Information

Budget 1997

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The 1997 Budget: Overview

In the last three budgets, the government has sought to restore the confidence of Canadians in their future. The government's plan for a strengthened economy and a stronger society set out in 1994 has been consistently followed in all actions the government has taken. Measures have been introduced to: re-establish confidence in the way the government manages the country's finances; strengthen the economy so that it creates immediate jobs and growth; build a more innovative economy over the long term; and fortify Canadian society by preserving and improving the social programs that sustain the well-being of Canadians.

The 1997 budget shows that efforts to restore health to the nation's finances are on track, that the deficit target will be bettered this year, and that the government is staying the course of deficit reduction in future years. It reinforces the government's plan for economic growth and jobs in both the immediate and long term. It also proposes important investments in key priority areas to Canadians: post-secondary education, innovation, health care, children, people with disabilities and charitable giving.

In the 1997 budget, there are no new program spending cuts or tax increases; in fact, there are selected tax reductions and targeted investments.

Deficit targets

- For the third consecutive year, the government will better its deficit targets.
- The federal government's deficit target for 1996-97 was $24.3 billion; current estimates suggest that the deficit will be no higher than $19 billion after new spending initiatives – about $5.3 billion less than the target and only about 2.4 per cent of gross domestic product (GDP).
- The deficit targets of $17 billion (or 2 per cent of GDP) for 1997-98 and $9 billion (or 1 per cent of GDP) for 1998-99 will also be met.
- In 1993-94, the budget deficit stood at $42 billion. For 1998-99, our deficit target is $9 billion or about 1 per cent of GDP – a reduction of $33 billion, or 80 per cent, in just five years.

Initiatives

- Initiatives announced in the budget total under $1 billion per year and amount to $765 million in 1996-97, $991 million in 1997-98, $730 million in 1998-99 and $917 million in 1999-2000.
- Most of the initiatives proposed in the budget consist of targeted tax relief rather than increased program spending. In fact, program spending will be lower than forecast in the 1996 budget in each year beyond 1996-97.

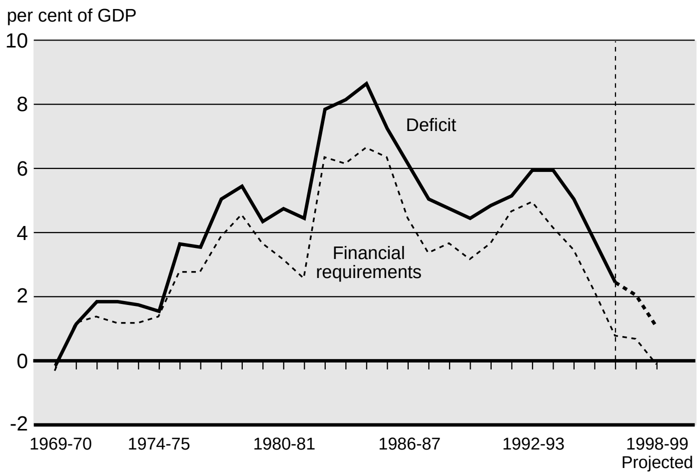
■ *The 1997 budget includes:*

- measures to promote economic growth and job creation in the near and medium term, as well as strategic investments to position the economy for the 21st century;
- tax measures to help students and families manage the costs of post-secondary education, workers enhance their skills and students repay their Canada Student Loans;
- proposed creation of the Canada Foundation for Innovation to modernize and enhance research infrastructure at post-secondary institutions and research hospitals;
- immediate steps to strengthen Canada's health care system;
- increased assistance by July 1998 to more than 2.5 million children in low-income families through the new proposed National Child Benefit System;
- improved support for people with disabilities;
- new measures to encourage charitable giving;
- additional support for tourism and small business; and
- increased support for rural development by raising the funding of the Community Access Program and providing additional capital to the Farm Credit Corporation.

■ *Other key facts*

- Financial requirements are falling sharply and will be in a small surplus by 1998-99. This means the government will no longer have to borrow new money on financial markets to pay for its programs or for interest on the debt.
- The debt-to-GDP ratio will start to decline in 1997-98.
- Federal government program spending will be reduced to $103.5 billion by 1998-99, down from $120 billion in 1993-94.
- The operating balance (revenues less program spending) will reach almost 5 per cent of GDP by 1998-99.

Public accounts deficit and financial requirements



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Restoring Confidence in the Country's Finances: The Economic Situation

A strengthening and growing economy

The economic indicators of the nation are the most positive they have been in years:

- **Interest rates** have fallen dramatically. Short-term rates have fallen by about 5½ percentage points over the past two years and are at their lowest level in about 35 years. The prime lending rate is at its lowest level in 40 years. Short-term interest rates have also dropped relative to those in the United States, and are now below U.S. rates for the first sustained period since the early 1970s.

- **Inflation** remains firmly under control at its lowest sustained level in three decades – within the target range of 1 to 3 per cent set by the federal government and the Bank of Canada.

- **Economic growth** in the third quarter of 1996 was at an annual rate of 3.3 per cent, the best since late 1994. Partial gross domestic product (GDP) data suggest that the fourth quarter may have been even stronger.

- Although the unemployment rate drifted upward in 1996 and is unacceptably high, private sector **job creation** has been healthy with 221,000 jobs created in 1996 – nine out of 10 of which are full-time. The overall job creation record would have been better if public sector job losses had not overshadowed the stronger private sector job creation. Since September 1996, job creation has picked up as the economy generated some 91,000 new jobs.

- Our **international competitiveness** vis-à-vis the U.S. remains at one of its best levels in the past 46 years.

- In 1996, Canadian exports reached record-breaking highs and our **merchandise trade balance** – exports over imports – is running at its highest annual surplus ever.

- Our **current account balance** (the difference between the payments we make to foreigners and the payments we receive from them) went into surplus in the second and third quarters of 1996 – the first surplus since 1984. Canada's net foreign indebtedness has been declining as a share of GDP since 1993.

- **Consumer confidence and spending** both rose in the fourth quarter of 1996 – extending steady improvement throughout the year. Sales of durable goods have increased significantly in response to lower interest rates with new motor vehicle sales up 8 per cent.

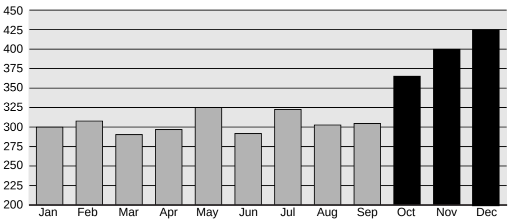
- The **housing sector** has rebounded with house resales soaring in late 1996, reducing the inventory of unsold houses. In January 1997, housing starts rose to about 45 per cent above their recent low – the highest level in more than two years.

- **Business confidence** is at a 20-year high with most businesses expecting improved financial positions over the next six months and using much more of their capacity. The percentage of businesses that think now is a good time to invest reached its highest level on record. Business investment jumped over 20 per cent at an annual rate in the third quarter of 1996.

Developments in late 1996 show a strengthening economy

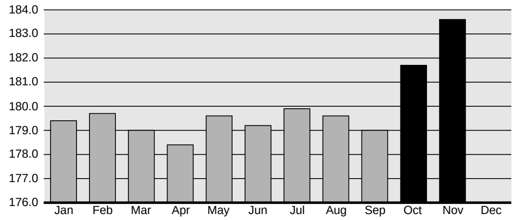
MLS house resales

thousands, annual rate



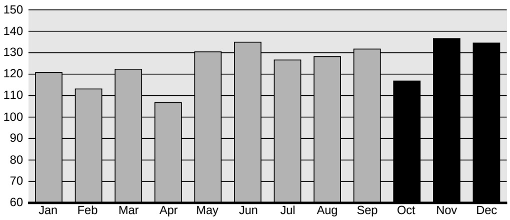
Real consumer spending on goods

$1986 millions, annual rate



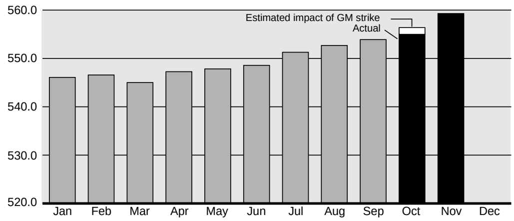
Housing starts

thousands, annual rate



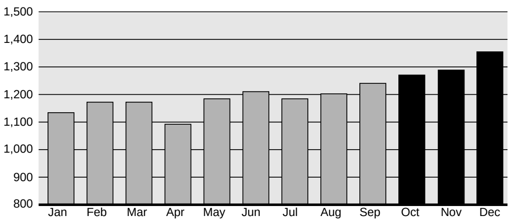
Real monthly GDP

$1986 millions, annual rate



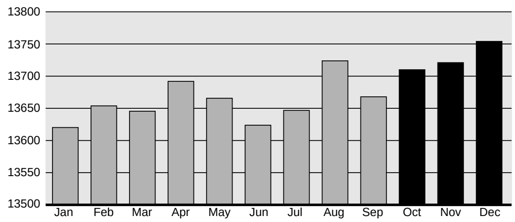
Motor vehicle sales

thousands, annual rate



Employment

thousands



Restoring Confidence in the Country's Finances: Economic Assumptions

The **1997 budget** continues the government's practice of using prudent economic assumptions for fiscal planning. These assumptions are developed by applying a prudence factor to interest rates in the average private sector forecast and allowing the impacts to flow through to economic growth and inflation. The **1997 budget** applies a prudence factor of 80 basis points to 1997 and 1998 short-term interest rates, and 50 basis points to long-term rates. These prudence factors result in a level of nominal gross domestic product (GDP) that is 0.2 per cent lower in 1997 than forecast by the private sector and 0.7 per cent lower in 1998.

■ *Private sector views of Canada's economic prospects*

- **Employment** is expected to grow by 2 per cent both in 1997 and 1998 and forecasters expect this stronger growth to bring the unemployment rate below 9 per cent by 1998. Private sector forecasters are predicting that 300,000 to 350,000 jobs will be created in 1997 – 70 per cent of which will be full-time.
- The substantial declines in interest rates over the past year are expected to further strengthen **domestic demand** in 1997 and 1998. This will help stimulate job creation, growth in household incomes and consumer confidence.
- Canada's strong competitive position will keep **export growth** healthy over 1997 and beyond.
- Private sector forecasters expect **economic growth** to strengthen to 3.3 per cent in 1997, up from 1.4 per cent in 1996 (see Table on next page).
- While forecasters expect low inflation to continue, they anticipate a moderate increase in the CPI **inflation rate** in 1997 to 1.6 per cent – well within the target range set by the federal government and the Bank of Canada.
- Short-term **interest rates** are assumed to move up moderately in 1997 and 1998 as U.S. rates rise and the Canadian economy strengthens.

■ *Projections of international organizations*

The favourable assessment of Canada's economic prospects by private sector forecasters is shared by major international organizations. The International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD) both expect strong growth in 1997 and beyond. Indeed Canada, together with the United Kingdom, is expected to achieve the strongest economic growth among the Group of Seven (G-7) economies in 1997.

Economic assumptions for the 1997 budget[1]

	1996	1997	1998
Real GDP growth (%)			
Private sector average	1.4	3.3	2.9
1997 budget	1.4	3.2	2.6
Nominal GDP growth (%)			
Private sector average	2.7	4.9	4.7
1997 budget	2.7	4.7	4.1
Nominal GDP ($ billion)			
Private sector average	798	837	876
1997 budget	798	835	870
3-month Treasury bill rate (%)			
Private sector average	4.2	3.2	3.7
1997 budget	4.2	4.0	4.5
10-year government bond rate (%)			
Private sector average	7.2	6.6	6.6
1997 budget	7.2	7.1	7.1

[1] GDP data for 1996 are estimates.

Restoring Confidence in the Country's Finances: The Fiscal Outlook

- For 1996-97, the government's **deficit target** was 3 per cent of gross domestic product (GDP) or $24.3 billion. Based on partial fiscal data to the end of December 1996, current estimates are that the deficit will be no higher than $19 billion after new spending initiatives, or about 2.4 per cent of GDP.

- Staying the course in the 1997 budget means that the government will meet its **deficit targets** of $17 billion for 1997-98 and $9 billion for 1998-99. The last time the federal deficit was under $10 billion was 1976-77.

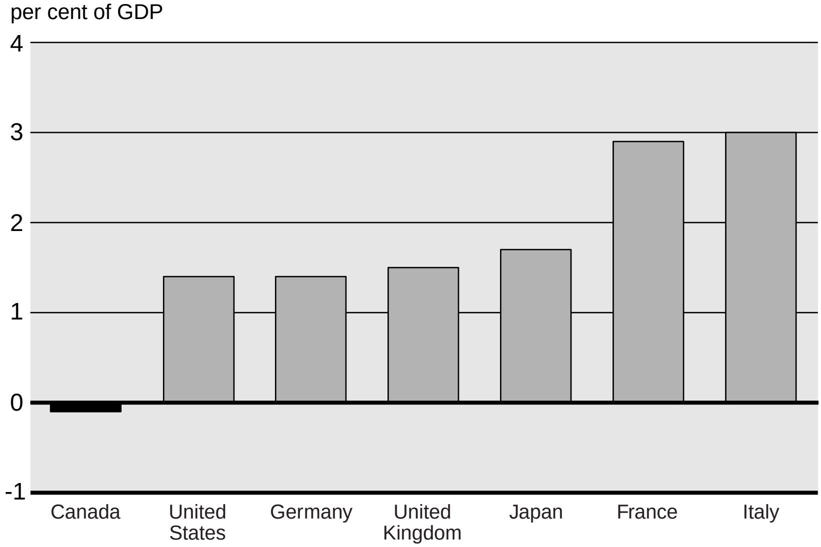
- By 1998-99, **federal program spending** will be reduced to $103.5 billion, down from $120 billion in 1993-94; it will be the sixth consecutive year of absolute decline. Measured in relation to the size of the economy, this spending will be down to slightly less than 12 per cent of GDP, compared to almost 20 per cent of GDP just over a decade ago. In fact, it will be at its lowest level in half a century.

- The **operating balance** – the difference between budgetary revenues and program spending – will reach almost 5 per cent of GDP by 1998-99. If it were not for interest costs on the debt, the federal budget would now be in a large surplus position.

- A key milestone on the road to restoring Canada's financial health will be achieved in 1997-98. Following two decades of virtually uninterrupted increases, the **debt-to-GDP ratio** will start to decline as economic growth begins to outpace the growth of the debt. This will be the first significant decline in the debt-to-GDP ratio since 1974-75; the ratio will continue to decline in 1998-99. However, the burden of the debt on the economy will remain high; a sustained period of large operating surpluses will be required to reduce the debt-to-GDP ratio to more manageable levels.

- **Financial requirements –** the amount of new money the government has to borrow on credit markets – are falling sharply and will be in a small surplus by 1998-99. The last time financial requirements were zero was in 1969-70. This means that the government will not have to go to the markets for new money to pay for programs, or to pay for interest on the debt. Financial requirements are the measure by which most countries present their fiscal position. By this measure, Canada is expected to have a small surplus and the best financial record of any Group of Seven (G-7) country in 1998-99.

Projected 1998 G-7 financial requirements (central government)



Source: National budget plans.

- Efforts to improve federal finances are being complemented by similar efforts by provincial and territorial governments. Several provinces are forecasting a balanced budget or a budgetary surplus for the current fiscal year. The combined federal-provincial-territorial deficit is expected to be $29 billion in 1996-97 and roughly $25 billion in 1997-98 – a decline of almost $41 billion from its peak in 1992-93. In 1997-98, the **total government deficit** will be about 3 per cent of GDP, compared to 9.6 per cent in 1992-93. Based on current budget plans, it is projected to fall to under 2 per cent of GDP in 1998-99.

- Today, the **payoff from tough fiscal action** is emerging and the economy is well poised for improved job creation and economic growth. As a result of more discipline in the government's economic and fiscal management, interest rates have fallen dramatically; inflation remains firmly under control; the economy is expanding; our merchandise trade balance is running at its highest annual surplus ever; consumer confidence and spending is on the rise; the housing sector has rebounded; and business confidence is at a 20-year high.

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Investing in Long-Term Jobs and Growth: Post-Secondary Education

Attaining higher levels of education and skills is critical to the ability of Canadians to secure their own as well as their country's future. The **1997 budget** helps parents and students cope with the rising costs of post-secondary education.

This government recognizes that jobs and economic growth are driven by knowledge and education. It also recognizes that broader and better access to higher learning is a key component to the mix.

The **1997 budget** proposes to enrich substantially federal assistance for post-secondary education and skills enhancement. It provides additional resources to help:

- students and their families, including workers upgrading their skills, better cope with the rising costs of post-secondary education;
- students facing higher debt loads after graduation; and
- parents saving for their children's education.

Together, the measures will increase federal support in this area by $137 million in 1997 and by $275 million annually when all the changes have matured. This is in addition to the $80 million in additional direct federal tax assistance for post-secondary education provided in the **1996 budget**. For a typical student, this means that combined federal and provincial tax assistance will rise from $900 to more than $1,200 per year.

■ *Helping students and their families cope with costs*

The **1997 budget** proposes that:

- the amount on which the education credit is based be increased immediately to $150 per month, and to $200 per month for 1998 and subsequent years;
- the tuition tax credit be extended to cover mandatory fees set by post-secondary institutions to cover the cost of education; and
- all unused portions of tuition and education credits be carried forward and applied against any future income.

■ *Helping students repay their loans*

Some students are unable to meet their Canada Student Loan repayment obligations, either because they cannot find work quickly after graduation or because they do not have sufficient income.

To better assist these individuals, the budget will extend from 18 to 30 months the period of time they will be permitted to defer making payments on their Canada Student Loans. The federal government will pay the interest that the students would have paid over this extended period. Combined with the initial six months after graduation during which no payments are required, students will now have up to three years of help in managing their student loans. This measure will come into effect on August 1, 1997 and will provide an additional $20 million a year in assistance to students.

The federal government will also pursue with interested provinces, lenders and other groups, an additional option for repaying student loans: students would be able to choose between current repayment arrangements and a repayment schedule tied to income.

■ *Helping parents save for their children's education*

- The **1997 budget** proposes that the annual contribution limit to registered education savings plans (RESPs) be doubled from $2,000 to $4,000. This will assist parents saving for their children's education, including those who do not start saving until their children are older and, therefore, have fewer years to make contributions.
- At present, parents lose the investment income in their RESP if their child does not go on to a post-secondary education. Since this can discourage parents from saving through RESPs, the budget proposes to allow contributors in this situation to transfer RESP income into their registered retirement savings plans (RRSPs), if they have unused RRSP room. Alternatively, contributors will be allowed to receive the income directly, subject to a charge.

■ *Canada Foundation for Innovation*

While broader and better access to higher learning is essential for young Canadians, so too are the facilities needed to acquire that education. The Canada Foundation for Innovation proposed in the **1997 budget** will help to renew facilities and equipment – research infrastructure – at post-secondary institutions and associated research hospitals. It will be funded through an up-front investment by the federal government of $800 million. This will enable it to provide an average of $180 million annually to research infrastructure projects over the next five years. The Foundation will also improve opportunities for young Canadian graduates to pursue research careers in Canada.

Investing in Long-Term Jobs and Growth: Canada Foundation for Innovation

Canadians know that, as they move into the 21st century, their economic well-being and quality of life will increasingly depend on innovation – on the generation of new knowledge and the ability to use it productively.

Because excellence in education for young Canadians and global competitiveness for Canadian companies go hand in hand, the government is proposing the creation of the Canada Foundation for Innovation.

A new approach

The Foundation will be an independent organization, operating at arm’s length from government, that will invest strategically in research infrastructure – that is, the installations and equipment needed to carry out research – at Canadian post-secondary institutions and research hospitals in the areas of health, the environment, science and engineering.

The Foundation will be comprised of members of the research community and the private sector and they, not the government, will be responsible for spending decisions. The Foundation will not support projects of government departments, agencies or Crown corporations.

Up-front investment

- The federal government is making an up-front investment of **$800 million** to establish the Foundation. This will enable it to provide an average of $180 million annually to research infrastructure projects over the next five years.

Partnerships

- Through partnerships among post-secondary institutions, research hospitals, the business community, voluntary organizations, individuals, and provincial governments wishing to participate, the Foundation will have the potential to generate up to $2 billion in investments in research infrastructure over the next five years.

■ *The Canada Foundation for Innovation will help:*

- enhance the capacity of Canadians to carry out leading edge research and participate in the knowledge economy;
- create opportunities for researchers to carry out their work in Canada;
- prepare young Canadians to take their place in the increasingly technology-oriented workforce;
- encourage collaboration and partnerships among research institutions and the private sector which are critical to making Canada competitive internationally in the years ahead; and
- lead to better jobs, innovations in health care and a cleaner environment.

Investing in a Stronger Society: Sustaining and Improving Canada's Health Care System

Canadians want their publicly funded universal health care system preserved because they know it has served them and their families well. The federal government remains committed to the principles underlying the *Canada Health Act* and to ensuring that Canada's health care system is maintained. At the same time, the government is well aware that changes are needed.

The National Forum on Health

Launched by the Prime Minister in October 1994, the National Forum on Health was set up to advise Canadians on changes needed to improve our health care system. The Forum released its report on February 4, 1997. Among its conclusions is the finding that Canada's health care system is fundamentally sound and adequately funded, but that resources could be used more effectively and efficiently.

The report calls for funds to be made available, for a limited period, to aid in the transition to new and better ways of meeting Canadians' health care needs, including ways of ensuring that doctors and other caregivers have the best possible information readily available to them when they make decisions on how to treat patients.

The **1997 budget** responds positively to the Forum's recommendations and provides **$300 million over the next three years** for initiatives outlined below.

Health Transition Fund

A total of **$150 million over the next three years** will be allocated to provinces to help them launch pilot projects to investigate new and better approaches to health care delivery. Projects could include, for example, better ways to provide medically necessary drugs and home care services. Funds will be allocated to provinces and territories on an equal-per-capita basis; decisions regarding expenditures will be made jointly by Canada's ministers of health.

Canada Health Information System

An additional **$50 million over the next three years** will be put in place to launch a new Canada Health Information System. This will ensure that providers of medical care have access to the best medical information, including the latest developments regarding medical treatments.

Programs for healthier children

The National Forum on Health calls for stronger community-based programs and emphasizes the importance of prevention. It also states that the best health investment we can make for the future is to improve the health and well-being of our children today.

The **1997 budget** increases resources by **$100 million over the next three years** for two community-based programs that benefit children at risk – the **Community Action Program for Children (CAPC)** and the **Canada Prenatal Nutrition Program (CPNP)**:

- the CAPC supports hundreds of community groups in their efforts to address the developmental needs of young children at risk; and
- the CPNP helps to ensure the birth of healthy babies among high-risk mothers, including pregnant adolescents and women involved in substance abuse.

Previous measures

The health measures proposed in the **1997 budget** build on important steps the government has already taken to facilitate changes that will strengthen health care.

- The **1996 budget** allocated $65 million to launch a new Health Services Research Fund which supports practical research on the delivery and quality of care provided to Canadians.
- Under legislation enacted last year, the provinces are provided with predictable and assured funding under the Canada Health and Social Transfer (CHST). CHST entitlements will be maintained at a stable level of over $25 billion annually. A floor provision guarantees that the cash portion of the transfer will never be less than $11 billion.
- The government has fulfilled a number of commitments in health, including the Centres of Excellence for Women's Health, the Aboriginal Head Start Program and the Canada Prenatal Nutrition Program.

In addition, the government has moved ahead in critical areas such as new and more effective tobacco legislation and enhancing the safety of the blood supply.

Investing in a Stronger Society: Towards a National Child Benefit System

Too many Canadian children who are growing up in low-income families are not getting the start they need to become healthy, happy, educated and productive adults who can contribute fully to the Canada of tomorrow. There is a growing consensus that the current child benefit system does not do all that it should for these children.

Canada's first ministers and their governments have been examining ways to improve assistance to children in low-income families. The proposed approach is a National Child Benefit System under which the federal government would introduce a strengthened Canada Child Tax Benefit, while provinces and territories would redirect some spending to improve services and benefits for low-income working families with children.

Problems with the current system

One concern about the current system is the level of support it delivers. Another issue is whether support is delivered in as fair and effective a manner as possible. A particular difficulty is that parents who would like to leave social assistance for a job often encounter a drop in benefits that can keep them up against the "welfare wall". For a parent with two children, for example, moving off welfare to take a job may mean losing child benefits of $3,000, as well as dental and prescription drug benefits.

The existing system

The existing Child Tax Benefit provides:

- monthly tax-free payments to 85 per cent of Canadian families with children;
- a basic benefit to families with annual net income under $25,921 of $1,020 a year per child, an additional $75 for the third and subsequent children in the family, and a further supplement of $213 for each child under age seven when no child care expenses are claimed; and
- a Working Income Supplement of up to $500 per family.

An enriched Canada Child Tax Benefit

The **1997 budget** is proposing an enriched Canada Child Tax Benefit that will provide a platform for the support of children in low-income families across Canada. The new benefit will:

- increase existing spending on the proposed Canada Child Tax Benefit by **$600 million annually** beginning in July 1998. This is in addition to the $250 million announced in the **1996 budget**; spending on child benefits, therefore, will be increased by $850 million from $5.1 billion to **$6 billion annually**;
- increase federal child benefit payments to more than 1.4 million Canadian families with about 2.5 million children by July 1998; more than 720,000 Canadian families and 1.3 million children will be better off by July 1997;
- target additional spending to families with incomes below $25,921; and
- pave the way for provinces and territories to redirect their resources towards improved children's services and income support for low-income working families.

An enriched Working Income Supplement

As an interim step, the **1997 budget** is also proposing to restructure the Working Income Supplement (WIS) and to enrich it by **$195 million** from July 1997 – $70 million more than the $125 million increase proposed for July 1997 in the **1996 budget**.

- The maximum benefit will be increased from $500 per family to $605 for the first child, $405 for the second child and $330 for each additional child.
- Benefits will continue to be phased in based on family earned income over $3,750 and reduced as family income exceeds $20,921.

Working with provinces, territories and First Nations

The federal government will continue working with provinces and territories to design measures that help to reduce child poverty and barriers to work. It will also work with First Nations, provinces and territories to ensure that First Nations' children living on reserves benefit like other Canadian children from these initiatives.

A major step forward

The federal government is firmly committed to improving the assistance to children in low-income families. It will proceed immediately with legislation to enrich and restructure the Working Income Supplement in July 1997. Legislation to implement the enriched Canada Child Tax Benefit will be brought forward this fall. A National Child Benefit System is a major step forward, both in investing in children and in building the future for Canadians.

Investing in a Stronger Society: Helping Canadians With Disabilities

Canadians with disabilities often face barriers that prevent them from fully contributing to society and the economy. The federal government is committed to helping persons with disabilities participate as fully as possible in Canadian society.

In the **1996 budget**, as a demonstration of this commitment, the government doubled the tax assistance for those who provide in-home care for infirm family members. A Federal Task Force on Disability Issues was later established with a mandate to conduct an in-depth review of measures for Canadians with disabilities.

The **1997 budget** proposes a number of measures that flow directly from the recommendations of the Task Force. Together, the tax measures introduced in this budget and the proposed creation of the Opportunities Fund will provide an additional **$100 million a year** on assistance for Canadians with disabilities and/or high medical costs and for the organizations that support them.

■ *Increased tax assistance for people with disabilities*

The **1997 budget** proposes to increase the amount of tax assistance provided for disability-related costs by about $70 million annually. The new measures include:

- eliminating the $5,000 limit on the deduction for attendant care expenses for people with disabilities who are in the workforce and require these services to earn their incomes;
- broadening the list of expenses eligible for the medical expense tax credit to include:
  - 20 per cent of the cost of a van adapted, or to be adapted within six months, for the transportation of an individual using a wheelchair to a maximum of $5,000;
  - 50 per cent of the cost of an air conditioner to help an individual to cope with a severe chronic ailment, disease or disorder up to a maximum of $1,000;
  - expenses incurred for moving to accessible housing;
  - reasonable costs of alterations to the driveway of the principal residence of an individual with a severe and prolonged mobility impairment to facilitate access to a bus;
  - sign language interpreter fees; and
  - an increase in the limit on part-time attendant care expenses from $5,000 to $10,000.

Other proposed measures for Canadians with disabilities include:

- allowing audiologists to certify eligibility for the disability tax credit;
- amending the *Customs Tariff* to provide duty-free entry for all goods designed for the use of persons with disabilities; and
- broadening the definition of a preferred beneficiary under a trust to include adults who are dependent on others by reason of mental or physical infirmity.

Relief for Canadians with disabilities entering the labour force

Canadians with disabilities who enter the labour force often face not only additional costs, but also the potential loss of benefits provided by income security programs. In fact, people with disabilities are sometimes economically penalized for working. In response to this, the **1997 budget** proposes to introduce a refundable medical expense credit for low-income working Canadians with high medical expenses. This tax credit will supplement assistance already provided through the medical expense tax credit.

The new credit will be 25 per cent of eligible medical expenses up to a maximum of $500. To qualify, individuals must have at least $2,500 in earnings. To ensure that assistance is targeted to those with low incomes, the basic benefit will be reduced by 5 per cent of net family income that exceeds $16,069.

This measure will provide additional support to about 280,000 low-income working Canadians with high medical expenses.

Opportunities Fund

The government is introducing a **$30 million a year over three years** Opportunities Fund to generate innovative projects that can be shared across the country so that persons with disabilities may prepare for, find and keep jobs. The Fund will build on strong partnerships already in place with disability groups and the private sector. Projects will be developed by partners in conjunction with the provinces. Together with the Vocational Rehabilitation of Disabled Persons Program, this Fund will improve the prospects of the disabled who want to join the workforce and integrate more fully into the economic mainstream of Canadian society.

Investing in a Stronger Society: Support for Charitable Giving

Across Canada, millions of Canadians give freely of their time to support the work of non-profit voluntary and charitable organizations. Their generosity and good work are essential to the quality of life in our communities.

The government fully recognizes the increasingly important role the charitable sector is playing in meeting the needs of Canadians. It also recognizes the importance of ensuring that charities are able to obtain the funds they require to finance their activities.

Federal action

In the last three budgets, the government has taken steps to make it easier for Canadians to contribute to charities. These measures have particularly helped charities attract donations from modest-income donors. For example, the threshold for the higher 29-per-cent credit was lowered from $250 to $200, and the amount of donations eligible for the credit was increased significantly in last year's budget.

In the **1996 budget**, the government indicated that still more could be done. Following a thorough review of a number of proposals for improving tax assistance, as well as consultations with representatives of the charitable sector, the **1997 budget** is proposing further measures to encourage charitable giving. These measures will provide significant new resources worth **$95 million annually** in additional federal tax assistance and, together with measures introduced over the past three budgets, will provide charities with a predictable framework in which to operate over the next five years.

Helping all charities attract more funds

Measures announced in the budget will level the playing field for all charities. This means the United Way/Centraide, every member of the Community Foundations of Canada, universities, hospitals, museums, and many more, will benefit from this fairer system.

- The **1997 budget** proposes to increase the amount of donations for which the charitable tax credit or deduction can be claimed in one year. For donations to charities other than the Crown and Crown foundations, this budget will increase the allowable amount from 50 to 75 per cent of net income.
- For donations to the Crown and Crown foundations, the limit will be lowered from 100 to 75 per cent to put all charities on a level playing field.

■ *Encouraging larger donations*

Pointing to experience in the United States, charitable groups have strongly expressed the need for new measures to facilitate larger donations.

- For donations of publicly listed securities to charities other than private foundations, this budget proposes to cut in half the income inclusion rate for capital gains arising from such donations from 75 to 37.5 per cent. This will make the Canadian system of tax incentives as generous as in the U.S. for donations of securities. In five years, this measure will be reassessed.
- Other measures in the budget will encourage donations of easements and covenants of ecologically sensitive land, and donations of depreciable capital property.

■ *Ensuring donor confidence*

Charitable giving depends on donors having confidence that their donations will be used in an effective and efficient way. In response, this budget proposes measures to ensure donor confidence in knowing that their donations are being put to good use.

- Revenue Canada will be given additional resources to improve its ability to ensure that charities comply with provisions of the *Income Tax Act*.
- Canadians will have access to more information filed by charities with Revenue Canada.
- Revenue Canada will also provide information to charities on how to broaden Canadians' understanding of the tax assistance available for charitable donations.

Measures announced in this and the last three budgets will provide an appropriate framework of incentives for all charities to raise funds from both large and modest donations by Canadians. But the real beneficiaries of these measures will be the millions of Canadians served by charities.