amalgamations**

(12) That with respect to a short-form amalgamation under subsection 87(1.1) of the Act after December 14, 1975,

(a) the expression "subsidiary wholly-owned corporation" of a parent corporation be defined to include a corporation all

the issued shares of which belong to the parent, to a subsidiary wholly-owned corporation of the parent or to a combination thereof, and

(b) a corporation resulting from an amalgamation involving a parent corporation be allowed to elect to be treated as a continuation of the parent for purposes of claiming resource expenses.

**Partnership
Elections**

(13) That for elections required by subsection 96(4) of the Act to be made on or before a date that is after 1977, the time stipulated for the late filing of a partnership election be extended to three years and the maximum penalty for late-filed elections made after October 28, 1980 be increased to \$4,000.

**Sale of
Property by
Non-Residents**

(14) That after Royal Assent to any measure giving effect to this paragraph, the rules in section 116 of the Act relating to the collection of tax on the disposition of taxable Canadian property be expanded to apply to the tax payable by a non-resident in respect of depreciation recapture and the disposition of a Canadian resource property.

**Child Tax
Credit**

(15) That in respect of returns for the 1980 and subsequent taxation years, the rules relating to the child tax credit provide that

(a) "eligible child" for a year be defined as a child in respect of whom an individual is entitled to receive a family allowance in January of the following year, and

(b) an individual not be entitled to claim the credit in any return of income filed under subsection 70(2), 104(23) or 150(4) or paragraph 128(2)(e) of the Act.

**Small
Business
Deduction**

(16) That

(a) for taxation years commencing after October 28, 1980, a business be connected with a corporation for the purposes of paragraph 125(9)(a) of the Act if the corporation is controlled by one or more corporations that are connected with the business, and

(b) for taxation years commencing after 1979 in respect of corporations in existence on October 23, 1979 and for taxation years commencing after October 23, 1979 in any other case, the definition "non-qualifying business" be amended to clarify that it includes a business the principal purpose of which is the leasing of property to a connected business, and the definition "specified investment business" be amended to exclude a business carried on by a credit union and to clarify that income from property includes interest, dividend, rental and royalty income.

**Manufacturing
and
Processing
Profits**

(17) That for the 1981 and subsequent taxation years, the profits derived by a corporation from the processing of heavy oil to a crude oil equivalent cease to qualify for the reduced rate of tax available to manufacturers and processors.

**Investment
Tax Credit**

(18) That the investment tax credit be modified

(a) to increase the credit to 50% for investment after October 28, 1980 and before 1986 that is certified by the Minister of Regional Economic Expansion to be on account of qualified property acquired primarily for use in a manufacturing or processing operation as defined for the purposes of the Regional Development Incentives Act in prescribed incentive areas,

(b) to ensure that for taxation years ending after November 16, 1978, a taxpayer's investment tax credit in respect of qualified transportation equipment be reduced by the portion thereof previously claimed,

(c) to deny the credit with respect to any interest and other borrowing costs capitalized in any return filed after October 28, 1980, and

(d) in the case of property used for the purpose of earning resource profits, to reduce the cost on which the credit is calculated by the amount of any related grants and assistance received after 1980.

Credit Unions

(19) That for taxation years ending after October 28, 1980,

(a) a central credit union be permitted to allocate to its member credit unions an amount not exceeding its taxable dividends and its net taxable capital gains for the year in which event a member's share of the amount so allocated shall be deductible by the member in computing its income for its taxation year during which the allocation was made and appropriate adjustments shall be made in computing the central's income for the year,

(b) the limitation on the deductibility of charitable contributions be amended to permit a credit union to deduct 20% of the amount that would be its income if no bonus interest payments or allocations in proportion to borrowing had been made in respect of the year,

(c) a credit union be permitted to deduct specified bonus interest payments made in respect of the year on members' deposits, and

(d) the definition "allocation in proportion to borrowing" be amended to eliminate the requirement that all members who pay the same rate of interest be members of the same class of borrowers,

and that after October 28, 1980, subparagraph 137(6)(b)(i) of the Act be amended to include debt obligations or deposits guaranteed by a bank or a Crown corporation and other prescribed investments, the definition "credit union" be amended to include prescribed corporations, associations or federations the majority of whose members are members described in subparagraph 137(6)(b)(ii) of the Act, and the definition "member" of a credit union include any person recorded as a member and entitled to use the services of the credit union.

**Corporate Tax
Instalments**

(20) That

(a) for taxation years commencing after October 28, 1980, prescribed rules be provided to adjust the instalment base of a corporation for any preceding year to an annual basis,

(b) the instalment base of a corporation formed as a result of an amalgamation after October 28, 1980 be determined in accordance with prescribed rules that treat the corporation as a continuation of its predecessors and that aggregate the predecessors' adjusted instalment bases, and

(c) for taxation years commencing after Royal Assent to any measure giving effect to this subparagraph, rules be provided to determine a corporation's instalment base in the case of certain reorganizations other than amalgamations.

**Pension
Benefits of
Non-Residents**

(21) That a person not be liable for the non-resident withholding tax on pension benefits paid after 1979 that are attributable to services rendered by a non-resident in a year throughout which his regular place of employment was outside Canada.

**Overseas
Canadian
Forces
School Staff**

(22) That for the 1980 and subsequent taxation years, a member of the overseas Canadian Forces school staff employed under a loan of service agreement be allowed to compute his income as a resident of Canada for all purposes of the Act except for the purpose of determining whether his income is earned in the year in a province.

Notice of Ways and Means Motion

Excise Tax Act (1)

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

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

1. That the definition "cosmetics" in subsection 2(1) of the Act be repealed and the following substituted therefor:

" "cosmetics" means goods whether possessing therapeutic or prophylactic properties or not, commonly or commercially known as toilet articles, preparations or cosmetics, that are intended for use or application for toilet purposes or for use in connection with the care of the human body, including the hair, nails, eyes, teeth or any other part or parts thereof, whether for cleansing, deodorizing, beautifying, preserving or restoring, and including toilet soaps, shaving soaps and shaving creams, skin creams and lotions, shampoos, mouth washes, oral rinses, toothpastes, tooth powders, denture creams and adhesives, antiseptics, bleaches, depilatories, perfumes, scents and similar preparations;"

2. That the definition of "manufacturer or producer" in subsection 2(1) of the Act be amended by repealing paragraph (d) thereof and substituting therefor the following:

"(d) any person who sells, otherwise than in a retail store exclusively and directly to consumers, cosmetics that were not manufactured by him in Canada, and

(e) any person who sells gasoline, diesel fuel or aviation fuel other than a person who sells such goods exclusively and directly to consumers;"

3. That a manufacturer or producer of cosmetics, gasoline, diesel fuel or aviation fuel, as defined in any enactment founded on paragraph 2 of this motion, who imports cosmetics, gasoline, diesel fuel or aviation fuel into Canada, be deemed to be the manufacturer or producer in Canada of the cosmetics, gasoline, diesel fuel or aviation fuel 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.

4. That subsection 26(1) of the Act be amended by repealing the definition "producer or manufacturer", and substituting therefor the following:

" "producer or manufacturer" includes any printer, publisher, lithographer, engraver, or commercial artist, but does not include, for purposes of this Part and the Schedules, any restaurateur, caterer or other person engaged in the business of preparing in a restaurant, centralized kitchen or similar establishment, food or drink whether or not such food or drink is for consumption on the premises;"

5. That the taxes imposed by Parts III and V of the Act not be payable on cosmetics, gasoline, diesel fuel or aviation fuel sold to or imported by a person defined in any enactment founded on paragraph 2 of this motion to be a manufacturer or producer and who is a licensed manufacturer under the Act.

6. That the Minister of National Revenue be given the authority to determine the value for tax of cosmetics for the purposes of calculating the consumption or sales tax payable by the licensed manufacturer who produced the goods in Canada where a non-resident person deemed to be the manufacturer of such cosmetics pursuant to the Act fails to apply for a licence as required by section 31 of the Act.

7. That section 10 of the Act be amended by adding thereto the following subsection:

“(4) The tax imposed by subsection (1), as determined under subsection (2), on each amount paid or payable for transportation of a person by air is not payable in the case of transportation purchased as part of a continuous journey where

(a) the journey includes a charter flight in respect of which tax is imposed under this section or section 11; and

(b) evidence of the continuous journey is submitted by the person to the licensed air carrier or his agent from whom the transportation by air is purchased.”

8. That subsection 21(2) of the Act be repealed and the following substituted therefor:

“(2) Where the goods are imported, such excise tax shall be paid by the importer or transferee who takes the goods out of bond for consumption at the time when the goods are imported or taken out of warehouse for consumption, and where the goods are manufactured or produced and sold in Canada, such excise tax shall be payable by the manufacturer or producer at the time of delivery of such goods to the purchaser thereof.”

9. That subsection 2(1) of the Act be amended by adding thereto immediately after the definition “cosmetics” the following:

“ “diesel fuel” includes any fuel oil that is suitable for use in internal combustion engines of the compression-ignition type, other than any such fuel oil that is intended for use and is actually used as heating oil;”

10. That Schedule IV of the Act be repealed and the following substituted therefor:

“ Schedule IV

1. Petroleum products, namely,
 - (a) gasoline, premium, no lead . . . 1.3 cents per litre
 - (b) gasoline, grade 1 1.2 cents per litre
 - (c) gasoline, grade 2 1.1 cents per litre

- (d) gasoline, no lead 1.1 cents per litre
- (e) diesel fuel 1.0 cents per litre

and for the purposes of this section, the expressions "gasoline, premium, no lead", "gasoline, grade 1", "gasoline, grade 2", "gasoline, no lead" and "diesel fuel" have the meanings assigned thereto by regulation of the Governor in Council."

11. That the specific rates of consumption or sales tax imposed on gasoline and diesel fuel be amended to an ad valorem rate of 9 per cent on the sale price.

12. That the 9 per cent ad valorem consumption or sales tax be imposed on fuel which has been purchased or imported exempt from tax for heating or lighting and is subsequently sold or used for a purpose for which the fuel could not have been so purchased or imported exempt from tax, and that the tax be payable, in the case of a sale, by the person who sells the fuel at the time of delivery to the purchaser, and in the case of an appropriation for use, by the person who so uses the fuel at the time of such appropriation for use.

13. That the Minister of National Revenue be authorized to determine the value for tax of fuel on which a tax is imposed pursuant to any enactment founded on paragraph 12 of this motion.

14. That section 12.1 of Schedule I of the Act be repealed and the following substituted therefor:

"12. Gasoline and aviation gasoline..1.5 cents per litre."

15. That

(a) the excise tax on gasoline and the consumption or sales tax on gasoline and diesel fuel be payable not later than at the time of delivery to a retail outlet, and

(b) where gasoline or diesel fuel was held in inventory at a retail outlet and the consumption or sales tax on such gasoline or diesel fuel or the excise tax on gasoline had not been paid or become payable on or before November 16, 1978, the said gasoline or diesel fuel be deemed to have been delivered to the purchaser thereof on November 17, 1978.

16. That authority be provided for the Minister of National Revenue to pay to the purchaser, or in accordance with such terms and conditions as the Governor in Council may by regulation prescribe, to the manufacturer, producer, wholesaler, jobber or other dealer, an amount equal to the excise tax paid on aviation gasoline purchased for the sole use of

(a) the purchaser in the provision of public air transportation of passengers, freight or mail,

(b) the purchaser in the provision of air services directly related to

(i) exploration and development of natural resources,

- (ii) aerial spraying, seeding and pest control,
- (iii) forestry,
- (iv) fish cultivation,
- (v) aerial construction operations using rotating wing aircraft,
- (vi) aerial fire control, fire protection and fire fighting, or
- (vii) map making operations, or

(c) a person engaged in the business of testing aircraft engines,

and not for resale or any other use.

17. That subsections 47(2) and (4) of the Act be extended to apply to payments in respect of aviation gasoline.

18. That the time period be specified within which any amount owing to Her Majesty in right of Canada as a result of an overpayment of an amount to a taxpayer or other person in respect of a tax payable under any Part of this Act other than Part I shall be payable, that the said amount be deemed to be a tax owing to Her Majesty and that a penalty be imposed upon default in payment of the said amount within the time limit so specified.

19. That the excise tax on gasoline or aviation gasoline not be payable in the case of gasoline or aviation gasoline sold to a person to whom a bulk permit has been issued under regulations made by the Governor in Council for use by the person for purposes for which an amount equal to the tax imposed would otherwise be payable by the Minister to the purchaser pursuant to subsection 47(1).

20. That authority be provided for the Governor in Council to make regulations concerning

(a) the issue of bulk permits

(i) to users of gasoline described in subsection 47(1) who use these goods for a purpose or in circumstances described in that subsection, and

(ii) to users of aviation gasoline described in any enactment founded on paragraph 16 of this motion who use these goods for a purpose or in circumstances described in any enactment founded on paragraph 16 of this motion,

(b) the keeping of records and the filing of returns by persons to whom permits have been issued, and

(c) the cancellation of such permits.

21. That where a person to whom a bulk permit has been issued, sells or uses gasoline or aviation gasoline on which the excise tax has not been paid, for a purpose for which it could not have been purchased exempt from such tax, the

tax that would have been payable at the time of purchase be payable by him at the time he so sells or uses the gasoline or aviation gasoline.

22. That a person who submits false or deceptive tax recovery claims be guilty of an offence and liable to a penalty.

23. That the excise taxes imposed on wines under sections 24 and 25 of the Act be repealed and the following excise taxes be imposed on all wines produced in Canada or imported:

(a) during the period commencing on April 22, 1980 and ending on October 28, 1980,

(i) on wines of all kinds containing not more than seven per cent of absolute alcohol by volume ... sixty cents per gallon;

(ii) on wines of all kinds containing more than seven per cent but not more than fourteen per cent of absolute alcohol by volume ... one dollar and twenty-five cents per gallon; and

(iii) on wines of all kinds containing more than fourteen per cent of absolute alcohol by volume ... three dollars per gallon;

(b) during the period commencing on October 29, 1980 and ending on March 30, 1981,

(i) on wines of all kinds containing not more than seven per cent of absolute alcohol by volume ... sixty cents per gallon; and

(ii) on wines of all kinds containing more than seven per cent of absolute alcohol by volume ... one dollar and twenty-five cents per gallon; and

(c) on and after March 31, 1981,

(i) on wines of all kinds containing not more than seven per cent of absolute ethyl alcohol by volume ... thirteen and two-tenths cents per litre; and

(ii) on wines of all kinds containing more than seven per cent absolute ethyl alcohol by volume ... twenty-seven and five-tenths cents per litre.

24. That the excise taxes on wines be payable in the case of imported wines by the importer when the goods are entered into Canada, in the case of domestic wines by the manufacturer or producer when the goods are delivered to the purchaser or taken by the manufacturer or producer for his own use, and in the case of wines purchased or imported by a licensed wholesaler who is deemed by subsection 32(1.1) of the Act to be a bona fide wholesaler or jobber, by such person when the goods are delivered by him to the purchaser or taken for his own use.

25. That the excise taxes imposed by Part IV of the Act not be payable in the case of goods that are purchased or imported by a manufacturer licensed for the purposes of Part III of the Act or under section 129 of the Excise Act, and that

are to be incorporated into and form a constituent or component part of an article or product that is subject to an excise tax under the Act.

26. That for the purposes of the consumption or sales tax imposed on domestic and imported wines, the definition of sale price be amended to include the excise taxes imposed on wines.

27. That a person who processes photographic film supplied to him by his customer or who produces a print, negative, transparency or similar product from a good supplied to him by his customer, be deemed to be the manufacturer or producer of the goods resulting from such processing or producing operations and be liable for the 9 per cent consumption or sales tax on the charge he makes for these services to his customer.

28. That the ad valorem consumption or sales tax be imposed at the following rates:

(a) twelve per cent on the sale price of wines and goods on which a duty of excise is imposed under the Excise Act or would be imposed under that Act were the goods produced or manufactured in Canada,

(b) five per cent on the sale price of goods enumerated in Schedule V, and

(c) nine per cent on the sale price of all other goods to which subsection 27(1) of the Act presently applies.

29. That the consumption or sales tax imposed on goods produced or manufactured in Canada for use by the producer or manufacturer be payable at the time the goods are appropriated for use.

30. That the authority to make regulations exempting any class of small manufacturer or producer from payment of the consumption or sales tax on goods manufactured or produced by them, be vested in the Governor in Council, on the joint recommendation of the Minister of Finance and the Minister of National Revenue.

31. That the Minister of National Revenue be given the authority to require, by registered letter or demand served personally, the production of any book, record or information from any person for any purpose related to the administration or enforcement of the Act and that a penalty be imposed upon failure to comply with the requirement.

32. That where, at the date of issuance of a licence, a person has tax-paid new or unused goods in inventory that he would have been authorized to purchase, pursuant to subsection 21(2.3), 21(3), 21(3.1) or 27(2) without payment of the consumption or sales tax or an excise tax under his licence had he been licensed at the time of purchase, the Minister of National Revenue be authorized to grant, in such manner as he may prescribe, a deduction, refund or payment of an amount equal to the lesser of the tax actually paid at the time of purchase of the goods and the tax that would have been payable had the goods been acquired at the date of issue of the licence.

33. That the provisions relating to drawback of taxes imposed by the Act be amended to increase the drawback from ninety-nine to one hundred per cent.

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

35. That the references to "registered mail" or "registered letter" in subsections 52(4), 52(6), 52(8) and 52(10) of the Act be extended to include a letter, notice or other document that is served personally.

36. That any requirement for a person to pay moneys, otherwise payable to a licensee or other person, to the Receiver General on account of the licensee's or other person's liability under Parts II to VI of the Act, be made applicable to all future moneys which may become payable by that person to the licensee or other person, until such time as the liability under the Act is satisfied.

37. That the references to "licensee" in subsections 52(6), 52(7), 52(8) and 52(10) of the Act and any enactment founded on paragraph 36 of this motion, be extended to apply to any person indebted to Her Majesty pursuant to Parts II to VI of the Act.

38. That the requirement to keep books and records in subsection 57(1) of the Act be extended to apply to any person who applies for a deduction from or a refund or drawback of any tax paid, or any other payment, under the Act.

39. That the provisions of subsection 57(8) of the Act relating to assessments for failure to keep records or books of account, be extended to apply to a person who has failed to apply for a licence as required pursuant to the Act.

40. That subsection 59(4) of the Act be repealed.

41. That the penalty for wilful attempt to evade or defeat any tax imposed by the Act be modified to impose a fine of not more than twelve thousand dollars or imprisonment for a term of not more than twelve months or both a fine and imprisonment.

42. That the 5 per cent excise tax on large motorcycles and the 10 per cent excise tax on boat motors exceeding twenty horsepower and on aircraft, be repealed.

43. That the exemption for coverings or containers in Part I of Schedule III to the Act, other than for those listed in paragraphs 1(a) to (k), be limited to coverings or containers purchased or imported by manufacturers or producers for use exclusively in covering or containing goods of their own manufacture or production which are not subject to the consumption or sales tax.

44. That the exemption for coverings and containers listed in paragraphs 1(a) to (k) of Part I of Schedule III to the Act be amended by repealing the exemption for bags for packaging fruits and vegetables and for plastic bags for milk or cream and by adding an exemption for cartons for eggs.

45. That the exemption from the consumption or sales tax for portrait photographs of individuals be repealed.

46. That the exemption from consumption or sales tax of twenty-five per cent of the sale price or duty paid value, as the case may be, of trailers for use as homes, be repealed.

47. That the following goods be made exempt from the consumption or sales tax:

- (a) blast furnace slag and boiler slag, not further processed than crushed and screened;
- (b) fifth wheel dollies designed to convert semi-trailers and tractor trailers to full trailers for highway towing purposes;
- (c) devices designed to convert sound to light signals for use by the deaf, when purchased on the written order of a registered medical practitioner; and
- (d) solar water heaters.

48. That paragraphs (1)(p) and (q) of Part XIII of Schedule III to the Act be repealed and the following substituted therefor:

- “(p) photocopiers and other office type reproduction equipment for use by persons exempted from consumption or sales tax under subsection 31(2) and whose principal business is other than printing; office equipment;
- (q) motor vehicles except those described in paragraphs (e) and (h); or
- (r) goods for use by persons exempt from payment of consumption or sales tax under subsection 31(2), other than those persons prescribed by regulation of the Governor in Council.”

49. That section 6 of Part XVII of Schedule III to the Act be repealed and the following goods be made exempt from the consumption or sales tax:

aircraft, parts and equipment therefor, purchased or imported for use exclusively in the provision of

- (i) public air transportation of passengers, freight or mail; or
- (ii) air services directly related to the exploration and development of natural resources, aerial spraying, seeding and pest control, forestry, fish cultivation, aerial construction operations using rotating wing aircraft, aerial fire control, fire protection and fire fighting or map making operations.

50. That the exemption from the consumption or sales tax for parts and equipment designed for permanent installation or installed on the tax exempt goods mentioned in section 1 of Part XVII of Schedule III to the Act be limited to those parts and equipment designed to facilitate the carriage and handling of freight.

51. That section 5 of Part XVIII of Schedule III to the Act be repealed and the following substituted therefor

(a) during the period commencing on November 17, 1978 and ending on March 31, 1981:

“5. Thermal insulation materials designed exclusively for insulation of buildings and having a thermal resistance as installed (R value) greater

than 2.4 per inch of material, but not including board and sheet materials of a thickness that provides a total thermal resistance of less than 3."

and

(b) on and after April 1, 1981:

"5. Thermal insulation materials designed exclusively for insulation of buildings and having a thermal resistance as installed (RSI value) greater than 16.64 per metre of material, but not including board and sheet materials of a thickness that provides a total thermal resistance of less than 0.528 RSI."

52. That section 7 of Part XVIII of Schedule III to the Act be repealed.

53. That a person

(a) who assembles, blends, mixes, cuts to size, dilutes, bottles, packages, repackages or otherwise prepares goods for sale other than a person who so prepares goods in a retail store for the purpose of sale in that store exclusively and directly to consumers, or

(b) who has any of these operations performed on his behalf,

be included as a producer or manufacturer for the purposes of the Act.

54. That for purposes of calculating the consumption or sales tax, there may be excluded from the sale price, under such circumstances as the Governor in Council may by regulation prescribe, an amount representing

(a) costs of erection or installation incurred by the manufacturer or producer where the goods are sold at a price that includes erection or installation, and

(b) costs of transportation incurred by the manufacturer or producer in delivering goods from his premises to the purchaser where the price includes delivery,

determined in such manner as the Governor in Council may by regulation prescribe.

55. That the time limit for the sale or importation, exempt from the consumption or sales tax in the case of conversion parts and kits for use in converting retail scales to the metric system, and partially exempt from consumption or sales tax in the case of metric retail scales, be extended to December 31, 1983.

56. That sections 2, 3, 4, 5 and 8 of Part III of Schedule III to the Act and all that portion of Part III of Schedule III to the Act after section 9 thereof be repealed and the following substituted therefor:

"2. Chalkboards, tackboards, desks, tables and chairs, not including upholstered chairs, when sold to or imported by educational institutions for their own use and not for resale, and articles and materials for use exclusively in the manufacture of the tax exempt goods specified in this section.

3. The following printed matter:

(a) college and school annuals; unbound literary papers regularly issued at stated intervals not less frequently than four times yearly; sheet music;

(b) magazines and newspapers not including:

(i) cultural, entertainment, sports or like publications that serve as programs;

(ii) magazines that are not issued regularly at stated intervals or that are so issued but at stated intervals less frequently than four times yearly,

(iii) any single issue of a magazine if

(A) more than ninety per cent of the space therein is devoted to advertising, or

(B) more than seventy per cent of the aggregate space in the four issues of the magazine immediately preceding that issue is devoted to advertising, and

(iv) any single issue of a newspaper if

(A) more than ninety per cent of the space therein is devoted to advertising, or

(B) more than seventy per cent of the aggregate space in more than fifty per cent of the issues of the newspaper in the three months immediately preceding the date of that issue is devoted to advertising,

(c) manuscripts,

(d) national manufacturing, industrial or trade directories,

(e) printed books that contain no advertising and are solely for educational, technical, cultural or literary purposes,

but excluding albums, biographical, financial or statistical surveys and reports, books for writing or drawing upon, catalogues, colouring books, directories of all kinds not mentioned in this section, fashion books, guide books, periodic reports, price lists, rate books, timetables, year books, any other similar printed matter and any printed matter or class of printed matter as may be designated by the Governor in Council.

4. Articles and materials for use exclusively in the manufacture or production of the tax exempt printed matter mentioned in section 3 but excluding advertising supplements and advertising inserts that are for distribution in two or more separate magazines or newspapers or are supplied by or on behalf of the advertiser to the publisher of the magazine or newspaper.

57. That where a price or duty paid value threshold is a condition for exemption from consumption or sales tax for goods specified in Part XII, XVI or XVII of Schedule III to the Act that threshold be raised to \$2,000.

58. That the taxes imposed by Parts III and IV of the Act not apply to the following:

- (a) goods for placement as exhibits in public museums, public libraries, universities, colleges or schools and not for sale,
- (b) goods (other than spirits or wines) manufactured or produced more than one hundred years prior to the date of importation or sale, and
- (c) goods enumerated in tariff item 69005-1, 70000-1, 70200-1, 70305-1, 70306-1, 70310-1, 70311-1, 70312-1, 70313-1, 70320-1, 70405-1, 70505-1 or 70800-1 in Schedule A to the Customs Tariff.

59. That subsections 29(4) and (6) of the Act be repealed.

60. That subsection 44(5) of the Act be repealed.

61. That section 9 of Part III of Schedule III to the Act be repealed and the following substituted therefor:

"9. Printed matter for use by school boards, schools and universities and not for sale, and articles and materials for use exclusively in the manufacture or production of such printed matter."

62. That section 10 of Part IV of Schedule III to the Act be repealed and the following substituted therefor:

"10. Fertilizers and materials for use exclusively in the manufacture thereof."

63. That sections 6, 7 and 9 of Part IX of Schedule III to the Act be repealed and the following substituted therefor:

"5. Fishing nets and nettings of all kinds; specially designed needles for use in repairing fishing nets; metal panel devices for use in keeping nets open; metal swivels; fish hooks, lures, jiggers and artificial baits; sinkers and floats including trawl kegs; threads, twine, marlines, fishing lines, rope and cordage; carapace measures; all the foregoing for use in commercial fishing, or in the commercial harvesting of marine plants; none of the foregoing for sports fishing purposes; articles and materials for use in the manufacture, preservation or repair of the tax exempt goods specified in this section."

64. That section 3 of Part XVII of Schedule III to the Act be repealed and the following substituted therefor:

"3. Railway locomotives and railway rolling stock including equipment specially designed for movement on railway tracks; rail flaw detector apparatus for testing rail in railway tracks."

65. That the tax imposed by section 27 of the Act not apply to the sale or importation of the following articles:

- (a) books purchased or imported by public libraries;
- (b) directories purchased or imported by free reference libraries;
- (c) bells of all kinds and bell operating equipment; parts therefor; the foregoing when for use in churches only;
- (d) astronomical, geographical and topographical globes;
- (e) utensils, instruments and other apparatus that are designed for use in classroom instruction and that are to be employed directly in teaching or research for more than 50% of the time they are in use; scientific preparations for use directly in teaching or research; specimens, anatomical preparations and skeletons; scientific apparatus and ancillary equipment thereto; scientific utensils and instruments; glassware for laboratory or scientific uses; parts of the foregoing; all of the foregoing for the use of public libraries, public museums or institutions established solely for educational or scientific purposes, and not for sale or rental; articles and materials for use exclusively in the manufacture of the foregoing;
- (f) maps, charts, diagrams, posters, motion picture films, filmstrips, micro-films, slides and other photographic reproductions and pictorial illustrations; reproductions of works of art; sound and video recordings; models, static or moving; parts of the foregoing; all of the foregoing for use by public libraries, public museums or institutions established solely for educational, scientific or religious purposes, and not for sale or rental; articles and materials for use exclusively in the manufacture of the foregoing;
- (g) goods for placement as exhibits in public museums, public libraries, universities, colleges or schools and not for sale;
- (h) goods (other than spirits or wines) manufactured or produced more than one hundred years prior to the date of importation or sale;
- (i) animal semen;
- (j) (i) roofs, chutes, ladders, wall sections with or without doors incorporated therein, materials and parts therefor; all of the foregoing for the construction or repair of silos for storing ensilage, or of tanks or vessels for storing farm animal or poultry excreta,
 - (ii) agricultural machinery and parts therefor,
 - (iii) aluminum sluice-type devices for controlling water in irrigation ditches; bird scaring devices but not including recorders or reproducers therefor; farm implements and farm equipment; spraying and dusting machines and attachments therefor; parts of all the foregoing; all the foregoing when for use on the farm for farm purposes only,
 - (iv) articles and materials for use exclusively in the manufacture of the tax exempt goods mentioned in this subparagraph;

(k) (i) artificial limbs, with or without power, and all accessories and devices therefor; spinal and other orthopedic braces; specially constructed appliances made to order for a person having a crippled or deformed foot or ankle; parts of the foregoing,

(ii) aural, nasal, mastectomy and other medical or surgical prostheses; materials for use in reconstructive surgery; ileostomy, colostomy and urinary appliances or similar articles designed to be worn by an individual; articles and materials, not including cosmetics, necessary for the proper application and maintenance of the foregoing,

(iii) canes and crutches designed for use by the handicapped including attachments, accessories and parts therefor,

(iv) surgical and dental instruments of any material; surgical needles; clinical thermometers and cases therefor; X-ray apparatus and X-ray film; microscopes valued at not less than fifty dollars each, retail; parts of the foregoing; electric light lamps designed for use with the foregoing,

(v) articles and materials for use exclusively in the manufacture or production of the tax exempt goods mentioned in this subparagraph;

(l) articles and materials to be used in Canada for the construction of bridges and tunnels crossing the boundary between the United States and Canada;

(m) postage stamps; medals, trophies and other prizes, not including usual merchantable goods, won abroad in competitions or bestowed, received or accepted abroad, or donated by persons or organizations abroad, for heroic deeds, valour or distinction;

(n) paintings, drawings and pastels by artists, all of the foregoing when valued at not less than twenty dollars each;

(o) original sculptures and statuary; the first twelve replicas thereof; assemblages; all the foregoing when produced by a professional artist and valued at not less than seventy-five dollars each;

(p) hand-woven tapestries or handmade appliqués, suitable only for use as wall hangings, valued at not less than two hundred and fifteen dollars per square metre;

(q) articles specially designed for the use of the blind when for use by blind persons and purchased or imported by, or on the order or certificate of, the Canadian National Institute for the Blind, or any other bona fide institution or association for the blind.

66. That sections 1 to 4 of Part VII of Schedule III to the Act be repealed and the following substituted therefor:

"1. Goods enumerated in tariff item 69210-1, 69900-1, 70100-1 or 70815-1 in Schedule A to the Customs Tariff.

2. Goods enumerated in tariff item 69005-1, 70000-1, 70200-1, 70305-1, 70306-1, 70310-1, 70311-1, 70312-1, 70313-1, 70320-1, 70405-1, 70505-1 or 70800-1 in Schedule A to the Customs Tariff."

67. That the exemption from the consumption or sales tax for diesel fuel oil used in internal combustion engines engaged in logging operations and in the manufacture of rough lumber, for fuel consumed directly in the testing of engines by manufacturers or producers of such engines and for fuel consumed directly in the testing of aircraft engines be repealed.

68. That every person licensed under Parts III to V of the Act be required to submit annually a report in such form as may be prescribed by the Minister of National Revenue containing information on his sales and taxes paid and any other information as may be prescribed by the Minister of National Revenue.

69. That other than in the case of fraud, wilful default or negligence, no proceedings be commenced to recover a tax or sum payable under the Act, other than under Part I, after four years from the time the tax or sum ought to have been accounted for and paid except where an audit or inspection of the books and records of account of the person required to pay the tax or sum is commenced, or deferred at the request of that person, within the said four year period.

70. That where a tax refund or deduction results from a declaration of the Tariff Board, an order or judgment of any other court of competent jurisdiction or a decision of the Minister of National Revenue respecting the application of the Act, the refund or deduction in respect of taxes paid prior to such declaration, order, judgment or decision shall only be made if an application is made therefor within twelve months after the later of the time the taxes were payable or the time the refund or deduction first became payable, and that all applications for a tax refund or deduction under the Act shall be in such form and in such manner as the Minister may prescribe.

71. That the taxes imposed by the Act be payable by a licensed wholesaler on the goods which he has obtained tax free by virtue of his licence and which he has given away without charge.

72. That the provisions of the Act, other than those relating to wines and tobacco products, that contain references to avoirdupois or Imperial units of measure be converted to metric units of measure and the values rounded.

73. That paragraph 1(b) of Schedule II to the Act be repealed and the following substituted therefor:

"(b) Manufactured tobacco, including snuff, but not including cigars and cigarettes ... one dollar and ninety-eight cents per kilogram."

74. That the excise taxes imposed on wines be adjusted quarterly on the first day of January, April, July and October of each year so that the tax rates applicable during the quarter commencing on any such adjustment date are equal to the rounded product of the tax rates that would have been applicable if no adjustment had been made pursuant to any enactment founded on this paragraph and the ratio, adjusted or altered in such manner as may be prescribed by regulation

of the Governor in Council and rounded, that the Alcoholic Beverages Subgroup of the Consumer Price Index for the 12 month period ending on the last day prior to the immediately preceding quarter bears to the Alcoholic Beverages Subgroup of the Consumer Price Index for the 12 month period ending on September 30, 1980.

75. That the excise taxes imposed on tobacco products other than cigars be adjusted quarterly on the first day of January, April, July and October of each year so that the tax rates applicable during the quarter commencing on any such adjustment date are equal to the rounded product of the tax rates that would have been applicable if no adjustment had been made pursuant to any enactment founded on this paragraph and the ratio, adjusted or altered in such manner as may be prescribed by regulation of the Governor in Council and rounded, that the Tobacco Products and Smokers' Supplies Subgroup of the Consumer Price Index for the 12 month period ending on the last day prior to the immediately preceding quarter bears to the Tobacco Products and Smokers' Supplies Subgroup of the Consumer Price Index for the 12 month period ending on September 30, 1980.

76. That the tax imposed on the transportation of a person by air that begins in the taxation area and ends outside the taxation area be increased to \$12.50 or such lesser amount as may be prescribed by order of the Governor in Council.

77. That

(a) for purposes of subsection 10(1) of the Act, transportation by air begins at a point in the taxation area and ends at a point in the taxation area if no departure, destination or intermediate stop occurs outside the taxation area;

(b) for purposes of subsection 10(1.1) of the Act, transportation by air begins at a point in the taxation area and ends at a point in the taxation area if no departure, destination or intermediate stop occurs outside the taxation area and the transportation includes at least one departure from a point in Canada;

(c) for purposes of subsection 11(1) of the Act, transportation by air begins at a point in the taxation area and ends at a point outside the taxation area if the transportation or any part of the transportation includes a departure from a point in the taxation area to a destination outside the taxation area;

(d) for purposes of subsection 11(1.1) of the Act, transportation by air begins at a point in the taxation area and ends at a point outside the taxation area if the transportation or any part of the transportation includes a departure from a point in Canada to a destination outside the taxation area, whether or not there are any intermediate stops; and

(e) for purposes of Part II of the Act, "departure, destination or intermediate stop" does not include a transfer stop and "departure from a point" does not include a departure resulting from a transfer stop.

78. That subsection 10(1) of the Act be repealed and the following substituted therefor:

"10(1) There shall be imposed, levied and collected an air transportation tax determined under subsections (2) and (3) on each amount paid or payable

in Canada for transportation of a person by air where such transportation begins at a point in the taxation area and ends at a point in the taxation area."

79. That paragraph 18(d) of the Act be repealed.

80. That an application in writing for a deduction, refund or payment of taxes or moneys cease to have effect ninety days after either the deduction, refund or payment is made or a notice of the Minister's rejection of the application is sent except where an appeal from the Minister's decision is made to the Tariff Board or Federal Court within those ninety days.

81. That the definition "partly manufactured goods" in subsection 26(1) of the Act be repealed and the following substituted therefor:

" "partly manufactured goods" means

(a) goods that are to be incorporated into or form a constituent or component part of an article that is subject to the consumption or sales tax, or

(b) goods that are to be assembled, blended, mixed, cut to size, diluted, bottled, packaged, repackaged or otherwise prepared for sale as an article that is subject to the consumption or sales tax, other than goods that are so prepared in a retail store for sale in that store exclusively and directly to consumers;

and the Minister is the sole judge as to whether or not goods are "partly manufactured goods" within the meaning of this definition."

82. That goods imported by a person referred to in any enactment founded on paragraph 53 of this motion that are assembled, blended, mixed, cut to size, diluted, bottled, packaged, repackaged or otherwise prepared for sale by that person, be deemed to be goods produced or manufactured in Canada and not imported goods.

83. That subsection 26(3) of the Act be repealed.

84. That any enactment founded on

(a) paragraphs 8, 14 to 17, 28, 42, 46, 47(c) and (d), 48, 51 and 52 be effective on November 17, 1978, except that any enactment founded on paragraph 14 shall be read and construed in the case of the period commencing on November 17, 1978 and ending on December 31, 1978, as if the reference to 1.5 cents per litre therein were a reference to 7 cents per gallon;

(b) paragraph 10 be effective on January 1, 1979;

(c) paragraph 29 be effective on April 1, 1975;

(d) paragraph 7 be effective on April 1, 1979;

(e) paragraph 40 be effective on November 17, 1978, but any enactment based on this paragraph not apply in respect of taxes paid more than one year preceding that day;

(f) paragraphs 1 to 6, 9, 11 to 13, 23 to 27, 32, 34, 43 to 45, 47(a) and (b), 49 and 50, be effective on April 22, 1980;

(g) paragraphs 72, 74 and 75 be effective on April 1, 1981;

(h) paragraphs 55, 56, 57, 67, 68, 71 and 80 be effective on October 29, 1980;

(i) paragraphs 53, 58 to 66, 81 and 82 be effective on January 1, 1981;

(j) paragraph 70 be effective with respect to applications for a tax refund or deduction made on or after October 29, 1980;

(k) paragraph 76 be effective on April 1, 1981 in the case of a tax imposed on an amount paid or payable in Canada, and on July 1, 1981 in respect of emplanements on and after that date in the case of any tax imposed on an amount paid or payable outside Canada;

(l) paragraphs 77, 78 and 79 be effective on November 1, 1977; and

(m) paragraph 73 be effective on March 31, 1981.

Notice of Ways and Means Motion

Excise Tax Act (2)

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

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

1. That a tax be imposed, levied and collected,
 - (a) on each gigajoule of marketable pipeline gas received by a distributor, payable to the Minister of National Revenue, by the distributor, at the time when the gas is received;
 - (b) on each gigajoule of marketable pipeline gas, received by a consumer in Canada from a gas producer, broker or anyone for or on behalf of the gas producer or broker, payable to the Minister of National Revenue by the consumer at the time when the gas is receivedat the rate of
 - (c) 28 cents per gigajoule of gas received after October 31, 1980, and before July 1, 1981;
 - (d) 42 cents per gigajoule of gas received after June 30, 1981 and before January 1, 1982;
 - (e) 56 cents per gigajoule of gas received after December 31, 1981 and before January 1, 1983; and
 - (f) 70 cents per gigajoule of gas received after December 31, 1982.
2. That a tax be imposed, levied and collected, on each cubic metre of natural gas liquids following its production in a gas processing plant, or a gas reprocessing plant, received by a person for removal from the plant, payable upon receipt, by the person who owns the natural gas liquids at the first time when it is so received at the rate of
 - (a) on ethane,
 - (1) \$5.18 per cubic metre of ethane received after October 31, 1980 and before July 1, 1981;
 - (2) \$7.76 per cubic metre of ethane received after June 30, 1981 and before January 1, 1982;
 - (3) \$10.35 per cubic metre of ethane received after December 31, 1981 and before January 1, 1983; and

(4) \$12.94 per cubic metre of ethane received after December 31, 1982;

(b) on propane,

(1) \$7.11 per cubic metre of propane received after October 31, 1980 and before July 1, 1981;

(2) \$10.66 per cubic metre of propane received after June 30, 1981 and before January 1, 1982;

(3) \$14.22 per cubic metre of propane received after December 31, 1981 and before January 1, 1983, and

(4) \$17.77 per cubic metre of propane received after December 31, 1982;

(c) on butanes,

(1) \$7.93 per cubic metre of butanes received after October 31, 1980 and before July 1, 1981;

(2) \$11.90 per cubic metre of butanes received after June 30, 1981 and before January 1, 1982;

(3) \$15.86 per cubic metre of butanes received after December 31, 1981 and before January 1, 1983, and

(4) \$19.83 per cubic metre of butanes received after December 31, 1982; and

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

3. That the tax imposed by the said measure be binding on Her Majesty in right of Canada and in right of any province.

4. That for the purposes of the said measure

(a) broker be defined as a person, other than a gas producer or a distributor, who carries on the business of buying and selling marketable pipeline gas;

(b) consumer be defined as a person who uses marketable pipeline gas

(i) as a fuel or energy source,

(ii) in the manufacture of products of trade and commerce, or

(iii) for any other purpose other than resale;

(c) distributor be defined as a person, other than a gas producer, who carries on the business of selling marketable pipeline gas in Canada, and whose

volume of sales of such gas, in a three month period; to consumers in Canada, is at least 50% of his total sales other than sales to provincial marketing agencies, and for greater certainty include any person designated by regulations made by the Governor in Council to be a distributor;

(d) gas be defined as any hydrocarbon or mixture of hydrocarbons that, at a temperature of 15 degrees Celsius and a pressure of 101.325 kilopascals, is in a gaseous state and is recovered from a natural reservoir in Canada;

(e) gas processing plant be defined as an installation in Canada at which natural gas liquids and other components are removed from gas through field scrubbers, separators or other field extraction facilities;

(f) gas producer be defined as a person who has the right to take or remove gas from a natural reservoir in Canada, and include an operator;

(g) gas reprocessing plant be defined as an installation in Canada at which natural gas liquids are removed from marketable pipeline gas;

(h) licensee be defined as a person to whom a licence for tax purposes has been granted by the Minister of National Revenue;

(i) marketable pipeline gas be defined as gas other than

(i) natural gas liquids,

(ii) gas reinjected into a natural reservoir in Canada for purposes other than storage, or

(iii) gas used in a gas processing plant or in a gas reprocessing plant;

(j) natural gas liquids be defined as ethane, propane, butanes, or any mixtures thereof produced from gas at a gas processing plant or from marketable pipeline gas at a gas reprocessing plant;

(k) operator be defined as a person who operates in Canada

(i) a well or a group of wells from which gas is produced, extracted or recovered, or

(ii) a gas processing plant or a gas reprocessing plant,

and include such other persons as may be designated by regulations made by the Governor in Council to be an operator;

(l) natural reservoir in Canada have the meaning it has in the Petroleum Administration Act.

5. That where any marketable pipeline gas, in respect of which no tax has been paid under the said measure, is exported from Canada for use outside Canada, pursuant to a licence issued by the National Energy Board under Part VI of the National Energy Board Act, or pursuant to any other authority under that Act, the exporter be deemed to be the distributor of the gas so exported and to have received that gas at the time it was exported by him.

6. That for purposes of the said measure,

(a) where a gas producer or broker consumes any marketable pipeline gas, he be deemed to be the distributor of the gas so consumed and to have received it at the time the gas was appropriated for use;

(b) where marketable pipeline gas, on which no tax has been paid under the said measure is received for export on behalf of a distributor, broker or gas producer, and that gas is in exchange for natural gas of foreign origin delivered in Canada, the distributor, broker or gas producer on whose behalf the gas is received be deemed to be the distributor of that gas and to have received it at the time it is received for export; and

(c) where marketable pipeline gas on which no tax has been paid under the said measure is received by a person other than a distributor at the direction of or on behalf of a distributor, the distributor be deemed to have received the gas at the time it is received by that person.

7. That in the case of

(a) the tax imposed by the said measure on each gigajoule of marketable pipeline gas received by a consumer from a gas producer or broker, or any person on behalf of the gas producer or broker, the gas producer or broker, as the case may be, be an agent of the Minister of National Revenue and levy and collect any tax imposed by the said measure on the receipt of the gas by the consumer;

(b) the tax imposed by the said measure on each cubic metre of natural gas liquids received by a person for removal from the plant, the operator of the gas processing plant or gas reprocessing plant in which the natural gas liquids were produced, be the agent of the Minister of National Revenue and levy and collect any tax imposed by the said measure on the receipt of the natural gas liquids by the person.

8. That for purposes of administration of the said measure, and payment and collection of the taxes imposed thereby

(a) every gas producer, broker, and distributor be required to make application for a licence;

(b) every licensee be required to make each month a true return of all his taxable receipts of gas and of all amounts paid or payable to or by him by way of tax imposed by the said measure for the last preceding month, and to include such other information and in such form as the Minister may require;

(c) the return be filed and the taxes imposed by the said measure that are payable, collected or collectible by the licensee be remitted not later than the last day of the first month succeeding that in which the amounts were paid or became payable;

(d) the Minister of National Revenue be authorized to determine, in respect of any well or group of wells from which gas is produced, extracted or recovered, the operator who for purposes of collecting the tax imposed by the

said measure will be considered to be the gas producer for any gas transaction relating to gas from that well or group of wells;

(e) penalties be established for breach of provisions of the said measure; and

(f) the Governor in Council be authorized to make regulations for the purposes of carrying out the said measure.

9. That all that portion of Section 42 of the Act preceding paragraph (a) thereof be repealed and the following substituted therefor:

"42. No tax imposed by this Act, other than by Part IV.1 thereof, shall be levied or collected if evidence satisfactory to the Minister is produced to establish"

10. That subsection 52(4) of the Act be repealed and the following substituted therefor:

"(4) Any amount payable in respect of taxes, interest and penalties under Part II or Parts III to VI, remaining unpaid whether in whole or in part after fifteen days from the date of the sending by registered mail of a notice of arrears addressed to the licensed air carrier, taxpayer or person licensed for the purposes of Part IV.1, as the case may be, may be certified by the Deputy Minister of National Revenue for Customs and Excise and on the production to the Federal Court of Canada or a judge thereof or such officer as the Court or a judge thereof may direct, the certificate shall be registered in that Court and shall, from the date of such registration, be of the same force and effect, and all proceedings may be taken thereon, as if the certificate were a judgment obtained in that Court for the recovery of a debt of the amount specified in the certificate, including penalties to date of payment as provided for in Part II or Parts III to VI, and entered upon the date of such registration, and all reasonable costs and charges attendant upon the registration of such certificate are recoverable in like manner as if they were part of such judgment."

11. That subsection 53(2) of the Act be repealed and the following substituted therefor:

"(2) In any prosecution for an offence under this Act or in any other proceedings for the recovery of any penalty incurred under this Act, an affidavit of an officer of the Department of National Revenue, sworn before a commissioner or other person authorized to take affidavits, setting out that he has charge of the appropriate records and that after a careful examination and search of the records he has found that during the period stated in the affidavit a person was the holder of a licence granted under or in respect of Part II, III, IV, IV.1 or V, is evidence that such person was during that period the holder of such licence."

12. That paragraph 44(1)(e) of the Act not apply to taxes imposed by the said measure.

13. That any enactment implementing the said measure be effective on November 1, 1980 except that in the case of any marketable pipeline gas

exported after October 31, 1980 and before February 1, 1981, from Canada for use outside Canada pursuant to a licence issued by the National Energy Board under Part VI of the National Energy Board Act, or pursuant to any other authority under that Act, the enactment founded on paragraph 5 apply only to marketable pipeline gas exported from Canada for use outside Canada in the process of transporting marketable pipeline gas to Canada through a pipeline.

**Notice of Ways
and Means Motion**

Excise Act

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

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

1. That the definition "Canadian brandy" in subsection 3(1) of the Act be repealed.
2. That subsections 149(1) to (4) of the Act be repealed and the following substituted therefor:

"149(1) All spirits produced, brought into or removed from a distillery shall be warehoused, entered for warehouse or ex-warehoused in such manner and put up in such packages or quantities as may be prescribed by departmental regulations."
3. That the penalties imposed under subsections 158(1) and 163(2) of the Act for offences listed thereunder be modified to increase the minimum fine to five hundred dollars, to increase the maximum fine to ten thousand dollars, to remove the references to "with or without hard labour" with respect to imprisonment, to delete the additional penalties prescribed for subsequent offences, and to delete the minimum term of imprisonment.
4. That section 166 of the Act be repealed.
5. That section 249 of the Act be amended by adding thereto, immediately after the definition "denatured alcohol" the following:

" "denatured spirits" means spirits in suitable admixture with such denaturants as to render them in the opinion of the Minister non-potable and to prevent recovery of the ethyl alcohol;"
6. That the Minister of National Revenue be authorized to grant a special temporary licence to any person who has complied with the provisions of the Act to engage in the manufacture of denatured spirits for use solely in experimentation and development of a fuel where the denatured spirits and fuel are for the person's own use and not for sale or distribution.
7. That, in relation to the special temporary licence for the production and manufacture of denatured spirits, the Act be further amended to establish rules relating to
 - (a) posting of security by applicants,
 - (b) information to be provided at the time of application for a licence,
 - (c) the period for which the licence will be valid,
 - (d) persons who may not be granted a licence,

- (e) the keeping of books and records,
- (f) cessation of manufacturing operations, destruction of spirits and disposal of equipment on expiry of a licence, and
- (g) seizure of spirits, stills and other apparatus in the possession of persons otherwise than in accordance with the Act,

and to provide for departmental regulations relating to equipment, premises, facilities and controls to be provided by the person, respecting his operations.

8. That sections 254, 258, 259 and 261 be read and construed as applying to denatured spirits and that the provisions of section 251 not apply to the operations of a person to whom a special temporary licence has been granted.

9. That the excise duties imposed on spirits not be exigible in the case of denatured spirits produced by a person to whom a special temporary licence has been granted.

10. That Part II of the schedule be repealed.

11. That the provisions of the Act, other than those in the schedule, containing references in avoirdupois or imperial units of measure be converted to metric units of measure, that those values be rounded and that the definitions be amended as required to implement conversion to the metric system of measurement.

12. That subsection 1(1) of Part I of the schedule to the Act be repealed and the following substituted therefor:

(a) during the period commencing on April 22, 1980 and ending on March 30, 1981:

"1. (1) On every gallon of the strength of proof distilled in Canada, except as hereinafter otherwise provided, seventeen dollars and fifteen cents, and so in proportion for any greater or less strength than the strength of proof and for any less quantity than a gallon."

and

(b) on and after March 31, 1981:

"1. (1) On every litre of absolute ethyl alcohol distilled in Canada, except as hereinafter otherwise provided, six dollars and sixty cents, and so in proportion for any less quantity than one litre (1 L)."

13. That subsections 1(2) and 1(3) of Part I of the schedule to the Act be repealed and the following substituted therefor:

" (2) Spirits used in any bonded manufactory in the production of goods manufactured in bond are subject to the following duties of excise and no other, that is to say:

(a) on every litre of absolute ethyl alcohol used in the manufacture of patent and proprietary medicines, extracts, essences and pharmaceutical

preparations, fifty-eight cents, and so in proportion for any less quantity than one litre (1 L);

(b) on every litre of absolute ethyl alcohol used in the production of such chemical compositions as are from time to time approved by the Governor in Council, six cents, and so in proportion for any less quantity than one litre (1 L).

(3) Upon spirits sold to any pharmacist licensed under this Act, and used exclusively in the preparation of prescriptions for medicines and pharmaceutical preparations, the duty of excise shall be, on every litre of absolute ethyl alcohol, fifty-eight cents, and so in proportion for any less quantity than one litre (1 L)."

14. That section 2 of Part I of the schedule to the Act be repealed and the following substituted therefor:

"2. Upon imported spirits when taken into a bonded manufactory, in addition to any of the duties otherwise imposed, upon every litre of absolute ethyl alcohol, twelve cents, and so in proportion for any less quantity than one litre (1 L)."

15. That the excise duty on beer be imposed at the following rates:

(a) during the period commencing on April 22, 1980 and ending on March 30, 1981:

(i) fifty-four cents per gallon on all beer or malt liquor containing more than 2.5 per cent absolute alcohol by volume;

(ii) twenty-seven cents per gallon on all beer or malt liquor containing more than 1.2 per cent absolute alcohol by volume but not more than 2.5 per cent absolute alcohol by volume; and

(iii) five cents per gallon on all beer or malt liquor containing not more than 1.2 per cent absolute alcohol by volume;

and

(b) on and after March 31, 1981:

(i) eleven dollars and eighty-eight cents per hectolitre on all beer or malt liquor containing more than 2.5 per cent absolute ethyl alcohol by volume;

(ii) five dollars and ninety-four cents per hectolitre on all beer or malt liquor containing more than 1.2 per cent absolute ethyl alcohol by volume but not more than 2.5 per cent absolute ethyl alcohol by volume; and

(iii) one dollar and ten cents per hectolitre on all beer or malt liquor containing not more than 1.2 per cent absolute ethyl alcohol by volume.

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

(a) during the period commencing on April 22, 1980 and ending on March 30, 1981:

(i) on manufactured tobacco of all descriptions except cigarettes, sixty-four cents per pound actual weight;

(ii) on cigarettes weighing not more than three pounds per thousand, six dollars and ten cents per thousand;

(iii) on cigarettes weighing more than three pounds per thousand, seven dollars and twenty cents per thousand;

(iv) on cigars, two dollars and twenty cents per thousand; and

(v) on Canadian raw leaf tobacco, when sold for consumption, eleven cents per pound actual weight;

and

(b) on and after March 31, 1981:

(i) on manufactured tobacco of all descriptions except cigarettes, one dollar and forty-one cents per kilogram actual mass;

(ii) on cigarettes having a mass of not more than one thousand three hundred and sixty-one grams per thousand, six dollars and ten cents per thousand;

(iii) on cigarettes having a mass of more than one thousand three hundred and sixty-one grams per thousand, seven dollars and twenty cents per thousand;

(iv) on cigars, two dollars and twenty cents per thousand; and

(v) on Canadian raw leaf tobacco, when sold for consumption, twenty-four cents per kilogram actual mass.

17. That the references to "adult male member of his family" in section 225 and paragraph 233(c) be replaced with the words "adult member of the family".

18. That the requirement in subsection 30(2) that the name or designation of the vessel or utensil be printed on all utensils and vessels be deleted.

19. That the requirement in subsection 215(1) that the weight of tobacco or the number of cigars or cigarettes in a package be indicated on the stamp be deleted.

20. That any determination of a quantity of absolute ethyl alcohol be performed using instruments approved by the Minister of National Revenue.

21. That the Minister of National Revenue be authorized to make regulations concerning instruments and the examination and use of instruments to be used in determining a quantity of absolute ethyl alcohol by volume and respecting charges to be levied for provision of or examination of such instruments.

22. That the excise duties imposed on alcohol products, other than those listed in subsections 1(2) and (3) and section 2 of Part I of the schedule to the Act, be adjusted quarterly on the first day of January, April, July and October of each year so that the duties applicable during the quarter commencing on any such adjustment date are equal to the rounded product of the duties that would have been applicable if no adjustment had been made pursuant to any enactment founded on this paragraph and the ratio, altered or adjusted in such manner as may be prescribed by regulation of the Governor in Council and rounded, that the Alcoholic Beverages Subgroup of the Consumer Price Index for the 12 month period ending on the last day prior to the immediately preceding quarter bears to the Alcoholic Beverages Subgroup of the Consumer Price Index for the 12 month period ending on September 30, 1980.

23. That the excise duties imposed on tobacco products be adjusted quarterly on the first day of January, April, July and October of each year so that the duties applicable during the quarter commencing on any such adjustment date are equal to the rounded product of the duties that would have been applicable if no adjustment had been made pursuant to any enactment founded on this paragraph and the ratio, altered or adjusted in such manner as may be prescribed by regulation of the Governor in Council and rounded, that the Tobacco Products and Smokers' Supplies Subgroup of the Consumer Price Index for the 12 month period ending on the last day prior to the immediately preceding quarter bears to the Tobacco Products and Smokers' Supplies Subgroup of the Consumer Price Index for the 12 month period ending on September 30, 1980.

24. That any enactment founded on

- (a) paragraphs 1, 2, 10 and 12 to 16 be effective on April 22, 1980;
- (b) paragraphs 11 and 17 to 21 be effective on March 31, 1981; and
- (c) paragraphs 22 and 23 be effective on April 1, 1981.

Notice of Ways and Means Motion

With Respect to the Taxation of

Petroleum and Gas Net Revenues

Notice of Ways and Means Motion With Respect to the Taxation of Petroleum and Gas Net Revenues

That it is expedient

(a) to introduce a measure to provide, among other things, for the imposition of a petroleum and gas revenue tax on every person at a rate of 8% of

(i) his net revenue derived after 1980 from the production of petroleum or gas in Canada and the processing of petroleum to any stage up to and including the stage of crude oil or its equivalent, and

(ii) any amount paid to him after 1980 in respect of a royalty or other interest in such production, and

(b) to amend the Income Tax Act to deny the deduction of the tax referred to in paragraph (a) for the purposes of computing the income of a taxpayer for taxation years ending after 1980 and to extend the provisions thereof relating to the communication of information to the petroleum and gas revenue tax.

Notice of Ways and Means Motion

to Amend the Petroleum
Administration Act

Notice of Ways and Means Motion to Amend the Petroleum Administration Act

That it is expedient to introduce a measure to amend the *Petroleum Administration Act*, and to provide among other things:

(1) That effective May 1, 1979, the maximum amount of the oil export charge to be imposed, levied and collected on oil exported from Canada in any month be in such amount, not exceeding \$350 per cubic metre, as may be prescribed in a tariff of charges for that month, made by Order of the Governor in Council on the recommendation of the Minister of Energy, Mines and Resources and the Minister of Finance.

(2) That in any enactment founded on paragraph 1, the charge per cubic metre set out in any of columns II to VIII of the schedule attached hereto for the kind or quality of oil described in that column in respect of the month of the year set out opposite that charge in column I thereof, be deemed for all purposes of the enactment to be the charge imposed, levied and payable for that month under the said enactment, and that the said charge as set out in the schedule in respect of November 1980 continue to be the amount of the charge in respect of each subsequent month until it is changed pursuant to the enactment by order of the Governor in Council in respect of a subsequent month.

(3) That for the purposes of the measure referred to in paragraph 1,

(a) export be defined as:

(i) where oil is transported by pipeline, to deliver it at its point of delivery outside Canada; and

(ii) where oil is transported by any other means, to send, take or carry it from Canada;

(b) oil be defined as any hydrocarbon or mixture of hydrocarbons other than gas, and include an oil product; and

(c) oil product be defined as any product resulting from the processing or refining of hydrocarbons or coal designated as an oil product by regulations of the Governor in Council.

(4) That effective July 12, 1980, the maximum amount of the charge imposed, levied and collected on:

(a) domestic petroleum received for processing or consumption in Canada;
and

(b) foreign petroleum or petroleum product imported into Canada, for processing, consumption, sale or other use in Canada,

in any month commencing after June, 1980, be, in respect of each cubic metre thereof, such amount not exceeding \$125 per cubic metre, as may be prescribed in a tariff of charges for that month made by Order of the Governor in Council on the recommendation of the Minister of Energy, Mines and Resources and the Minister of Finance.

(5) That in any enactment founded on paragraph 4,

(a) effective July 12, 1980, the amount of \$11.01 per cubic metre be deemed to be the amount prescribed in a tariff of charges for the part of the month of July, 1980, commencing after July 11, 1980, by order of the Governor in Council pursuant to the said enactment, and that amount continue to be the amount of the charge in respect of each subsequent month until October 31, 1980;

(b) effective November 1, 1980, the amount of \$16.04 per cubic metre be deemed to be the amount prescribed in a tariff of charges for the months of November and December, 1980, by order of the Governor in Council pursuant to the said enactment; and

(c) effective January 1, 1981, the amount of \$31.77 per cubic metre be deemed to be the amount prescribed in a tariff of charges for the month of January, 1981, by order of the Governor in Council pursuant to the said enactment, and that amount continue to be the amount of the charge in respect of each subsequent month until it is changed pursuant to that enactment by order of the Governor in Council in respect of a subsequent month.

(6) That a Canadian Ownership Special Charge be imposed, levied and collected on

(a) each cubic metre of domestic petroleum received for processing or consumption in Canada; and

(b) each cubic metre of foreign petroleum or petroleum product imported into Canada for processing, consumption, sale or other use in Canada,

in any month after the month in which any enactment founded on this paragraph comes into force, in such amount, not exceeding \$25 per cubic metre, as may be prescribed in a tariff of charges for that month, made by order of the Governor in Council on the recommendation of the Minister of Energy, Mines and Resources and the Minister of Finance.

(7) That a Canadian Ownership Special Charge be imposed, levied and collected on each gigajoule of gas received by a distributor in any month after the month in which any enactment founded on this paragraph comes into force, in such amount not exceeding \$0.60 per gigajoule of gas as may be prescribed in a tariff of charges for that month made by order of the Governor in Council on the recommendation of the Minister of Energy, Mines and Resources and the Minister of Finance.

(8) That any enactment founded on

(a) paragraphs 1 and 2 and the schedule attached hereto, be effective May 1, 1979;

(b) paragraph 3 be effective October 29, 1980;

(c) paragraphs 4 and 5, be effective July 12, 1980; and

(d) paragraphs 6 and 7, be effective on a day or days to be fixed by proclamation.

Schedule

Year and Month	Light Crude and Condensate ¹	Heavy Crude ²	Lloydminster Type Blends ³	Motor Gasoline ⁴	Middle Distillates	Heavy Fuel Oil	Partially Processed Oil
1979							
May	\$ 62.95	\$ 42.15	\$ 39.35	\$ 39.35	\$ 34.60	\$ 39.00	\$ 60.75
June	62.95	48.45	45.65	50.35	47.20	39.00	60.75
July	81.85	61.05	58.25	58.20	58.20	47.20	79.60
August	94.40	83.05	80.25	61.35	64.50	47.20	92.35
September	100.75	92.50	89.70	65.15	69.85	57.25	97.55
October	100.75	92.50	89.70	79.30	82.45	60.40	97.55
November	100.75	105.10	102.30	83.40	92.85	62.90	95.35
December	119.65	109.80	107.00	94.40	96.00	65.15	95.35
1980							
January	138.55	116.10	113.30	97.55	97.55	67.35	97.55
February	144.80	135.00	132.20	110.15	103.85	67.35	110.15
March	157.30	135.00	132.20	114.85	103.85	70.50	114.85
April	163.70	135.00	132.20	136.90	108.55	76.80	136.90
May	170.00	135.00	132.20	146.35	121.15	76.80	146.35
June	170.00	135.00	131.85	146.35	121.15	76.80	146.35
July	181.00	135.00	131.85	140.05	139.71	64.20	140.05
August	181.00	135.00	131.85	140.05	125.25	64.20	125.25
September	168.40	122.40	119.25	136.90	125.25	61.05	112.65
October	168.40	116.10	106.65	124.30	121.45	61.05	121.45
November	174.50	116.10	102.90	129.30	124.60	72.05	121.45

- 1 Condensate licensed for export as such by the National Energy Board.
- 2 Includes:
 - (a) Pipeline streams below 25 degrees API gravity, (other than Lloydminster, Wainwright and Viking-Kinsella type blends), crude oil carried by the BP Exploration Canada Limited Chauvin-Hardisty pipeline system and Area III medium crude oil in Saskatchewan;
 - (b) the Bow River Pipelines Ltd. stream in Alberta, (excluding light and medium crude oil production normally batched separately from the Bellshill Lake and Provost fields);
 - (c) the Bow River Pipelines Ltd. stream in Saskatchewan Area II, (excluding any light crude oil production normally batched separately); and
 - (d) batches predominantly consisting of Midale-Weyburn medium crude oil carried by the Trans Prairie Pipelines Ltd. and Producers Pipelines Ltd. systems from Area IV in Saskatchewan.
- 3 Includes Lloydminster, Wainwright and Viking-Kinsella type blended crude oils delivered to the Interprovincial pipeline system, either at Hardisty, Alberta, or at Kerrobert, Saskatchewan.
- 4 Effective January 1, 1980, includes Jet B fuel and aviation gasoline.

Notice of Ways and Means Motion

Customs Tariff No. 3

Notice of Ways and Means Motion

Customs Tariff No. 3

1. That the Schedule to subsection 3.1(3) of the *Customs Tariff* be amended by striking out tariff item 52306-1 and the enumeration of goods and the rate of duty set opposite that item and by substituting therefor the following item, enumeration of goods and rate of duty:

Tariff Item	General Prefer- ential Tariff	Rates in Effect prior to Rate Proposed in this Motion			General Prefer- ential Tariff
		B.P. Tariff	M.F.N. Tariff	General Tariff	
52306-1 Industrial shop towels, hemmed but not bleached or dyed except for identification markings, not less than 17 inches nor more than 22 inches in width and not less than 17 inches nor more than 24 inches in length, made from woven fabrics wholly of cotton or of cotton and man-made fibres in yarn counts from 6 to 14, either single-ply or double-ply, and having not less than 20 yarns nor more than 34 yarns per inch in the warp and not less than 20 yarns nor more than 35 yarns per inch in the weft and weighing not less than 4 ounces nor more than 6 ounces per square yard	Free	— 22.5 p.c.	— 22.5 p.c.	— 35 p.c.	Free —

2. That the French version of tariff items 34615-1 and 41210-1 in Schedule A to the said Act be amended by deleting therefrom references to "clichés" and by substituting in every case references to "plaques".

3. That the French version of tariff item 35325-1 in Schedule A to the said Act be amended by deleting therefrom reference to "clichés d'impression" and by substituting therefor reference to "plaques d'imprimerie".

4. That the French version of tariff item 41205-1 in Schedule A to the said Act be amended by deleting therefrom reference to "clichés ou de cylindres" and by substituting therefor reference to "plaques d'imprimerie ou de cylindres", by deleting therefrom reference to "clichés de toutes sortes" and by substituting therefor reference to "plaques d'imprimerie de toutes sortes", by deleting therefrom reference to "clichés par le grainage" and by substituting therefor reference to "plaques par le grainage" and by deleting therefrom reference to "clichés ou cylindres" and by substituting therefor reference to "plaques ou cylindres".

5. That the French version of tariff item 41230-1 in Schedule A to the said Act be amended by deleting therefrom reference to "clichés, rouleaux ou cylindres" and by substituting therefor reference to "plaques, rouleaux ou cylindres d'imprimerie".

6. That the French version of tariff items 41233-1, 41235-1, 41240-1 and 41245-1 in Schedule A to the said Act be amended by deleting therefrom references to "clichés" wherever they occur therein and by substituting in every case references to "plaques d'imprimerie".

7. That Schedule A to the said Act be amended by striking out tariff items 17315-1, 20615-1, 20630-1, 32648-1, 35302-1, 36800-3, 42820-1, 43120-1, 44100-1, 44210-1, 46111-1, 47810-1, 48200-1, 62425-1, 68200-1, 69200-1 and 93803-4, and the enumerations of goods and the rates of duty set opposite each of those items and by inserting in Schedule A to the said Act the items, enumerations of goods and rates of duty specified in Schedule I to this motion.

8. That, for the purposes of any enactment founded on paragraph 8 of the Ways and Means motion, Customs Tariff, No. 2, tabled before Parliament by the Minister of State (Finance) on June 2, 1980, the rates of customs duty applicable on goods enumerated in Schedule I to this motion shall be deemed to be the rates of customs duty that would have been applicable to those goods if the enactment founded on paragraph 7 of this motion had come into force on June 3, 1980.

9. That Schedule A to the said Act be further amended by striking out tariff items 69605-1 and 69610-1, and the enumerations of goods and the rates of duty set opposite each of those items and by inserting in Schedule A to the said Act the items, enumerations of goods and rates of duty specified in Schedule II to this motion.

10. That, for the purposes of any enactment founded on paragraph 8 of the Ways and Means motion, Customs Tariff, No 2, tabled before Parliament by the Minister of State (Finance) on June 2, 1980, the rates of customs duty applicable on goods enumerated in Schedule II to this motion shall be deemed to be the rates of customs duty that would have been applicable to those goods if the enactment founded on paragraph 9 of this motion had come into force on June 3, 1980.

11. That Schedule A to the said Act be further amended by striking out tariff item 70305-1, and the enumeration of goods and the rates of duty set opposite that item and by inserting in Schedule A to the said Act the items, enumerations of goods and rates of duty specified in Schedule III to this motion.

12. That Schedule C to the said Act be amended by repealing paragraph (a) of item 99216-1 and substituting the following therefor:

“(a) imported under tariff item 44060-1, 70700-1 or 70800-1, or engaged solely in international traffic, or brought in by non-resident tourists for temporary use under permit issued by the Department of National Revenue;”

13. That Schedule C to the said Act be further amended by striking out item 99218-1 and the enumeration of goods set opposite that item.

14. That any enactment founded on paragraphs 1 to 8 inclusive, 12 and 13 of this motion shall be deemed to have come into force on the 29th day of October 1980, and to have applied to all goods mentioned in said paragraphs 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.

15. That any enactment founded on paragraphs 9 and 10 of this motion shall come into force on the 1st day of July 1981.

16. That any enactment founded on paragraph 11 of this motion shall come into force 15 days after the day Royal Assent is given to such enactment.

SCHEDULE I

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
7806-1 <i>Plant bulbs other than those of the genus narcissus</i>	Free	Free	20 p.c.	Free Free	Free 12.2 p.c.	20 p.c. 20 p.c.
17315-1 All books, <i>microfilms and microfiches</i> , for <i>bona fide</i> libraries, and being the property of the organized authorities of such libraries and not in any case the property of individuals or business concerns, under such regulations as the Minister may prescribe.....	Free	Free	Free	Free Free	Free 16.6 p.c.	Free 30 p.c.
18101-1 <i>Printed books to be written or drawn upon and other similar printed books, including colouring books, and parts thereof, but not including books of a religious character or advertising nature</i>	12.5 p.c.	18.9 p.c.	22.5 p.c.	12.5 p.c. 15.7 p.c.	18.9 p.c. 18.9 p.c.	22.5 p.c. 35 p.c.
	on and after January 1, 1981	12.5 p.c.	17.8 p.c.	22.5 p.c.		
	on and after January 1, 1982	12.5 p.c.	16.7 p.c.	22.5 p.c.		
	on and after January 1, 1983	12.5 p.c.	15.7 p.c.	22.5 p.c.		
	on and after January 1, 1984	12.5 p.c.	14.6 p.c.	22.5 p.c.		
	on and after January 1, 1985	12.5 p.c.	13.5 p.c.	22.5 p.c.		
	on and after January 1, 1986	12.4 p.c.	12.4 p.c.	22.5 p.c.		
	on and after January 1, 1987	11.3 p.c.	11.3 p.c.	22.5 p.c.		
20615-1 Blood plasma or serum of human origin, or fractions thereof, extenders or substitutes therefor	Free	Free	Free	Free 10 p.c.	Free 14.7 p.c.	Free 25 p.c.
20630-1 Containers, whether or not partially filled with anticoagulants, and units consisting of such containers and accessories; filters, drop counters, clamps, tubes, bail bands, labels, corks, stoppers or other closures; all the foregoing for use in the collection, preparation, storage or transportation of human blood for transfusion, or in the transfusion of human blood (whether whole or in the form of liquid or dry serum or plasma), extenders or substitutes therefor	Free	Free	Free	Free	Free	Free

Tariff Item		British Prefer- ential Tariff	Most- Favoured- Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
					B.P. Tariff	M.F.N. Tariff	General Tariff
	High thermal shock resisting glassware <i>having a linear coef- ficient of thermal expansion not exceeding 6×10^{-6} cm/cm/°C (between zero and three hundred°C):</i>						
32648-1	<i>Other than the following</i>	Free	13.1 p.c.	32.5 p.c.	Free	13.1 p.c.	32.5 p.c.
	on and after January 1, 1981	Free	11.3 p.c.	32.5 p.c.			
	on and after January 1, 1982	Free	9.4 p.c.	32.5 p.c.			
	on and after January 1, 1983	Free	7.5 p.c.	32.5 p.c.			
	on and after January 1, 1984	Free	5.6 p.c.	32.5 p.c.			
	on and after January 1, 1985	Free	3.8 p.c.	32.5 p.c.			
	on and after January 1, 1986	Free	1.9 p.c.	32.5 p.c.			
	on and after January 1, 1987	Free	Free	32.5 p.c.			
32649-1	<i>Designed for laboratory use, namely: beakers, dishes and jars of all kinds; bottles and flasks 100 ml or greater in capacity; funnels; all the foregoing without spigots, appendages, stopcocks or ground glass joints</i>	Free	Free	Free	Free Free	Free 13.1 p.c.	Free 32.5 p.c.
32650-1	<i>Designed for laboratory use, n.o.p.</i>	Free	11.3 p.c.	32.5 p.c.	Free	13.1 p.c.	32.5 p.c.
	Aluminum and alloys thereof:						
35302-1	<i>Bars, rods, plates, sheets, strips, circles, squares, discs and rectangles</i>	Free	2.4 p.c.	9 p.c.	Free	2.4 p.c.	7.5¢/lb.
	on and after January 1, 1981	Free	2.3 p.c.	9 p.c.			
	on and after January 1, 1984	Free	2.2 p.c.	9 p.c.			
	on and after January 1, 1986	Free	2.1 p.c.	9 p.c.			
36800-3	<i>Chess clocks and chess time recorders</i>	Free	Free	35 p.c.	15 p.c. 15 p.c.	23.5 p.c. 24.7 p.c.	35 p.c. 50¢ ea. min. 35 p.c. 50¢ ea. min.

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion			
				B.P. Tariff	M.F.N. Tariff	General Tariff	
42820-1	Air-cooled internal combustion engines of not greater than 1½ h.p. rating, <i>n.o.p.</i> , and complete parts thereof	Free	14.3 p.c.	30 p.c.	Free	14.3 p.c.	30 p.c.
	on and after January 1, 1981	Free	13.6 p.c.	30 p.c.			
	on and after January 1, 1982	Free	12.8 p.c.	30 p.c.			
	on and after January 1, 1983	Free	12.1 p.c.	30 p.c.			
	on and after January 1, 1984	Free	11.4 p.c.	30 p.c.			
	on and after January 1, 1985	Free	10.7 p.c.	30 p.c.			
	on and after January 1, 1986	Free	9.9 p.c.	30 p.c.			
	on and after January 1, 1987	Free	9.2 p.c.	30 p.c.			
43120-1	<i>Non-powered, hand-operated tools, implements or devices, namely: adzes, anvils, vises, cleavers, hatchets, saws, augers, drills, screwdrivers, planes, spokeshaves, chisels, mallets, metal wedges, wrenches, sledges, hammers, crowbars, cantdogs, track tools, picks, mattocks, and eyes or polls for the same</i>	10 p.c.	15 p.c.	35 p.c.	10 p.c.	15 p.c.	35 p.c.
	on and after January 1, 1984	10 p.c.	14.6 p.c.	35 p.c.			
	on and after January 1, 1985	10 p.c.	13.5 p.c.	35 p.c.			
	on and after January 1, 1986	10 p.c.	12.4 p.c.	35 p.c.			
	on and after January 1, 1987	10 p.c.	11.3 p.c.	35 p.c.			
44100-1	Guns, rifles, including air guns and air rifles not being toys; cannons, pistols, revolvers, or other firearms, <i>n.o.p.</i> ; cartridge cases, cartridges, primers, percussion caps, wads or other ammunition, <i>n.o.p.</i> ; bayonets, swords, fencing foils and masks; gun or pistol covers or cases, game bags, loading tools and cartridge belts of any material	10 p.c.	18.9 p.c.	30 p.c.	10 p.c.	18.9 p.c.	30 p.c.
	on and after January 1, 1981	10 p.c.	17.8 p.c.	30 p.c.			
	on and after January 1, 1982	10 p.c.	16.7 p.c.	30 p.c.			
	on and after January 1, 1983	10 p.c.	15.7 p.c.	30 p.c.			
	on and after January 1, 1984	10 p.c.	14.6 p.c.	30 p.c.			
	on and after January 1, 1985	10 p.c.	13.5 p.c.	30 p.c.			
	on and after January 1, 1986	10 p.c.	12.4 p.c.	30 p.c.			
	on and after January 1, 1987	10 p.c.	11.3 p.c.	30 p.c.			

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
44101-1 <i>Muskets and parts thereof</i>	Free	5.5 p.c.	30 p.c.	10 p.c. 10 p.c.	18.9 p.c. 16.6 p.c.	30 p.c. 35 p.c.
44210-1 Rotors, blade diaphragms, spindle discs, shafts and blades, wholly or in chief part of metal, of a class or kind not made in Canada, 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 15 p.c.	Free 15 p.c.	Free 30 p.c.
44534-2 <i>Transmitters, receivers, transceivers and transverters, assembled or in kit form, designed for use only on the amateur bands of the radio frequency as defined by regulations made pursuant to the Radio Act; linear amplifiers, variable frequency oscillators and power supplies designed for use with the foregoing; parts of all the foregoing</i>	Free	Free	25 p.c.	Free 15 p.c.	14.3 p.c. 16.6 p.c.	25 p.c. 30 p.c.
46111-1 Parts when of types or sizes not made in Canada and conversion kits for use in the conversion or modification to metric measure of scales used in retail operations and having a maximum weighing capacity of one hundred kilograms	Free	Free	35 p.c.	Free	Free	35 p.c.
(expires December 31, 1983)						(expires June 30, 1981)
46203-1 <i>Astronomical telescopes having an objective mirror not less than three inches nor more than twenty inches in diameter or having an objective lens not less than two and one-half inches nor more than eight inches in diameter; mountings therefor; parts of all the foregoing</i>	Free	Free	30 p.c.	2.5 p.c.	14.1 p.c.	30 p.c.

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
47810-1 Aural, nasal, mastectomy and other medical or surgical prostheses, <i>other than dental prostheses</i> ; materials for use in reconstructive surgery, <i>other than dental surgery</i> ; ileostomy, colostomy and urinary appliances or articles, other than infants' pants and diapers, designed to be worn by an individual; materials and articles required therewith for proper application and maintenance	Free	Free	Free	Free	Free	Free
48200-1 Hearing aids and similar appliances and batteries for use therewith; battery chargers and battery testers for use with the foregoing; all the foregoing for use by deaf persons; electronic ear-training apparatus, including microphones, headsets, record-turning devices and tone arms, designed for use by or for the training of the deaf; communications devices for use with electric telegraph and telephone apparatus when for use exclusively by deaf persons in communicating by wire; <i>closed captioning devices for attachment to television receiving sets</i> ; parts of the foregoing; under such regulations as the Minister may prescribe	Free	Free	Free	Free Free	Free 14.3 p.c.	Free 25 p.c.
51135-1 <i>Climbing and mountaineering equipment, namely: protective helmets, tubular webbing, chocks, nuts, angles, bongs, belay plates, rappel rings, ascenders, descenders, ice screws and snow plates, rock pegs, rock hooks, rescue pulleys, pitons, piton hammers, ice hammers, ice picks, crampons, beacons and avalanche probes; the following equipment when manufactured to the standards of the Union Internationale des Associations d'Alpinisme: climbing ropes, carabiners, ice axes and climbing harnesses</i>	Free	Free	35 p.c.	10 p.c. Various	16.6 p.c. Various	35 p.c. Various

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
51140-1 Parachutists' automatic warning devices; automatic opening devices for auxiliary parachutes	Free	Free	30 p.c.	15 p.c.	16.6 p.c.	30 p.c.
51145-1 Scuba diving regulators	Free	Free	35 p.c.	10 p.c.	16.6 p.c.	35 p.c.
51150-1 Pigeon timers; panniers specially designed for transporting and releasing racing pigeons; pigeon countermark leg bands	Free	Free	27.5 p.c.	15 p.c. 12.5 p.c. 15 p.c.	24.7 p.c. 19.7 p.c. 16.6 p.c.	35 p.c. 50¢ ea. min. 40 p.c. 27.5 p.c.
51155-1 Sports equipment, including clothing and footwear, designated by Order of the Governor in Council and certified, in a form and manner prescribed by the Minister, by the Sports Federation of Canada as						
(a) complying with the international competition standards applicable to the sport for which the equipment is designed; and						
(b) being required by an athlete exclusively for the purpose of training for or competing in an amateur competition of international calibre	Free	Free	Free	Various	Various	Various
The Governor in Council may make regulations prescribing terms and conditions on which sports equipment may be imported under this tariff item.						
51160-1 Balls designed for use in lawn bowling	Free	Free	35 p.c.	15 p.c.	15 p.c.	35 p.c.

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
62425-1 Toy electric train sets, transformers, parts thereof and accessories for use therewith, <i>n.o.p.</i>	5 p.c.	18.9 p.c.	40 p.c.	5 p.c.	18.9 p.c.	40 p.c.
on and after January 1, 1981	5 p.c.	17.8 p.c.	40 p.c.			
on and after January 1, 1982	5 p.c.	16.7 p.c.	40 p.c.			
on and after January 1, 1983	5 p.c.	15.7 p.c.	40 p.c.			
on and after January 1, 1984	5 p.c.	14.6 p.c.	40 p.c.			
on and after January 1, 1985	5 p.c.	13.5 p.c.	40 p.c.			
on and after January 1, 1986	5 p.c.	12.4 p.c.	40 p.c.			
on and after January 1, 1987	5 p.c.	11.3 p.c.	40 p.c.			
62435-1 Kits and parts thereof; plans; semi-finished castings, steam fittings, metal shapes, electric motors and combustion engines; the foregoing not to include radio transmitters, rocket engines or internal combustion engines having a displacement of more than 1.5 cubic inches;						
All the foregoing designed for use exclusively in the construction or repair of reduced-size models of						
(a) aeroplanes, boats, cars and other self-propelled vehicles designed to be powered by combustion engines, or						
(b) trains designed to be powered by electric motors or combustion engines;						
Such models not being suitable for the transportation of goods or persons	Free	Free	40 p.c.	10 p.c. Various	19.1 p.c. Various	40 p.c. Various
62440-1 Parts, whether finished or not, semi-finished castings, metal shapes and plans; all of the foregoing designed for use exclusively in the construction or repair of any reduced-size static model being a scale replica of any article	Free	Free	40 p.c.	10 p.c.	19.1 p.c.	40 p.c.

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
69320-1 <i>Automobiles and other motor vehicles, other than railway vehicles, designed to operate primarily on land and produced more than twenty-five years prior to the date of entry for consumption; original parts thereof; reproductions of original parts designed for use only in or on the foregoing or in or on vehicles in Canada that if imported would qualify for entry under this item; tires suitable only for mounting on such vehicles; all of the foregoing subject to such regulations respecting proof of age as the Minister may prescribe</i>	Free	Free	27.5 p.c.	Free Free 16.6 p.c.	14.3 p.c. 12.5 p.c. 16.6 p.c.	27.5 p.c. 35 p.c. 35 p.c.
69325-1 <i>Radio receiving sets, speakers and earphones, and parts thereof, produced more than thirty years prior to the date of entry for consumption, subject to such regulations respecting proof of age as the Minister may prescribe</i>	Free	Free	25 p.c.	Free	14.3 p.c.	25 p.c.
69330-1 <i>Goods produced in Canada more than twenty-five years prior to the date of entry for consumption, subject to such regulations respecting proof of age and origin as the Minister may prescribe</i>	Free	Free	Free	Various	Various	Various
89900-1 <i>Chemicals and chemical preparations of Group XII of Schedule A to the Customs Tariff, other than goods enumerated in tariff items 93901-71, 93902-71 and 93903-71, when imported in shipments of two or more such chemicals or preparations</i>	15 p.c.	15 p.c.	25 p.c.	Free 10 p.c. Various	Free 14.7 p.c. Various	25 p.c. 25 p.c. Various

Goods shall be classified under this item if the importer so requests at the time of entry for consumption. Where no request is so made, the goods shall be classified under the appropriate tariff item therefor.

Tariff Item	British Prefer- ential Tariff	Most- Favoured- Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
89905-1 <i>Chemical and biological preparations of a kind not produced in Canada, not including kits containing articles or materials other than the foregoing, when for use in medical diagnosis by public hospitals or medical laboratories licensed or accredited by provincial government authorities to provide diagnostic testing services</i>	Free	Free	Free	Free Various	Free Various	Free Various
93803—Activated carbon (decolourising, depolarising or adsorbent); activated diatomite, activated clay, activated bauxite and other activated natural mineral products:						
93803-4 Expanded perlite, ground for use in filtering	Free	Free	25 p.c.	9.8 p.c.	9.8 p.c.	25 p.c.

SCHEDULE II

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
69605-1 <i>Apparatus, utensils and instruments (excluding glassware and excluding goods enumerated in tariff items 41100-1, 42700-1, 42700-2, 42700-3, 42700-4, 42700-5, 42700-9, 42701-1, or 42701-2) that are not available from production in Canada; parts of the foregoing</i>	Free	Free	Free	Free Various	Free Various	Free Various

All the foregoing when for use

(a) directly in teaching or research by any of the following organizations, namely:

(i) any elementary or secondary school, school for the handicapped, university, community college or seminary of learning in Canada,

(ii) any educational or research organization named in Schedule B to the Financial Administration Act and any similar educational or research organization established by or under the authority of a provincial government,

(iii) any non-governmental organization operating on a non-profit basis that is incorporated or established in Canada solely for educational purposes or solely for the purpose of carrying out research designed to benefit the public at large, and

(iv) any school separately incorporated in Canada that offers instruction intended to provide individuals with the skills required for a trade or other gainful occupation or to increase skills or proficiency therein; or

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
69605-1 (Cont.)	<p><i>(b) in the conservation, restoration, exhibition, circulation or study of artifacts, specimens, records, works of art and library collections by any of the following organizations, namely:</i></p> <p><i>(i) libraries, and</i></p> <p><i>(ii) art galleries, archives, historical houses and sites, zoological gardens, planetaria, botanical gardens, aquaria, nature centres and other museums,</i></p> <p><i>if the organization operates on a non-profit basis and offers its services to the public generally.</i></p> <p><i>Section 105 of the Customs Act applies in respect of goods imported under this tariff item only during the period ending five years after the later of the date the goods were first acquired by an organization mentioned herein or the date the goods were entered for consumption.</i></p> <p><i>The Minister may make such regulations as he deems necessary for the administration of this tariff item.</i></p> <p><i>For the purpose of this tariff item, apparatus, utensils and instruments are not available from production in Canada if no manufacturer</i></p> <p><i>(a) has, within his normal operational framework, the full range of technical and physical capabilities necessary for production in Canada of apparatus, utensils or instruments reasonably equivalent to those for which entry under this tariff item is sought; and</i></p> <p><i>(b) has produced in Canada apparatus, utensils or instruments reasonably equivalent to those for which entry under this tariff item is sought.</i></p>					

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
69605-2 Maps, charts, motion picture films, filmstrips, microfilms, microfiches, slides and other photographic reproductions and pictorial illustrations; Pamphlets and magazines; Reproductions of works of art; Sound recordings and video recordings; Models, static or moving; Parts of the foregoing	Free	Free	Free	Free Various	Free Various	Free Various

All the foregoing when for use by any of the following organizations, namely:

- (a) any elementary or secondary school, school for the handicapped, university, community college or seminary of learning in Canada;
- (b) any educational or research organization named in Schedule B to the Financial Administration Act and any similar educational or research organization established by or under the authority of a provincial government;
- (c) any non-governmental organization operating on a non-profit basis that is incorporated or established in Canada solely for educational or religious purposes or solely for the purpose of carrying out research designed to benefit the public at large;
- (d) any school separately incorporated in Canada that offers instruction intended to provide individuals with the skills required for a trade or other gainful occupation or to increase skills or proficiency therein; and

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
69605-2 (Cont.)	<i>(e) any of the following organizations, namely:</i>					
	<i>(i) libraries, and</i>					
	<i>(ii) art galleries, archives, historical houses and sites, zoological gardens, planetaria, botanical gardens, aquaria, nature centres and other museums, if the organization operates on a non-profit basis and offers its services to the public generally.</i>					
	<i>Section 105 of the Customs Act applies in respect of goods imported under this tariff item only during the period ending five years after the later of the date the goods were first acquired by an organization mentioned herein or the date the goods were entered for consumption.</i>					
	<i>The Minister may make such regulations as he deems necessary for the administration of this tariff item.</i>					
	<i>For the purposes of tariff items 69605-1 and 69605-2, an organization operates on a non-profit basis if it carries out its objects without pecuniary return to its members or shareholders other than as salaries or fees for duties performed or as reimbursement of expenses incurred.</i>					

SCHEDULE III

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
70305-1	<i>Baggage and conveyances temporarily imported by a person who is not a resident of Canada for his own use in Canada</i>			Free	Free	Free
	<i>The Governor in Council may make regulations</i>					
	<i>(a) prescribing terms and conditions on which goods or conveyances may be imported under this tariff item and authorizing the Minister to set such terms and conditions in specified circumstances;</i>					
	<i>(b) limiting the quantity of any class of goods that may be imported under this tariff item and authorizing the Minister to increase any such limit in specified circumstances;</i>					
	<i>(c) excluding any class of goods or conveyances from the operation of this tariff item;</i>					
	<i>(d) limiting the length of time any goods or conveyances imported under this tariff item may remain in Canada, and authorizing the Minister to extend such limit;</i>					
	<i>(e) authorizing the Minister to require security for any goods or conveyances imported under this tariff item and limiting the amount and type of security that may be required; and</i>					
	<i>(f) defining the terms "resident", "baggage" and "conveyance" for the purpose of this tariff item.</i>					
	<p>Goods entitled to entry under this tariff item shall be exempt from all imposts, notwithstanding the provisions of this or any other Act of Parliament.</p>					

Tariff Item	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Motion		
				B.P. Tariff	M.F.N. Tariff	General Tariff
70306-1 <i>Conveyances temporarily imported by a resident of Canada for use in the international, non-commercial transportation of that person and accompanying persons using the same conveyance</i>	Free	Free	Free	Free	Free	Free
<i>The Governor in Council may make regulations</i>						
<i>(a) prescribing terms and conditions on which conveyances may be imported under this tariff item;</i>						
<i>(b) excluding any class of conveyance from the operation of this tariff item;</i>						
<i>(c) limiting the length of time any conveyance imported under this tariff item may remain in Canada and the use that may be made of such conveyance while it remains in Canada, and authorizing the Minister to extend such time or use limits;</i>						
<i>(d) authorizing the Minister to require security for conveyances imported under this tariff item and limiting the amount and type of security that may be required; and</i>						
<i>(e) defining the terms "resident" and "conveyance" for the purpose of this tariff item.</i>						
<i>Goods entitled to entry under this tariff item shall be exempt from all imposts, notwithstanding the provisions of this or any other Act of Parliament.</i>						

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Federal Revenue Effects of Tax Measures Announced in the Budget

	Effective Date	Revenue Effect			
		1980/81	1981/82	1982/83	1983/84
		(\$ millions)			
Petroleum and Gas Revenue Tax	Jan. 1, 1981	—	+1,410	+1,745	+1,965
Natural Gas and Gas Liquids Tax	Immediate	+225	+1,285	+2,220	+2,880
Modifications to depletion, changes to taxation of heavy oil upgrading plants, and change in definition of exploration and development expenses	Jan. 1, 1981	—	+260	+445	+545
Extend indefinitely provision allowing write-off of exploration expenses by individuals and non-resource corporations	Jan. 1, 1982	—	—	—	-125
Extend oil export charge to marine and aviation fuel used in international transport	April 1, 1981	—	+330	+450	+525
Temporary reintroduction of the provision for Multiple-Unit Residential Buildings until end of 1981	Immediate	—	-15	-15	-15
Extend Small Business Development Bond provisions until March 31, 1981	Jan. 1, 1981	—	-50	-50	-50
Reduce excise tax on fortified wines	Immediate	-5	-10	-10	-10
Adjustment of excise taxes and duties on alcohol and tobacco in line with price increases	April 1, 1981	—	+100	+290	+475
Total revenue effect of other tax changes		+5	+35	+40	+45
Total Tax Changes		+225	+3,345	+5,115	+6,235

	Effective Date	Revenue Effect			
		1980/81	1981/82	1982/83	1983/84
		(\$ millions)			
Details of Other Tax Changes					
Apply federal sales tax to marginal manufacturing activities	Jan. 1, 1981	—	+25	+30	+35
Changes in federal sales tax on advertising inserts and advertising publications	Immediate	Revenue increase of some \$10 million in a full year			
Extend tax relief for metric scales and metric conversion equipment to Dec. 31, 1983	July 1, 1981	—	Revenue reduction of up to \$3 million in a full year		
Extend extra 4% write-off for railway track and grading to Dec. 31, 1982	March 31, 1981	—	Revenue reduction of up to \$7 million in a full year		
Increase Investment Tax Credit to 50% in special incentive areas	Immediate	Revenue reduction depends on response			
Provide for accrual taxation of interest income of corporations	Immediate	Preventive measure. Precise revenue estimates not available			
Provide exemption for travelling allowances of certain part-time employees	1980 Taxation Year	Precise estimates not available			
Allow credit union centrals to flow through dividends to their member credit unions	Immediate	Precise estimates not available			
Extend child tax credit to children adopted in December	1980 Taxation Year	Revenue effect small			
End federal sales tax exemption for fuel used in logging and in testing engines	Immediate	Revenue increase of about \$10 million a year			
Changes in scope of sales tax exemptions provided by reference to Tariff Items	January 1, 1981	Revenue effect small			

Measures Related to the National Energy Program

The Petroleum and Gas Revenue Tax Act

The budget introduces a new tax of 8 per cent on revenue from the production of oil and gas in Canada. The tax will come into effect on January 1, 1981. It will be imposed on net production revenue and on royalties or rentals (other than royalties received by governments) that are computed by reference to the amount or value of production of oil or gas in Canada. The tax will be administered by Revenue Canada-Taxation.

General Application of the Tax

The Act will impose tax under two separate parts.

Part I will apply generally to net revenue from a working interest in a Canadian oil or gas property or to net revenue from processing petroleum to a crude oil stage.

Part II will apply to royalties based on the production in Canada of petroleum and gas.

All production net revenue and royalties will be taxed other than statutory royalties received by federal or provincial governments. The tax will apply to all persons who have revenue or royalties from oil and gas production including charities, pension funds, non-residents, and Crown agencies who may currently be exempt under the Income Tax Act.

Part I—Production Revenue Tax

The tax of 8 per cent under this Part will apply to any person who has income (other than royalties) from the production of petroleum or gas in Canada or from the processing of Canadian petroleum to a stage not beyond the stage of crude oil or its equivalent.

Income from production and processing will generally be computed in accordance with the Income Tax Act but the following special provisions will apply:

- (a) In computing income subject to the tax, no deduction will be allowed for certain amounts such as depletion, depreciation, exploration or development expenses, interest or other financial expenses, inventory and resource allowances, research expenses, and any government royalties, taxes, lease rentals or bonus payments with respect to the production of petroleum or gas.
- (b) Where petroleum is processed beyond the stage of crude oil or its equivalent, there will be a deemed disposition of the petroleum when it reaches the crude oil stage at its fair market value at that time.

The tax will not be imposed on income from transporting or transmitting petroleum or gas, refining crude oil or its equivalent or processing gas.

Provisions relating to the filing of returns, payment of tax, making of instalments and other administrative matters will be similar to corresponding provisions of the Income Tax Act.

Part II—Resource Royalties Tax

The tax of 8 per cent under this Part is imposed on resource royalties. A resource royalty means an amount computed by reference to the amount or value of oil or gas production in Canada after December 31, 1980 and includes any minimum or advance royalty payment but does not include provincial or federal government resource royalties or taxes.

When a resource royalty is paid, the 8-per-cent tax will be withheld by the payor and remitted to the Receiver General before the 15th day of the following month. The recipient of the royalty will accordingly not be required to remit any tax or file a return in respect of the royalty received.

Any recipient of a resource royalty on which tax has been withheld who is required to pay to another person a portion of the royalty (referred to as a payout) will be required to withhold 8 per cent of the amount of the payout. However, he will not be required to remit the amount withheld to the Receiver General as the appropriate tax would already have been remitted on the entire amount by the first person who makes a royalty payment.

Taxes imposed under this Act will not be deductible for income tax purposes.

Natural Gas and Gas Liquids Tax

A new tax will be imposed under the Excise Tax Act on all natural gas and gas liquids produced in Canada. While the tax will generally apply to distributors of

natural gas on their acquisitions of gas for resale to consumers; the purchase and sale arrangements in the industry take a variety of forms and various provisions will thus be necessary in the legislation to deal with them. Specifically:

- i) In the case of marketable pipeline gas acquired by distributors for resale to consumers in Canada, the tax will be imposed upon distributors when they acquire gas and will be collected from them.
- ii) In the case of sales of marketable pipeline gas by producers, pipeline companies or other gas brokers directly to consumers, the tax will be imposed on the consumer and collected by the seller on behalf of the government. This type of direct sale is often made to an industrial user.
- iii) Sales of marketable pipeline gas outside Canada will be taxable in the hands of the person who exports the gas.
- iv) Natural gas liquids, which are ethane, propane, and butanes, will be taxed when they are first removed, following production, from a gas processing or reprocessing plant. The operator of the plant will be required to collect the tax on behalf of the government. The tax will not apply to such liquids produced from oil.

The tax will initially be imposed at a rate equivalent to 30 cents per thousand cubic feet (mcf) of natural gas and will rise to the equivalent of 75 cents per mcf by January 1, 1983. The exact rates of tax on various products will be as set out below.

Tax Rates

Period	Marketable Pipeline Gas \$ per gigajoule	Natural Gas Liquids*		
		Ethane	Propane	Butanes
		(\$ per cubic metre)		
Nov. 1/80—June 30/81	0.28	5.18	7.11	7.93
July 1/81—Dec. 31/81	0.42	7.76	10.66	11.90
Jan. 1/82—Dec. 31/82	0.56	10.35	14.22	15.86
Jan. 1/83 and after	0.70	12.94	17.77	19.83

*For mixtures of these products the rate will be based on the rates applicable to the components and the proportion of each component in the mixture.

The tax will come into effect on November 1, 1980 for sales in Canada and on February 1, 1981 for sales outside Canada.

The persons who are required to collect and remit the tax to the government will be licensed under the Excise Tax Act by the Minister of National Revenue, who will be responsible for the administration of the tax. The licensees will remit tax

each month and will be subject to other administration and enforcement provisions of the Excise Tax Act. Operators of gas wells, operators of gas processing or reprocessing plants, distributors of natural gas, and other persons who are required to obtain licenses should contact the District Office of Revenue Canada-Customs and Excise in their area. Full details of the tax are given in the Notices of Ways and Means Motions.

The tax will raise some \$1,285 million in the first full fiscal year it is in effect.

The Blended Pricing System

Since the 1973-1974 round of OPEC price increases, the price of oil produced in Canada has been controlled through a series of federal-provincial agreements. In 1973, the federal government adopted, with the concurrence of First Ministers, a "one-price" policy for oil in Canada subject to the cost of transportation. It was also agreed that wellhead prices should, over time, rise in regular stages. At present, the average wellhead price of Canadian crude (\$16.75 per barrel) is well below the cost of imported oil (about \$38 per barrel).

As all regions in Canada do not have access to domestic oil, the Oil Import Compensation Program was established to provide refiners processing imported oil with a subsidy (now about \$20 per barrel) sufficient to reduce their crude costs to the same level as refiners using Canadian oil. The program has been funded by the federal treasury, and its cost is, therefore, borne by the Canadian taxpayer.

To encourage the development and production of synthetic oil, the federal government has allowed the output of tar sands plants (Suncor and Syncrude) to be sold at the world price. Refiners who purchase synthetic crude have received an amount equivalent to import compensation (i.e. about \$20 per barrel). This program has been financed by a levy, the so-called "Syncrude levy" (now \$1.75 per barrel), imposed on all Canadian refiners. The refiners pass on the costs of this levy to consumers in the form of higher prices for petroleum products.

Effective immediately a number of changes in the pricing system will be introduced so as to implement a blended pricing regime for oil. A new schedule of prices for domestic oil production, both conventional and non-conventional, will be established, and a mechanism put in place to blend the costs of oil from different sources, including imports, into a weighted-average price to consumers. When the system is fully phased in, the crude cost to all refineries will be a "blended price" consisting of:

- (a) the wellhead price of domestic conventional oil, plus transportation charges; and
- (b) the Petroleum Compensation Charge (in essence an expanded "Syncrude levy") set at a level sufficient to cover the costs of compensating refiners using imported oil, synthetic crude, and other categories of high-cost domestic oil such as tertiary oil and upgraded heavy oil.

The new regime will be phased in so that the increase in the wellhead price plus the import component of the Petroleum Compensation Charge will be less than \$4 per barrel in 1980. In the three subsequent years the increase in the wellhead price and in the compensation charge will total \$4.50 per barrel per year. The result will be to shift the burden of maintaining the oil import compensation program from the taxpayer to oil consumers.

Depletion Allowances — Oil and Gas

As part of the National Energy Program the provisions that relate to depletion allowances are to be modified, for oil and gas exploration and development activities, effective January 1, 1981. Depletion and other incentive deductions have reduced the effective federal tax rate in the oil and gas sector to some 10-12 per cent. These incentives have primarily benefitted large established corporations which are generally foreign-owned or controlled. They have been of little use to the smaller Canadian-owned corporations which do not have sufficient income to benefit from tax incentives. The National Energy Program provides a new incentive in the form of direct incentive payments for exploration and development. This new system will provide important support for oil and gas exploration and development, particularly for corporations that are not in a taxable position. The rates of incentive payment will be higher for Canadian-owned firms and accordingly will promote Canadian ownership. This new system will significantly reduce the need for the tax-based incentives and as a result depletion allowances for the oil and gas sector are to be modified as follows.

Individuals

Individuals will not be eligible to earn depletion after 1980. Canadian individuals will instead receive grants of 80 per cent of their costs of exploration on Canada lands, which comprise the area north of the 60th parallel and offshore, and 35 per cent of their costs of exploration elsewhere in Canada.

Previously individuals earned depletion at the rate of \$1 for every \$3 spent on exploration.

Corporations

Expenses for exploration on Canada lands and development expenses for prescribed projects eligible for incentive prices — enhanced recovery, oil sands and heavy oil projects — will continue to earn depletion at the rate of \$1 for every \$3 of eligible expenditures. Eligible expenditures for this purpose are reduced by related grants.

Earned depletion will be phased out for exploration elsewhere in Canada. Depletion will be earned at the rate of 33 ⅓ per cent of eligible expenditures for 1981, 20 per cent for 1982 and 10 per cent for 1983. Thereafter such

expenditures will not earn depletion. Eligible expenditures are again net of grants.

Development expenses for projects that do not qualify for incentive prices will not earn depletion after 1980.

Supplementary Depletion

The supplementary depletion currently earned at the rate of 50 per cent of the cost of enhanced oil recovery machinery and equipment and 33 ⅓ per cent of the cost of "bituminous sands equipment", deductible up to a maximum of 50 per cent of total income, will continue until the end of 1980. After 1980 such expenditures will earn depletion at the rate of 33 ⅓ per cent providing they are part of a prescribed project entitled to incentive prices. Machinery and equipment acquired for a facility to upgrade heavy oil to a crude oil equivalent will also earn depletion at a 33 ⅓ per cent rate.

All depletion earned after 1980 will be deductible up to a maximum of 25 per cent of resource income.

The above changes apply to the oil and gas sector only and not to the mining sector.

Depletion Allowance—Mining and Oil and Gas

After 1980, administrative and other indirect expenses that are not principally attributable to exploration or development activities, and charges by related persons for property rentals or services related to exploration or development to the extent they exceed the direct costs related thereto, will not earn depletion. In addition, these amounts will reduce the amount of "resource profits" for the purpose of determining the resource allowance.

Government grants and assistance related to exploration or development activities will reduce expenditures for the purpose of computing earned depletion.

Table 1 shows the current and proposed structure of the depletion allowance. It also provides information on the rates of incentive grants that will be made available to individuals and corporations under the new system. Unlike the depletion allowance, the rates of incentive grants depend upon the degree of Canadian ownership of the recipient.

Table 1

Depletion Allowances and Incentive Payments for Oil and Gas Exploration and Development

	Conventional Areas		Canada Lands		Major Projects Receiving Incentive Prices		
	Explor- ation	Develop- ment	Explor- ation	Develop- ment	Develop- ment	Enhanced Recovery Machinery and Equip- ment	Bituminous Sands Equip- ment
(percentage of qualifying expenditures)							
Current System of Depletion Allowances							
Individuals and corporations	33⅓	33⅓	33⅓	33⅓	33⅓	50	33⅓
Proposed System of Incentive Payments and Depletion							
<i>Rate of depletion allowance</i>							
for corporations							
1981	33⅓	0	33⅓	0	33⅓	33⅓	33⅓
1982	20	0	33⅓	0	33⅓	33⅓	33⅓
1983	10	0	33⅓	0	33⅓	33⅓	33⅓
1984 and after	0	0	33⅓	0	33⅓	33⅓	33⅓
For individuals	Depletion no longer earned by individuals as of 1981						
<i>Rate of incentive payment</i>							
for individuals and corporations at least 75 % Canadian-owned*							
1981 and after	35	20	80	20	20	20	20
For corporations 50-75 % Canadian-owned*							
1981	0	0	35	0	0	0	0
1982	10	10	45	10	10	10	10
1983	10	10	45	10	10	10	10
1984	15	10	50	10	10	10	10
For corporations under 50 % Canadian-owned, 1981 and after							
	0	0	25	0	0	0	0

*To qualify for incentive payments, corporations with 50 per cent or more Canadian ownership must also be Canadian controlled.

Table 2 provides information on the net after-tax cost of exploration under the current and the proposed system for individuals and corporations. The new system is of significant benefit to individuals and Canadian corporations with small or no tax liability.

Table 2

Net After-Tax Cost of a \$100 Investment in Oil and Gas Exploration

Type of Investor	Frontier Regions		Western Canada	
	Current	Proposed	Current	Proposed
	(dollars)			
Individual without resource income				
40% tax rate	60	12	60	39
50% tax rate	50	10	50	32.5
60% tax rate	40	8	40	26
Non-taxable Canadian corporation	100	20	100	65
Taxable Canadian corporation	37.3	7.5	37.3	34.5
Taxable foreign-owned corporation	37.3	28.0	37.3	53

NOTE: The provincial corporate tax rate is assumed to be 11 per cent. No account is taken of various provincial exploration incentives. Net costs are defined to be the gross cost of investment (\$100) less the reduction in tax resulting from the immediate deductibility of exploration costs and from depletion allowances, where applicable, and less the value of incentive payments receivable. Calculations under the proposed system assume that all changes in depletion allowances and incentive payments are fully phased in. Canadian corporations are assumed to be at least 75-per-cent Canadian owned, and Canadian controlled. Foreign corporations are assumed to be under 50-per-cent Canadian owned.

Exploration and Development Expenses

A number of changes are proposed to the provisions relating to mining and oil and gas exploration and development expenses.

Individuals and non-principal-business corporations—those whose principal business is other than mining, processing ores, producing or refining petroleum products or operating a pipeline—are currently permitted an immediate deduction of Canada exploration expenses incurred after May 25, 1976 and before 1982. It is proposed to extend this provision to expenses incurred in 1982 and subsequent years. This will ensure that non-resource corporations and individuals investing in drilling funds will continue to obtain the benefit of an immediate 100-per-cent write-off of Canadian exploration costs.

The amounts which may be deducted for tax purposes in respect of Canadian exploration expense and Canadian development expense will generally be reduced by the amount of any government grants, subsidies or other assistance payable in respect of any exploration or development activities carried out after 1980.

Canadian exploration expense will exclude drilling and related costs incurred after 1980 other than costs incurred in respect of an oil or gas well drilled in an area where a commercial accumulation of oil or gas was not previously known to exist and then only if the well is abandoned within 12 months of its completion or if it is the first well in the area capable of production in commercial quantities. Costs incurred in drilling other wells will qualify as Canadian development expenses.

Amounts paid after October 28, 1980 for exploration and development expenses as rent or for services will be deductible in a taxation year only to the extent the payment relates to the use of property or to services rendered before the end of the year.

Upgrading of Heavy Oil

The processing of heavy oil in upgrading plants to a stage of crude oil or its equivalent will now be treated as a resource activity rather than as manufacturing and processing. As a consequence, income from such an operation will be considered to be "resource profits" eligible for the 25-per-cent resource allowance. This change will reduce the effective federal corporate income tax on such income to 27 per cent from the 30-per-cent tax rate that applies to manufacturing. Machinery and equipment used in an upgrading plant will be written off at 30 per cent per year on a declining balance basis, rather than the two-year write-off applicable to manufacturing machinery and equipment, but will be eligible to earn depletion.

Oil Export Charge

At present, the export charge on crude oil captures, for the federal government, the full difference between the domestic price and the Canadian export price. The bulk of crude now exported is heavy oil which the domestic refining industry does not have the capacity to use. It is, therefore, surplus to Canadian needs. The National Energy Program does, however, incorporate measures to increase the use of heavy crude domestically, and it is expected that exports will be phased out by the mid-1980s.

Effective November 1, 1980, one-half of federal receipts from the export charge on crude oil will be paid to the producing provinces, Alberta and Saskatchewan. The cost to the federal government is expected to be about \$70 million in this fiscal year, \$370 million in 1981/82 and \$420 million in 1982/83.

Marine Bunkers and Aviation Fuel

The Minister of Energy, Mines and Resources will be taking measures to ensure that marine and aviation fuel used in international transportation is not sold at the subsidized price paid by domestic consumers in Canada.

At present, Canadian carriers pay domestic prices, on both domestic and international routes. The treatment of foreign carriers depends on whether they refuel in a region supplied by imported crude oil or domestic oil. East of the Ottawa Valley our existing policy requires that subsidies under the Oil Import Compensation Program (OICP) be repaid on bunkers and aviation fuel produced from imported crude oil and sold to foreign carriers. West of the Ottawa Valley, which is supplied by domestic oil (and where the compensation program does not apply), marine and aviation fuel is sold to foreign carriers at the domestic price.

The net result is a pricing anomaly and subsidization of international transportation at the expense of the federal government.

To deal with these problems, the following steps will be taken:

- (a) *West of the Ottawa Valley*, the charge now levied on other petroleum product exports will be extended to sales of aviation and marine bunkers to foreign carriers and to domestic carriers on international routes. This will require amendments to the Petroleum Administration Act and the National Energy Board Act.
- (b) *East of the Ottawa Valley*, the recovery of the subsidy under the Oil Import Compensation Program, now applied to foreign carriers only, will be extended to domestic carriers on international routes. This will be accomplished by amendments to the Oil Import Compensation Regulations.

The proposed measures will ensure that aviation and marine fuel bunkers for international use are sold at world prices, and that the federal government is able to recover the difference between prices of domestic and imported crude oil. In addition, these changes will remove the existing regional discrepancy in the treatment of foreign carriers.

To allow time for the marine and aviation industries to adjust to the changes, the export charges and related modifications to the compensation program will not be effective until April 1, 1981.

Tax Indexing in 1981

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

The indexing adjustment for each year is based on the average annual increase in the CPI for the 12-month period ending in September of the previous year. For the 1981 taxation year, personal exemptions, tax brackets and the refundable child tax credit will rise by 9.8 per cent. Tax indexing in 1981 will raise personal exemptions as follows:

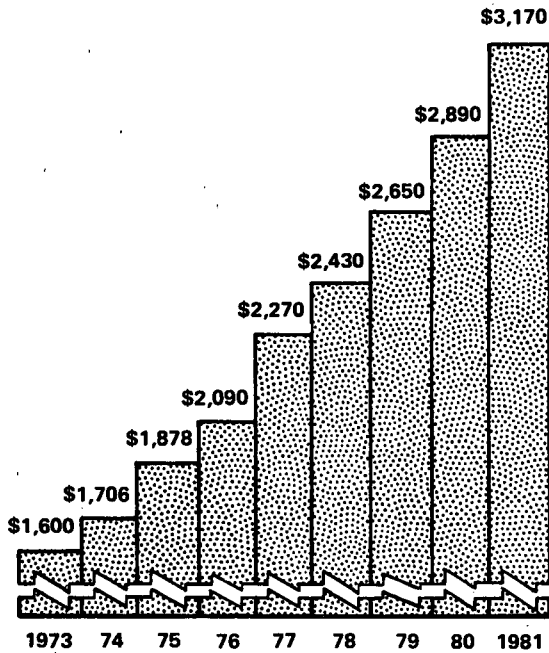
	1980 Levels	1981 Levels	Increase
		(dollars)	
Basic personal exemption	2,890	3,170	280
Married exemption.....	2,530	2,780	250
Exemption for dependants under age 18	540	590	50
Exemption for dependants age 18 or over	990	1,090	100
Age exemption.....	1,810	1,980	170
Deduction for the blind and disabled.....	1,810	1,980	170

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

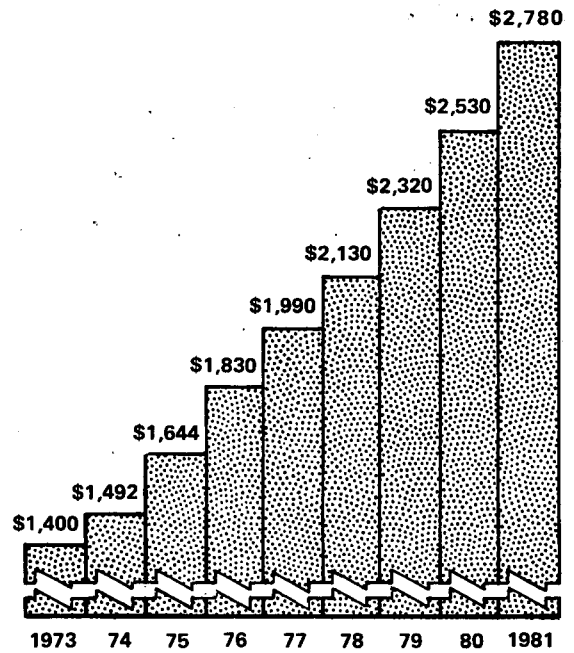
Table 1 shows the new federal income tax schedule for the 1981 taxation year.

INCREASES IN VARIOUS EXEMPTIONS AND DEDUCTIONS AS A RESULT OF INDEXING, 1973 – 1981

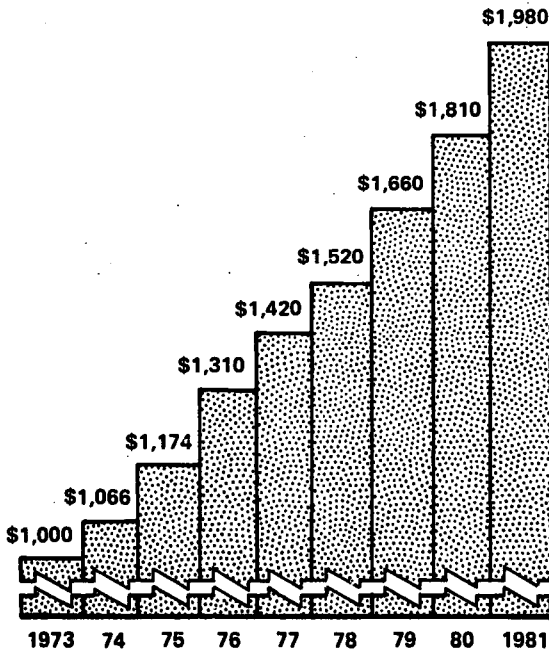
BASIC PERSONAL EXEMPTION



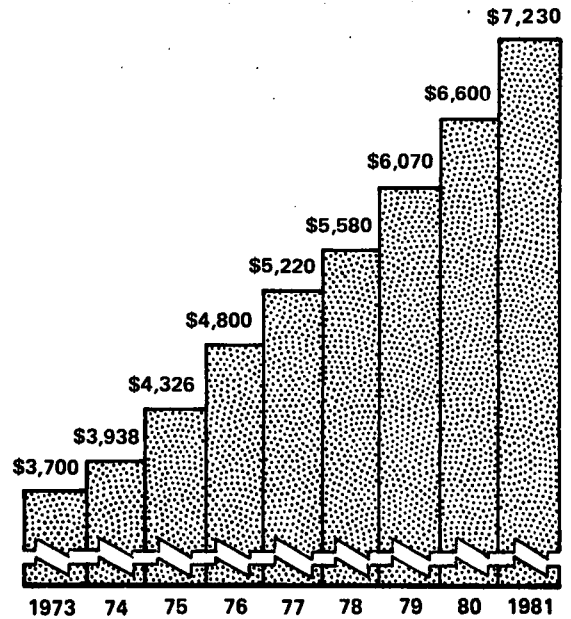
MARRIED OR EQUIVALENT EXEMPTION



AGE EXEMPTION



EXEMPTIONS APPLICABLE TO A MARRIED COUPLE WITH TWO DEPENDANTS UNDER AGE 18*



*This includes the basic personal exemption, the married exemption, the standard \$100 deduction in respect of medical and charitable contributions and the exemption applicable to children under age 18 in 1981 and 1980 and under the age of 17 in 1979 and under the age of 16 for the preceding years. No account is taken of other exemptions and deductions applicable to the family such as the employment expense deduction of 3 percent of wage and salary income to a maximum of \$500 or the deductions in respect of CPP/QPP and UI contributions.

Table 1**1981 Federal Income Tax Rates
With Additional Indexing of 9.8 per cent**

Taxable Income		Tax	
\$992 or less		6%	
In excess of			
\$ 992	\$ 59	+	16% on next \$ 991
\$ 1,983	\$ 218	+	17% on next \$ 1,983
\$ 3,966	\$ 555	+	18% on next \$ 1,983
\$ 5,949	\$ 912	+	19% on next \$ 3,966
\$ 9,915	\$ 1,666	+	21% on next \$ 3,966
\$ 13,881	\$ 2,499	+	23% on next \$ 3,966
\$ 17,847	\$ 3,411	+	25% on next \$ 3,966
\$ 21,813	\$ 4,402	+	28% on next \$ 5,949
\$ 27,762	\$ 6,068	+	32% on next \$ 19,830
\$ 47,592	\$12,414	+	36% on next \$ 29,745
\$ 77,337	\$23,122	+	39% on next \$ 41,643
\$ 118,980	\$39,363	+	43% on the rest

The amount of the refundable child tax credit for the 1981 taxation year will rise from \$238 to \$261 per child. The threshold family income level up to which full child tax credit benefits are paid will rise from \$21,380 to \$23,470. This increase will preserve the real value of the refundable child tax credit.

Savings for Typical Taxpayers

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

Table 2**Federal and Provincial Tax Saving in 1981 as a Result of Indexing**

Earned Income	1981 Federal and Provincial Tax		Tax Savings	
	Without 1981 Indexing	With 1981 Indexing	Amount	Per cent
\$	\$	\$	\$	
Single taxpayer—no dependants				
5,000	80	57	23	28.8
10,000	1,259	1,154	105	8.3
15,000	2,595	2,458	137	5.3
20,000	4,108	3,937	171	4.2
25,000	5,832	5,566	266	4.6
30,000	7,776	7,410	366	4.7
50,000	17,144	16,502	642	3.7
100,000	44,167	43,106	1,061	2.4
Married taxpayer—two dependants under age 18				
5,000	-476	-522	46	—
10,000	-14	-230	216	—
15,000	1,232	984	248	20.1
20,000	2,690	2,401	289	10.7
25,000	4,444	3,970	474	10.7
30,000	6,507	5,912	595	9.1
50,000	15,593	14,942	651	4.2
100,000	42,464	41,205	1,259	3.0

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

Taxpayers are assumed to be under age 65 and to receive earned income. Family allowance payments are added to earned income in calculating tax liability where applicable. In addition to personal exemptions, the employment expense deduction of 3 per cent of wage and salary income to a maximum of \$500 and CPP/QPP and UI contributions, calculated at 1981 rates, are deducted in computing tax. Taxpayers are assumed to take the optional standard deduction of \$100 in respect of medical expenses and charitable contributions. No account is taken of other potential deductions such as child care expenses or contributions to private pension plans. For purposes of computing child tax credit benefits, all income is assumed to accrue to one spouse.

The provincial tax is calculated at a standard rate of 44.0 per cent of federal basic tax. As rates of provincial tax vary from province to province, taxpayers in some provinces will experience tax savings that differ from those given above. No provision is made in the calculations for any provincial tax cuts or tax credits.

Revenue Impact

The additional indexing of exemptions and tax brackets by 9.8 per cent will reduce federal revenues by some \$1,450 million for the 1981 taxation year. Revenue of the provinces under the tax collection agreements will be reduced by some \$550 million.

The indexing of the child tax credit will reduce federal revenues by \$130 million for the 1981 taxation year. The total federal revenue loss from 1981 indexing is thus some \$1,580 million. Indexing in 1981 will remove 275,000 Canadians from the federal tax rolls. The current-year federal tax savings to individuals, associated with the cumulative increase in exemptions and tax brackets that has occurred since the inception of indexing in 1974, amounts to some \$11 billion. The cumulative federal cost in 1981 of indexing the refundable child tax credit since the beginning in 1978 is some \$700 million. Indexing of the refundable child tax credit does not affect provincial revenues.

Distribution of Aggregate Indexing Savings

Table 3 provides a distribution by income class of aggregate federal and provincial tax savings to individuals from indexing exemptions and tax brackets in 1981. Comparing the share of benefits to the share of federal and provincial tax, taxpayers with incomes under \$20,000 receive 36.9 per cent of indexing benefits while they contribute only 25.1 per cent of tax. For taxpayers with incomes above \$20,000 the share in indexing benefits is less than their share in taxes payable. The benefits of indexing the child tax credit accrue mostly to families earning less than \$25,000. Their distribution is not shown in the table.

Table 3

Distribution of Aggregate Federal and Provincial Tax Savings from 1981 Indexing of Exemptions and Tax Brackets*

Individual Income Level	Savings in Federal and Provincial Tax from 1981 Indexing		Share in Federal and Provincial Tax
	Amount	Share in Total	
\$	\$ millions	%	%
Under 10,000	182	9.1	2.6
10,000 - 20,000	555	27.8	22.5
20,000 - 30,000	548	27.4	29.7
30,000 - 50,000	494	24.7	25.8
50,000 - 100,000	164	8.2	11.8
100,000 and over	57	2.8	7.6
Total	2,000	100.0	100.0

*Figures do not include the indexing of the Child Tax Credit.

Revenue Canada Taxation, will shortly distribute new tax withholding tables which reflect these changes. Taxpayers subject to tax withholding by employers should thus start to benefit in January, 1981 from the increased exemptions and the wider tax brackets.

Other Personal Tax Provisions

Child Tax Credit

Eligibility rules for the child tax credit will be changed to ensure that parents who adopt or obtain custody of a child in December of a year will be eligible for a credit in respect of the child in filing the tax return for that year. As a result, adopted children will be treated in the same way as children who are born or become Canadian residents in December. This change is effective for tax returns for the 1980 and subsequent taxation years.

In addition, a technical amendment will ensure that the child tax credit may only be claimed once by an individual who files more than one return for the same calendar year.

Energy Conversion Grants

Grants will be provided under the National Energy Program to assist individuals and small firms in the conversion off-oil. As is the case with grants under the Canadian Home Insulation Program, an amendment is proposed to the tax law to ensure that these energy conversion grants will be included in the income of the beneficiary. In the case of a married person the grant will be taxable to the spouse with the higher income.

Employee Loans

Currently the benefit derived by an employee on most low-interest loans received from his employer is taxable. Under the present rules, an employee who has received such a loan is treated as having received a taxable benefit in any year if the interest rate on the loan for the year is less than the prescribed rate for that year. For 1980, the prescribed rate is 11 per cent. This means that in times of rising interest rates an employee may be treated as realizing a taxable benefit even though the rates and terms on his loan when it was issued were comparable to those on loans made by his employer to the general public. To avoid this result, the taxable benefit on such loans will be determined by reference to the prescribed rate for the year in which the interest rate on the loan was established. This will ensure that employees of financial institutions who receive loans from their employer at the ordinary rates available to the public will not be treated as having received a taxable benefit.

In addition, the current tax exemption for benefits on certain low-interest housing loans made to help existing employees to relocate will be extended to cover similar relocation loans made to new employees.

These changes will be effective for the 1980 and subsequent taxation years.

Pension Contributions by Employers

Currently, contributions by employers to pension plans in respect of the current services of employees are tax deductible up to \$3,500 per employee. If contributions required under a defined benefit plan exceed this limit, the excess is not deductible as a current service contribution. The excess can, however, be contributed in the next year and deducted for tax purposes as a past-service contribution. Certain provinces are changing their pension legislation to require that full current-service contributions by employers to such plans be made in the current year. To accommodate these changes, the budget removes the existing dollar limits on contributions to defined benefit pension plans. Contributions after 1980 will be deductible without limit if they are based on the recommendation of a qualified actuary and are approved by the Minister of National Revenue. As a result, employers will continue to obtain a full deduction for such contributions.

Travelling Allowances for Part-Time Employees

Travelling allowances or reimbursements of travel expenses for part-time employees will be made exempt from tax in certain circumstances, effective in 1980 and subsequent tax years. This will generally parallel the tax treatment of full-time employees for travel undertaken in the ordinary course of their employment. The new exemption will apply to part-time employees working at least 50 miles away from both their residence and their principal work location. It will be of particular assistance in facilitating the recruiting of part-time lecturers by universities and other educational institutions located outside the major metropolitan areas.

Pension Benefits of Non-Residents

The present law provides an exemption from the non-resident withholding tax on pension benefits paid from Canada in all cases where the payment is attributable to services rendered by an employee in a year in which he was neither resident nor employed in Canada. It is proposed to extend this exemption to pensions in respect of services of non-resident employees who may be required to perform occasional duties in Canada.

Overseas Canadian Forces School Staff

The Income Tax Act provides that certain employees who have ceased to be resident in Canada are nevertheless deemed to be employed in Canada. This tax treatment applies to teachers on loan from Canadian school boards to the Department of National Defence to teach overseas. Since these teachers are not treated as residents of Canada for tax purposes, they are denied certain tax benefits and allowances. An amendment, effective this year, will enable these teachers to file their tax returns as residents of Canada.

Other Corporate Provisions

Investment Tax Credit

New 50-per-cent Credit

The budget proposes to enrich the investment tax credit for new capital investments made in selected incentive regions after today and before 1986. The credit will apply to investments in new plant and equipment for manufacturing or processing as defined under the Regional Development Incentives Act. These investments will be entitled to a 50-per-cent investment tax credit. This compares with the existing investment tax credit for new capital investments of 7, 10 or 20 per cent, depending on the region where the investment is made. The qualifying regions, which will cover approximately 5 per cent of the population, will be determined on the basis of criteria such as high unemployment and low income levels. The larger population centres will not be included. This is a powerful incentive for investment in the poorer regions of the country.

Detailed information on this program will be made available by the Minister of Regional Economic Expansion, who will be responsible for certification of eligible investments under the program.

Other Technical Changes

A change, consistent with other energy measures, is also proposed to reduce the cost of property eligible for investment tax credit by any related grants or other assistance received after 1980 in respect of resource activities.

As well, two technical changes will be made to the investment tax credit. Under the current law, interest charges on money borrowed to acquire a property can be added to the cost of the property. The law will be amended to exclude interest from the costs that qualify for the credit. Second, a change will ensure that the portion of the 7-per-cent tax credit for transportation equipment claimed in any year reduces the balance that can be carried forward to be claimed in future years.

Interest Income

Proper financial accounting requires that income be recorded in the period in which it is earned. In the case of interest income, this implies the use of the accrual method of income determination. For tax purposes, most corporations and other business entities determine interest income on the accrual basis but some have opted to follow a different practice which has the effect of deferring taxes for interest accrued but not received. An amendment, effective for taxation years beginning after October 28, 1980 will require all corporations and partnerships and certain trusts to report interest income on the accrual method in accordance with generally accepted accounting principles. The change will not affect banks and other financial institutions since they are already specifically required to use the accrual basis for tax purposes.

Corporate Tax Instalments

Corporations are currently required to pay monthly tax instalments based on either their taxes paid for the previous year or an estimate of their current-year tax. Under the existing tax law, the appropriate base upon which a corporation is required to calculate its tax instalments may be reduced or eliminated where the corporation undergoes certain corporate reorganizations such as amalgamations, winding-ups and certain asset transfers. Short fiscal years can also serve to reduce the corporate tax instalment base. It is possible for corporations to use these techniques primarily for the purpose of postponing corporate tax instalments. Changes will be made to the Income Tax Act and regulations to ensure that appropriate instalment payments are required.

Three changes are proposed. First, the regulations will require the instalment base for a preceding taxation year of less than 12 months to be increased to the 12-month equivalent. This adjustment of the base will generally be determined by applying an appropriate multiple to the tax payable for that year. Second, the instalment base in respect of a preceding fiscal period of less than six months' duration will be the greater of the adjusted base for that period or the adjusted base for the next preceding period of more than six months. These two changes will be effective for taxation years commencing after October 28, 1980. Third, the adjusted instalment base of certain predecessor and other corporations will be included in the instalment base of the relevant corporation. For example, the combined adjusted instalment bases of predecessor corporations will be assigned to the new corporation formed on an amalgamation. This change will apply to amalgamations effected after October 28, 1980 and to other corporate reorganizations after the law is enacted.

Small Business Development Bond

The Small Business Development Bond (SBDB) measure, proposed in the April 21, 1980 Notice of Ways and Means Motion, was designed to reduce the interest costs of qualifying small business corporations by enabling them to obtain after-tax financing for a period of up to five years on a maximum of

\$500,000 of qualifying debt issued after December 11, 1979 and before 1981. Since banks and other financial institutions incur no tax liability on interest received in respect of such obligations, savings of up to 50 per cent on interest costs can be achieved by borrowers.

The deadline for issuance of Small Business Development Bonds will be extended beyond the end of this year to March 31, 1981. Eligible small business corporations will therefore be able to negotiate this favourable form of financing for an additional three months. The extension is provided in recognition of the delay in releasing the legislative details of the proposed measure and the fact that certain major lenders were reluctant to commence negotiations of SBDB loans until after the draft income tax amendments were published in August.

Small Business Deduction

Technical amendments are proposed to better define the scope of the small business deduction—the special low tax rate for Canadian active business income of small corporations. Certain management service corporations now are not allowed the low tax rate. One proposal will ensure that these corporations cannot qualify for the low rate through the use of an intermediary holding corporation. Another will ensure that small credit unions are not denied the small business tax rate. Other technical amendments of a clarifying nature are detailed in the Notice of Ways and Means Motion.

Credit Unions

The budget proposes important changes in the tax rules affecting credit unions. Currently, amounts received by a credit union central as dividends or capital gains and distributed to its member credit unions are fully taxable to the member credit union. If the member had, however, invested directly rather than through a central, any dividends it received and one-half of its capital gains would not have been taxable. A change is proposed to ensure that member credit unions are not taxable on their allocations of dividends and one-half of capital gains from credit union centrals. This change will facilitate the pooling of credit union funds in centrals for major investments in Canadian equities.

Another important change will allow credit unions to invest in certain securities such as bankers' acceptances and still qualify as credit unions for tax purposes. Various other relieving changes are also proposed to harmonize the tax rules applicable to credit unions. These changes are generally effective as of October 28, 1980.

Depreciation of Railway Track

In March, 1977, the government doubled the rate of depreciation from 4 to 8 per cent on new railway track and related property acquired before

April 1, 1980. This assisted in the expansion of rail transport facilities particularly for the movement of grain and coal in Western Canada. To encourage additional improvements in rail capacity, the budget proposes to extend this incentive depreciation measure to the end of 1982. This incentive supplements two other special tax incentives for railways which were introduced in 1978: the special 6-per-cent additional capital cost allowance for railway equipment and the 7-per-cent investment tax credit for transportation equipment.

Multiple-Unit Residential Buildings

In order to help reduce shortages of rental accommodation and provide a needed stimulus to the construction industry, the tax incentive for multiple-unit residential buildings (MURBs), which expired on December 31, 1979 will be reintroduced effective for construction starts after October 28, 1980 and before 1982, as certified by Canada Mortgage and Housing Corporation (CMHC). The MURB tax incentive permits capital cost allowances on eligible rental buildings to be used as a shelter from tax on income from other sources. This measure will reduce federal revenues by some \$15 million in the first full year of its application.

Bank Reserves

The tax law allows banks to claim reserves in respect of bad or doubtful debts and other contingencies. However, the current rules allow the tax deduction only in the year in which the reserves are booked on the companies' financial statements. A proposed amendment will permit the claiming of these reserves for tax purposes in subsequent years. In other words, the time of claim of such reserves for financial and tax purposes will no longer have to be the same. This will ensure that banks receive tax treatment with respect to their reserves similar to other taxpayers.

Partnership Interests

Amendments are proposed to remove certain technical deficiencies in the rules for computing the adjusted cost base of a partnership interest. This is the base against which any capital gain or loss is measured when a partner disposes of his partnership interest. Specifically, for cost base computations after October 28, 1980, adjustments are proposed to recognize non-taxable grants received by a partnership in respect of resource activities, resource allowances and inventory allowances afforded to a partnership, and certain other amounts, such as non-deductible taxes and royalties. These technical amendments will ensure that a partner's cost of his partnership interest more closely approximates the underlying tax cost of the partnership property.

Partnership Elections

Certain transfers of property between a partner and his partnership are eligible for a tax deferral provided that an election is filed with Revenue Canada. A relieving amendment applicable to such elections that are required after 1977 will extend the present one-year deadline for late-filing to three years. A related amendment increases the maximum late-filing penalty from \$2,500 to \$4,000.

Sale of Property by Non-Residents

A change is proposed to ensure an effective collection of tax payable by non-residents in respect of recaptured depreciation and proceeds on the sale of resource properties. The proposal involves a broadening of the existing withholding and clearance certificate procedure for the collection of tax payable on the disposition by non-residents of certain taxable Canadian properties.

Short-Form Amalgamations

Two relieving technical amendments are proposed relating to short-form amalgamations, which are a simple form of amalgamation provided under corporate law. One change will ensure that the tax-free rollover treatment generally provided on amalgamations will not be disallowed on such an amalgamation simply because a wholly-owned subsidiary was not directly owned by its parent but was instead 100-per-cent owned through other group companies. Another amendment proposes that the general restrictions on the deduction of certain resource expenses following the amalgamation of a parent and its wholly-owned subsidiary be relaxed to allow the exploration and development expenses of the parent company to be deducted by the new corporation.

Other Sales and Excise Tax Provisions

Alcohol and Tobacco Products

The Ways and Means Motion of April 21, 1980 introduced various increases in excise levies on alcoholic beverages. Specifically, the rate of tax on wines with an alcoholic content of more than 14 per cent was increased from 55 cents to \$3.00 per gallon. Effective immediately these wines will now be taxed the same as table wines with alcoholic content of more than 7 per cent, at the rate of \$1.25 per gallon.

The excise taxes and duties on alcoholic beverages and tobacco products are currently levied as specific amounts per unit of product. Unlike general sales and excise taxes which are imposed as a percentage of the product price, the yield of the specific levies does not increase in line with increases in the value of the product. Rather, periodic adjustments are required to be made in the rates of tax.

To eliminate these adjustments and maintain the real value of the tax, the budget proposes that the specific excise taxes and duties on alcoholic beverages and tobacco each be increased automatically in line with increases in their retail prices. The first adjustments will be effective April 1, 1981. They will be based on increases in the indices of selling prices of alcoholic beverages and tobacco products, as published by Statistics Canada, for the 12-month period ending December 31, 1980 over their values for the 12-month period ending September 30, 1980. Thereafter, changes will be made quarterly. The changes are expected to raise some \$100 million in revenues in the first full year.

Marginal Manufacturing

The Excise Tax Act imposes the 9-per-cent federal sales tax on manufactured goods, whether produced domestically or imported. The Act, however, does not provide a definition of manufacturing and as a result difficulties arise in the application of the tax in numerous borderline cases such as assembling, cutting to size, blending or mixing, and packaging of goods. The value added in such marginal manufacturing activities, if performed by other than the original manufacturer, is not currently subject to the federal sales tax. For example, firms who only cut large rolls of aluminum foil into small household-size rolls, or package nuts and bolts into consumer-size packages, or assemble toys, are not considered to be manufacturers for federal sales tax purposes. This gives rise to two undesirable consequences. First, it discriminates against manufacturers who perform these activities themselves, as opposed to others who sell their goods in bulk or in unassembled or unpackaged form. Second, it puts domestic

producers at a competitive disadvantage relative to importers, as the practice of marginal manufacturing is more prevalent in the case of imported goods. Distributors frequently import goods in large quantities in semi-finished or unassembled form and then finish and package them in Canada. Substantial differences in tax occur between competitive domestic and imported goods, as the value added in this process usually escapes federal sales tax.

To correct this problem, it is proposed to extend the federal sales tax to persons who perform marginal manufacturing activities. They will now be required to account for tax on their sale price rather than on their acquisition cost. Marginal manufacturers will be able to purchase their packaging equipment and supplies without payment of federal sales tax. The tax will not apply if the packaging activities are performed in a retail store for sale to consumers.

These changes will take effect on January 1, 1981.

Persons who are performing marginal manufacturing activities should contact their District Excise Office, or write to:

Director, Excise Tax Interpretations,
Revenue Canada, Customs and Excise,
Ottawa, Ontario. K1A 0L5

Advertising Inserts and Advertising Publications

Advertising materials are generally subject to the federal sales tax as manufactured goods. However, catalogues and advertising flyers which are distributed by being inserted into newspapers and magazines are treated as part of the newspaper or magazine and enjoy the sales tax exemption granted to such publications. The same catalogues or flyers distributed door-to-door or through the mail are fully taxable. The current system thus creates biases in the way advertising material is distributed and results in a significant loss of tax revenue.

To remove these biases, catalogues and advertising flyers inserted into newspapers and magazines will no longer be exempt from the sales tax. This change will not affect the normal advertising, including classified advertisements, appearing in such publications.

There has also been some uncertainty concerning the sales tax status of certain publications whose contents are wholly or mainly advertisements. The law is being clarified to ensure that such publications continue to be taxable.

Audits, Assessments and Refunds of Sales Tax

Changes are proposed to bring the sales tax audit, assessment and refund procedures in line with those under the Income Tax Act.

The Excise Tax Act does not place a statutory limitation on the number of years for which taxpayers may be audited or reassessed. The budget proposes that assessments or reassessments of tax liability be generally limited to a four-year period, except for cases of fraud, wilful default or negligence. This change will lessen uncertainties for taxpayers arising from the possibility of assessments or reassessments by Revenue Canada.

The procedure for making refunds of overpayments will also be streamlined. Taxpayers will be required to file an application in a manner prescribed by the Minister of National Revenue. Taxes paid in error or through oversight, and taxes paid on goods purchased by customers entitled to exemption, will continue to be recoverable up to four years after they are paid. However, retroactive adjustments of tax liability resulting from court decisions or interpretational changes by Revenue Canada will be limited to one year from the date of application for refund.

In order to improve audit and assessment procedures, taxpayers will be required to file an annual return reconciling their total sales with their taxable sales, and to provide information on sales by broad commodity groups and classes of customers. Information for this return will be readily available in the financial statements of most taxpayers. The provision is similar to one in the Income Tax Act which requires corporations to provide a reconciliation of their taxable income and the income reported on their financial statements. Availability of this information will enable Revenue Canada to design effective audit procedures under the new four-year constraint proposed.

Air Transportation Tax

The Excise Tax Act currently levies an air transportation tax on domestic and international travel by air. The proceeds of this tax are used to finance the costs of air transportation services, such as navigation and airport services, which are provided by Transport Canada. The tax on domestic air travel is levied at the rate of 8 per cent of the ticket price, to a maximum of \$15. The tax on international travel is a fixed amount of \$10 per ticket.

The ceiling for the tax on domestic travel will be increased to \$17.50 with the percentage rate remaining unchanged at 8 per cent. The tax on international travel will be increased to \$12.50. These changes will be effective on April 1, 1981 for tickets purchased in Canada, and on July 1, 1981 for emplanements on and after that date, with respect to tickets purchased outside Canada.

Extension of Tax Relief for Metric Retail Scales

As part of the metrication program, certain relieving provisions were provided in the Income Tax Act, the Excise Tax Act, and the Customs Tariff for retailers who incur costs in converting their scales to metric measure. Because of delays in the conversion program, the expiry date of these relieving provisions will be extended from July 1, 1981 to December 31, 1983. Under these provisions, kits and parts to convert retail scales to metric are exempt from federal sales tax and duty; sales tax on purchases of new metric scales is reduced by one-half; and a 100-per-cent immediate write-off for income tax purposes is provided for metric scales for use in a retail business.

Transportation Fuels

The federal sales tax applies to all transportation fuels consumed in Canada except diesel fuel used in logging and fuels used in the testing of engines. The budget establishes complete uniformity of tax treatment among all users of these fuels by deleting these two exemptions, effective immediately.

Exemptions for Construction, Transportation and Road-Cleaning Equipment

The Excise Tax Act now provides relief from the 9-per-cent federal sales tax for construction and transportation equipment and parts if their price is over \$1,000 per unit. A similar exemption with a threshold of \$500 exists for road-making, road-cleaning, and fire-fighting equipment purchased by municipalities. The purpose of the threshold is to limit the exemption to the equipment itself and to major replacement parts.

The dollar value of these thresholds has remained unchanged for several years and inflation has increased the number of purchases which now qualify for relief. The budget proposes to increase the thresholds to a common value of \$2,000.

Sales Tax Exemptions Linked to Tariff Items

The Excise Tax Act now provides exemptions from the 9-per-cent federal sales tax for a range of goods which are identified by tariff item number under the Customs Tariff. Any changes in the definition of a given tariff item thus automatically result in a change in the scope of the sales tax exemption. The trade policy considerations which underlie changes in tariff items are not generally relevant for determining sales tax relief. For example, tariff relief is sometimes provided in respect of goods if they are of a "class or kind not made in Canada". This is not an appropriate criterion for purposes of the sales tax which is a levy of general application on consumption of domestic as well as imported goods.

The budget proposes to sever the link between the tariff items and the sales tax by explicitly exempting the goods which are currently enumerated in the tariff items. Explicit exemption is already provided under the Excise Tax Act for a number of goods listed in tariff items. For other items there will be some rationalization of the relief formerly available under the Customs Tariff with comparable relief already available for like goods under the Excise Tax Act. While most of the sales tax relief currently provided will be continued, certain minor differences will occur because of the change.

One of the major tariff items for which duty and sales tax relief is currently provided is 69605-1. It includes goods such as scientific apparatus, instruments and preparations, laboratory glassware, maps and charts, films, and sound and video recordings, for use by institutions established for religious, educational, scientific, or literary purposes. This item was the subject of an inquiry by the Tariff Board in 1978, and changes in the item are proposed in the budget as a result of the Board's recommendations (see supplementary information on Customs Tariff proposals). Sales tax relief will be continued for most of the goods now exempt under this item, with one exception. This exception relates to mechanical equipment, utensils, instruments, and other apparatus, of a class or kind not made in Canada. Under the new provisions the not-made-in-Canada requirement is being dropped. The exemption will be available to such goods if they are designed and used primarily for teaching or research.

Another change under the new provisions relates to used goods imported into Canada. Currently such goods attract the 9-per-cent federal sales tax when they are first imported into Canada unless they are over 50 years old. The budget proposes that the sales tax exemption be available only for goods over 100 years old. This proposal does not have any impact on domestically produced goods, which are only taxed when bought new. Full details of the new provisions replacing the Tariff item references are given in the Notices of Ways and Means Motion. All will be effective on January 1, 1981.

Measures Reintroduced from April 21, 1980

Parliamentary approval has not yet been given to the sales and excise provisions which were tabled in the House on April 21, 1980. All have been administered by Revenue Canada since the date of their introduction. They include changes in the levies on alcoholic beverages and tobacco products, cosmetics, photofinishing, containers and coverings, gasoline and diesel fuel, and aircraft, as well as a number of technical and administrative modifications. These proposals, some of which were originally made in the budget of November 16, 1978 are repeated in the current Ways and Means Motion and will be included in the enabling legislation.

Customs Tariff Changes

The budget will, by and large, implement the recommendations made by the Tariff Board in its report on antiques, collectibles and hobby equipment for duty-free entry of a wide range of such articles which are not made in Canada. Duty-free entry will be provided for motor vehicles over 25 years old and parts for restoring such vehicles, certain amateur radio equipment, scale model kits, scuba regulators, mountain climbing equipment, astronomical telescopes, chess clocks and pigeon-racing equipment. Free entry will also be provided for sports equipment meeting international standards required by international calibre amateur athletes. This will help Canadian athletes to compete on an equal basis with other world class athletes.

The budget also contains a number of tariff changes based on recommendations in the Tariff Board report on scientific and educational equipment. The Board had recommended that the current duty-free provision for such equipment be modified to help Canadian producers compete more effectively with imports. Accordingly, duty-free entry will be restricted to apparatus, utensils and instruments used directly in teaching or research that are not available from Canadian production, effective July 1, 1981. On the same date, most laboratory glassware, which schools and research institutions can now import duty-free, will become dutiable at 11.3 per cent. Duty-free entry is being continued for printed matter, films and recordings used by schools, research organizations, libraries, museums and churches. Hospitals will continue to be eligible to obtain, on a duty-free basis, diagnostic chemicals not produced in Canada and this privilege is being extended to private medical laboratories, effective after October 28, 1980.

Duty-free entry is being proposed for a range of goods including certain plant bulbs, television captioning devices used by the deaf, lawn bowling balls, microfilmed books for libraries, apparatus used to collect oyster eggs, and expanded perlite, an industrial filtering agent. An existing duty-free item relating to kits used to convert retail scales to the metric system is being extended until December 31, 1983 and a duty-free provision under the General Preferential Tariff for shop towels is being expanded.

A new tariff item is being introduced to provide a single rate of duty, 15 per cent, for shipments containing two or more different chemicals. This item will be used only at the request of importers and should result in reduced paperwork both for importers and the government.

A number of technical changes are being made. Some of these, such as the exclusion of dental prostheses and filling materials from a duty-free tariff item and amendments to the French-language version of several items covering printing plates, are designed to restore tariff levels which were altered as a result of changes in tariff interpretation.