

### *Mortgage Tax Credit*

property tax credit will be available. The credit plan will be phased in, as I said, over a period of four years, and then for eternity. The maximum tax credit in the first year of the plan will be \$302.50 for mortgage interest and \$62.50 for property taxes. The credit will increase in four years, as I said.

The tax credit plan which we have before us is somewhat better than the original tax deduction proposal discussed by the Conservatives during the election campaign which, in my view, was the most regressive fiscal measure I have ever heard. Under the deduction proposal, benefits would have been in proportion to mortgage interest and property tax paid and, more important, at the taxpayer's marginal rate of taxation. Under the credit plan, mortgage interest paid and the amount of federal income tax paid are the principal determinants of eligibility and of benefit.

The property tax credit is available at a flat rate to all home owners if they pay federal income tax. It is simpler than the deduction mechanism proposed during the election by the Conservatives; it places no direct stress on federal-provincial tax agreements. In my own province of Ontario, for example, if the Conservatives had not done their flip-flop, Ontario would have lost \$300,000 a year in revenue. This loss of revenue would have forced the province of Ontario to cut its spending further or increase its taxes. The proposal during the election would have reduced the provincial revenue by reducing the taxable income on which the provincial tax is based.

When faced with provincial resistance and opposition, the Conservative party and its leader flip-flopped on it and came in with this new proposal as the House began sitting in October. The stated objectives of this new plan, so far as I understand them, are that it will ease the burden of purchasing and of meeting the cost of a home and, secondly, it will stimulate the Canadian construction and home furnishings industries. I question those objectives and I want to explain why.

It is interesting to note that these objectives are considerably scaled down from the objectives set out during the election campaign when the Conservatives were telling us that their mortgage deductibility plan would assist families to purchase their own homes and make the Canadian income tax system at least as attractive as that of the United States, while at the same time they did not tell Canadians that the Canadian tax system is indexed to the cost of living whereas the American system is not. Third, it was to stimulate economic activity by increasing the after-tax incomes of home owners, and it was supposed to stimulate activity in residential construction and the home furnishing industries by an increase in demand for ownership of housing.

[*Translation*]

The mortgage and property tax credits may be more efficient but it is not the best policy in the present situation. It is true that the tax credit will reduce home ownership costs and help families to buy a home. However, this plan is an inefficient mechanism as the tax credit applies to every household regardless of the size of the mortgage. In most regions, Mr.

[Mr. Gauthier (Ottawa-Vanier).]

Speaker, the major obstacle to home ownership is still a prohibitive mortgage interest rate and there is nothing in this bill that might reduce the mortgage rate which now stands at 14¼ per cent.

[*English*]

The impact of mortgage interest rates on affordability can be illustrated by the recent rise in rates from about 11 per cent last July to the present rate of 14¼ per cent. In 1978, the average value of an NHA house was \$44,844. With a mortgage rate of 11 per cent, a household with a reasonably secure income of \$20,731 could afford to buy this house at a 25 per cent carrying cost, gross income ratio. With mortgage rates reaching close to 15 per cent, the household would now need an income of over \$26,000. During the election, and subsequently, we were told repeatedly that this measure will stimulate the construction industry. I find it ironic that even this potential benefit has been negated by the recent exorbitant increases in interest rates. Did this contradiction in actions arise from a problem of communications between the inner and outer cabinet, or is it more a case of the left ear of the Minister of Finance not comprehending what his right ear has heard? Is this all part of some grand design, or merely the lack of any design whatsoever?

The point of this argument, Mr. Speaker, is that if the Tories want to do something about easing the burden of purchasing a home, it would make sense to target the plan at the major reason for the slippage in affordability, and that is rising mortgage interest rates.

[*Translation*]

As far as incentive is concerned, you just need to look at the residential housing market this year and our housing needs in Canada to realize that the Progressive Conservative government is totally insensitive to this particular and very important sector of our economy.

The residential construction market is in serious trouble and if the present government does not amend the bill in committee by adopting concrete and urgent measures to bring down sky-rocketing interest rates, it will go on record as having destroyed in less than six months any hope young families may have entertained of ever owning their own homes. It will discourage many Canadians from buying property and will also bear the awesome responsibility for an unacceptably high mortgage interest rate that will force many Canadians into foreclosure and personal bankruptcy.

Mr. Speaker, a cursory examination of Bill C-20 is all that is needed to realize that it is basically a discriminatory measure from which nearly 60 per cent of the people will suffer and which will allow unwise and inefficient use of our funds to deal with our economic and our housing problems. I remind you that five and a half million Canadians and households will get absolutely nothing from this Tory measure. This bill is discriminatory and represents bad economic management in an inflationary period with interest rates hovering around 15 per cent. Since May 22, Mr. Speaker, with an increase of nearly 4