

*Income Tax*

was going to happen has now happened. The banks said their profits were an anomaly, they were an error, that the profits were a little blip on the progress screen of the banks. For the first quarter of 1983 when every single sector of our economy is being hammered, we notice that one sector's profits are up 41 per cent, that of the banks. In other words, the whitewash, the scam, that we could call that inquiry, turned out to be just that. If the Minister is to cast any aspersions on this side, maybe he should reflect on where he was when that inquiry was taking place and get his facts straight before he starts levying any criticisms.

**Some Hon. Members:** Question.

**The Deputy Chairman:** The question is on the amendment to Subclauses 8(3), (4), (5) and Subclause 9(3).

Is it the pleasure of the House to adopt the motion?

**Some Hon. Members:** Yea.

**Some Hon. Members:** Nay.

**The Deputy Chairman:** In my opinion the nays have it.

**Some Hon. Members:** On division.

**The Deputy Chairman:** I declare the amendment negated.

If no other Member seeks the floor I will put a group of Clauses, which the Committee decided to put together for purposes of debate, namely Clauses 8, 9 and 128(12).

Shall Clauses 8, 9 and 128(12) carry? All those in favour will please say yea.

**Some Hon. Members:** Yea.

**The Deputy Chairman:** All those opposed will please say nay.

**Some Hon. Members:** Nay.

**The Deputy Chairman:** In my opinion the nays have it.

*And more than five Members having risen:*

Clauses 8, 9 and 128(12) agreed to: Yeas, 27; Nays, 11.

**The Deputy Chairman:** I declare the Clauses agreed to.

Clause 10 has already been carried. Unless Members want to group some Clauses together, I will proceed to put the question on Clause 11.

**Mr. Blenkarn:** Mr. Chairman, we would be prepared to carry Clause 11(1), (2), (3). We have some difficulty with Subclause (4) which deals with soft costs.

**Mr. Cosgrove:** Mr. Chairman, I rise on a point of order. For our part we are willing to accept Subclauses (1), (2) and (3) as carried.

**The Assistant Deputy Chairman:** Agreed and so ordered.

Clause 11(1), (2) and (3) agreed to.

On Clause 11(4)—*Costs relating to construction of building or ownership of land*

**Miss Carney:** Mr. Chairman, Clause 11, Subclause (4), as has already been indicated, deals with the subject of soft costs, which has caused the construction industry many problems. Basically, it means that soft costs incurred in the construction, renovation or alteration of buildings and respective ownership of land will be capitalized rather than deducted on a current basis. This has proved to be very injurious to the construction industry. As a matter of fact, one of the first effects of the 1981 budget, if I could have the Minister's attention, in the original changes in soft costs was to close down construction on much on-site work in progress and caused the immediate lay-offs of many people. While some changes have been made in this area, there is still very clear concern about the effect of the soft costs. I have some questions for the Minister relating to specific parts of the Clause. First, the Bill does not make any differentiation between investor taxpayers and persons who construct buildings said to be used for their own personal operation. Since one of the original purposes of this measure was to encourage investor taxpayers in this area, can the Minister explain why there is no differentiation?

**Mr. Cosgrove:** Mr. Chairman, the officials advise me that the intention of the Section initially did not distinguish between people or the motivations of people or categorization of people who took advantage of this provision. No doubt it would be used by people for different reasons, perhaps investors. Some people would have taken very generous advantage of the Section for their own financial portfolio, presumably for retirement, assistance or estate purposes. But the Income Tax Act by itself does not distinguish between the reasons why people would use a Section in a particular way. For example, I do know, in connection with the housing industry, that the original provisions were of course part and parcel of the MURB Program.

The Government, for different reasons, that is reasons having to do with objectives addressed to the provision of housing of different types—to market such required affordable housing—decided to approach those kinds of needs. Admittedly, they were originally served by this provision. However, they should be approached using a different financing vehicle. For example, even though the Government removed the MURB provision and, as well, this general provision affecting soft costs, requiring the costs to be capitalized, it was done for a particular social reason, being the provision of certain kinds of housing directed toward a certain sector of the population looking for housing at a moderate cost. The Government allocated up-front money. As I recall, in the 1981 budget, \$300 million was directed toward serving that need.

● (1650)

What I am saying is that, yes, the original purposes of the Section did assist with the provision of housing, for example. The Government decided that there were other ways in which it could go about meeting those objectives. It felt, as a general