

money that he did not receive in his early years, the chances of his establishing himself are diminished. This will in turn increase his desire to join a group through which he is paid a salary, and as a result he will be reluctant to go to the smaller communities where he would have to buy equipment that would otherwise be available to him at a clinic. These rural areas will find increasing difficulty in attracting dentists. To this extent the absence of an option will be detrimental to rural communities, since they do not have resources of their own to establish members of the profession in the area and to place them on a salary for their first few years.

I should like to make a few remarks about building depreciation. This provision is badly drawn. The rural communities in particular will feel the effect of the new rules governing building depreciation under which depreciation, interest and property taxes will not be deductible from income derived other than from the premises. This provision was designed, as I understand it, to catch the very large professional income groups using a building or an apartment block in order to delay indefinitely payment of tax. However, I should like to point out that tax will be recoverable at death, and that provision also includes depreciation. Therefore, in my opinion under these rules the full amount will be recovered no matter how much is outstanding. It is likely to be formidable, and the taxpayer may find himself owing more to the Income Tax Department than the building is worth. I think putting the limit at \$50,000 is putting it too low in this modern day and age. One can hardly build a chicken coop for \$50,000 today. I should not like to say what the limit should be, but I think \$50,000 is too low.

• (12:50 p.m.)

In a small community of the type from which I come, there is practically no mortgage money available from large institutions as there is in cities. For this reason, this clause becomes particularly important. The construction of buildings for rental as stores, factories and plants must take place as a result of an individual in a community being willing to put up the money and carry the mortgage. In most small communities, rentals tend to be too low to carry the mortgage. At present time this measure will be detrimental to the building of new enterprises in small communities.

A good portion of new construction is carried on by one individual who builds the building and another who rents it as a retail outlet, factory or something similar. As a result of this regulation that every building valued at \$50,000 or more must stand on its own, higher rents will have to be charged. A survey in my town indicates that rents are lower than the cost of carrying a building, that is depreciation, paying the mortgage and property taxes, at least for the first ten years. This means there will have to be longer term financing and that there will be less activity.

It seems to be particularly advantageous to professional people to build apartment blocks. They can be managed by the professional individual who owns them. This type of investment was useful to that type of taxpayer. Some studies indicate that 45 per cent to 50 per cent of apartments have been built by this type of taxpayer. With this new measure there will be a massive rearrangement of

Income Tax Act

investment in order to carry an apartment building. There will have to be the continuation of private funds for investment in real estate, and almost certainly higher rents will have to be charged. The hon. member for Regina East suggested that this increased cost should not be passed on to the tenant, but I do not see how the landlords can help but pass it on, certainly in respect of new apartment buildings. The result will be that commercial rents will increase in the immediate future.

Having decided to look after one loophole in the tax structure to prevent the acquisition of apartments with the deferment of tax indefinitely, I think the government has overstepped the mark. I do not suggest these people should be allowed to do this indefinitely. There should be some limit. However, this particular proposal will mean that those who have property in small rural communities will pay taxes at a higher rate. Investment dollars can only be spent once, and I think this measure will have the tendency of increasing the transfer of investment dollars away from rural communities. There is extremely little investment in rural communities today because large companies will not locate in these areas. In light of the economics of the situation one cannot blame them, but to that extent I think this provision will cause a reduction in the financial base of small communities, and I am not sure the government will have accomplished very much.

One might suggest that these taxpayers will invest in something else, such as annuities or retirement funds. I do not think that is right. The individual who invests in real estate is of a special type. If he is not allowed to invest in real estate he is not likely to buy annuities, life insurance or become involved in some other form of investment he does not understand.

At one o'clock the House took recess.

AFTER RECESS

The House resumed at 2 p.m.

The Assistant Deputy Chairman: Order. The hon. member for Calgary North.

Mr. Woolliams: Mr. Chairman, I wish to say a few words this afternoon with reference to the tax legislation before us as it affects professional people. I have the feeling that when this provision was drafted whoever did the drafting had never met a payroll and did not understand the situation in respect of a private practice, be it as a chartered accountant, a doctor or a lawyer.

Mr. Benson: Nonsense.

Mr. Woolliams: This may sound like nonsense, but I think the biggest nonsense is the minister and the whole bill, which should have been withdrawn. I know something about the background of the minister and I do not think he ever had it better financially than he has now. However, I am prepared to stay on the subject of the tax bill.

I was saying that I do not believe any of those fellows who drafted this section had ever met a payroll. Somebody asked me if I have. If my good friend across the way