

Income Tax

[Translation]

Mr. Chrétien: Mr. Chairman, he will be entitled to a maximum loan of \$50,000 without interest. If the company accepts an interest of 5½ per cent, he could probably borrow up to about \$120,000 at that rate without having to pay the difference between the prescribed rate and the rate paid on income tax.

[English]

Mr. Stevens: Mr. Chairman, I did not get all of that, but as I understand it the minister is saying that once you subtract the \$500 from the deemed difference, the man who has a new mortgage at the 5 per cent rate will not be taxed provided his mortgage is not greater than \$120,000. Was that what the minister was saying?

[Translation]

Mr. Chrétien: Mr. Chairman, I just said he could obtain a maximum of \$50,000 if he moved and for more than \$25,000 without interest. It means that he could have a \$50,000 loan without interest. If the interest rate is 5½ per cent and the rate agreed for the current year was say 8 per cent, he could then have more than double at 5½ per cent, which means that he could secure more than \$100,000, maybe \$120,000 because the preferential rate he would obtain would be 5½ per cent. It is quite simple to calculate: he is entitled to the equivalent to a \$50,000 loan without interest if it is a loan of \$100,000 at half the current interest. It is the same thing as a \$50,000 loan without interest.

● (2012)

[English]

Mr. Stevens: In order to allow someone to do this, is the minister indicating there would have to be two mortgages, or can this be wrapped up in the one mortgage document? Does there have to be a \$50,000 mortgage with zero interest, and some other interest rate for the balance?

[Translation]

Mr. Chrétien: Mr. Chairman, he can take the total benefit regardless of the kind of mortgage he has.

[English]

Mr. Stevens: Mr. Chairman, if I could come back to the other point, based on what the minister has indicated this man who writes to us from Winnipeg will still be caught with a tax.

[Translation]

Mr. Chrétien: I never said that. Mr. Chairman, may I explain that he is entitled to the equivalent of a \$50,000 loan without interest. If the interest rate is 8 per cent and he gets a loan at 4 per cent, he can have up to \$100,000. And on the benefit of 4 per cent on \$100,000, he would not have to pay income tax. Beyond that, he would have to pay income tax. I think it is quite simple. I have been explaining it for one hour now, Mr. Chairman.

[Mr. Stevens.]

[English]

Mr. Stevens: I realize the minister must be getting quite tired, Mr. Chairman, but surely I do not have to remind him that we started questioning on the broad point with which I am now dealing, about seven minutes ago. It may seem like an hour to him, but I wish he would quit misrepresenting the facts.

I should like to go to the next question raised by this correspondent, which I thought was interesting. If it is true that there are loopholes, that there are somehow inequities in our tax system, I wonder why the minister feels it necessary to plug those so-called loopholes but presumably leaves others wide open. What about the free travel passes for Air Canada employees? Should they not be deemed some type of advantage to those employees and be added to their incomes? We understand it is government policy that they are not so deemed.

[Translation]

Mr. Chrétien: Mr. Chairman, this is something which has nothing to do with clause 2 and which concerns all sorts of services. People may obtain them from the corporations they are working for. Of course, some are CNR, CPR or Air Canada employees. Others may travel on buses free of charge, for instance transport commission employees in either Winnipeg or Toronto. There are people who can use their bosses' cars once in a while without paying. This raises, of course, the problem of this type of benefits, but we feel at this time that the costs of administering and monitoring these benefits would considerably exceed the money taxpayers would get by depriving these people of these benefits. The list of these benefits is quite extensive. As a matter of fact, if I could use a few minutes of the hon. member's time, I could name quite a few others which I know, but I feel under these circumstances that we must demonstrate judgment. Maybe in the next budget we could amend a number of provisions, but I do not intend to do so while we are debating this bill.

[English]

Mr. Stevens: I take it from the minister's answer that he feels the people he deems to be using this loophole of so-called relatively low interest loans so far as their company is concerned, are like sitting ducks. From an administrative standpoint it is easy to nail them with this deemed income in clause 2. There are some others, such as subsidization of civil servants who might have free travel on Air Canada but it is tougher to police them, although I would have thought with civil servants being paid out of the treasury, they would have been one of the easiest to police regarding deemed income. I should like to ask the minister what yardstick is used. As I understand it, a subsidy is paid to help people move from one town to another if they happen to be in public employment, yet there is not suggestion of deemed income in such a case. I wonder why that is distinguished from the other situation where an employee who works for a private company is moved and is given a relatively low interest loan. If we pass clause 2, that is going to be partly deemed to be income.