

*Income Tax*

immediately reinvested, primarily in the mortgage market.

**Mr. Stevens:** With all due respect, I use the minister's favourite comment about comparing apples with oranges. When he says the money will be invested in the housing market, presumably he is referring to investment in mortgages. As I understand the main attraction of this provision, it is that it makes it relatively easy from a tax standpoint for people to accumulate money to buy equity in a house. There is the multiplier effect, the leverage given when a person puts down \$10,000 to buy a \$40,000 house. This is the true result that the government is trying to achieve. I suggest that saying that money invested in a mortgage company is lent out in mortgage funds, is an apples and oranges comparison.

**Mr. Turner (Ottawa-Carleton):** Madam Chairman, in terms of equity there will be a gradual build-up. In terms of the debt available having an effect on the market and moving beneficently to lower interest rates, the impact will be immediate.

**Mr. Stevens:** Then I guess there is a difference of opinion on that point. Could I now shift to subclauses (g) and (h) on pages 238 and 239. As I read these two subclauses it appears that if a person owns an interest in accommodation, which presumably is housing—I think the word used is dwelling place—he may not enter the plan, and as a result that person with an interest in residential rental property will be precluded from setting up a registered home ownership savings plan even if he himself lives in rented accommodation. I think we can understand the point the minister is trying to cover here, and perhaps I should give him the opportunity of indicating whether my understanding of these two subclauses is correct.

● (1630)

**Mr. Turner (Ottawa-Carleton):** Yes.

**Mr. Stevens:** In view of that, how do the revenue people intend to treat something like a real estate investment trust? Take the situation in which a person has bought into a REIT, and if the REIT in turn happens to buy an apartment building some place, would that person be precluded from coming under the Registered Home Ownership Savings Plan?

**Mr. Turner (Ottawa-Carleton):** I think that the simple answer is that a real estate investment trust is not a partnership.

**Mr. Stevens:** That may be the simple answer for this committee, but I can assure the minister that a real estate investment trust in a technical sense is a partnership. One of the reasons for setting up a real estate investment trust is to limit the liability of the partners that are part of that trust.

**Mr. Turner (Ottawa-Carleton):** If the trust is organized as a partnership then it will not qualify, but if it is a trust it is not a partnership.

**Mr. Stevens:** Perhaps I could just touch on another point for clarification. It is my understanding that this plan will

[Mr. Turner (Ottawa-Carleton).]

be something both spouses can participate in, in that if a husband and wife both have the appropriate income they will both be able to contribute \$10,000, and in that way the family unit, or the husband and wife, will be able to accumulate \$20,000 over a period of 10 years. Is that right?

**Mr. Turner (Ottawa-Carleton):** Yes, \$10,000 each in his or her own plan.

**Mr. Stevens:** Is it also correct that you could have a situation in which a husband puts his house in his wife's name and then contributes to the \$10,000 plan, that is \$1,000 a year for 10 years, and uses the money to furnish his wife's house? You would then have a rather interesting situation in that they both are living in the house, but it happens to be in the wife's name and the husband is able to contribute to a plan, the proceeds of which are used to furnish the house in which he is living with his wife.

**Mr. Turner (Ottawa-Carleton):** If he were to buy the house back, yes, but the house has to be registered in one name or the other. I dealt with the general concept here in answer to the hon. member for Kingston and the Islands earlier this afternoon.

**Mr. Stevens:** I am speaking about a different thing. Take the situation where the husband and wife, for their own good reasons, have the house registered in the wife's name. Is it not true that the husband could contribute to his plan and, when he wishes to collapse the plan, use the proceeds to buy furniture for his wife's home, the home that he has actually been living in?

**Mr. Turner (Ottawa-Carleton):** Put that way, yes.

**Mr. Stevens:** Is there anything wrong with the way I have put it? Is it not true that this is a type of situation that could exist under the present wording of the proposed amendment?

**Mr. Turner (Ottawa-Carleton):** Yes.

**Mr. Stevens:** Perhaps I could direct the minister's attention to sub-clauses (7) and (8) on page 241. As I understand what is written here, this is like a penalty. If someone is caught putting too much into a registered home ownership savings plan the penalty is that his plan is in effect deregistered, and he must then take into income the entire amount he has paid in, notwithstanding the fact that he may have taken out certain proceeds to buy furniture for a home. Is that correct?

**Mr. Turner (Ottawa-Carleton):** That is right. There is really no reason for over-contributing. It is quite simple; the maximum is \$1,000 a year.

**Mr. Stevens:** Why was it felt necessary to be so severe? Presumably you could have a person who, through confusion, made an over-payment, and did not correct it within 120 days. If he has used part of the proceeds to buy a home why should he be taxed on that without giving him at least credit for the portion he uses, presumably in the way the government expects him to use it?