Let us think about the junior ranks with no opportunity to build up this kind of service by serving until they are 55. Personally, I do not see why the government should expect certain of its employees to suffer a gradual cut in pension year by year as inflation goes up. Their pensions are reduced, not in dollar amount but in purchasing power, in direct proportion to the amount inflation increases.

In closing, I commend the minister for his attempts to bring about some improvements in the situation faced by pensioners, though we will have to study this bill carefully as it goes through the House. The $1,000 deduction has merit. I should like to see some similar benefit given to those people who do not have high incomes but are just getting by on their pensions.

● (2020)

Finally, I should like the minister to consider seriously what I said at the start of my speech before dinner. I hope he will not be discouraged by the outrages that fortune is handing him these days, depriving him of the opportunity to give economic counselling to the Prime Minister (Mr. Trudeau), who apparently prefers a group of academics.

As I look at the benches on the government side I ask myself who would replace the minister if he left, and I find it very worrisome that the person who can sit and look over his left shoulder is the Minister of Supply and Services (Mr. Goyer). I hope his position in the House is not indicative that he has been placed there to learn the minister's job.

[*Translation*]

Mr. Yves Demers (Duvernay): I thank you, Mr. Speaker, for giving me the opportunity to speak on a subject as important as Bill C-49. I would like to take this occasion to congratulate the Minister of Finance (Mr. Turner) not only for his presentation of his last budget but also his previous ones that certainly contributed a lot to making Canada the best off country in the world today from an economic standpoint. I also think a very good budget was introduced this year since, for example, it will promote housing construction. In fact, first time homebuilders will get $500. They can have a pension fund up to a maximum of $10,000, provided that pension fund is used as down payment on a house. The tax on building materials was also considerably reduced.

There is also an item I like very much in that budget, the one that allows all Canadians to reduce their interest income by up to $1,000.

The purpose of that $1,000 reduction, as we know, was to cut down inflation by cutting down demand. There is no doubt that all Canadians are interested in investing money to benefit from that $1,000 exemption, and if they put aside $10, $20 or $50 a week that is that much less money going on the market, thus reducing demand.

But one thing worries me a lot, Mr. Speaker, about that $1,000. Government officials put in so many limitations that that $1,000 exemption nearly does not apply anymore; at least it will not apply in most cases to income housing owners, businessmen, farmers, fishermen, and professionals. Here is why. In the guide to 1974 income tax returns, at paragraph 35, one reads the following. The first part tells us that Canadians will be able to deduct from their interest income up to $1,000 but the second part sets out conditions, and here are those conditions. The text reads as follows:—Further, deductible interest income must be reduced by the total amount of all interest deductions claimed in the computation of revenues from all sources appearing in the income tax return. These amounts include, among others, interest on loans or mortgages deducted as expenses from rental income, or when computing the net income of a personal business of a professional or a farm operation.

Therefore, as I just indicated, all rental housing owners, businessmen, farmers, fishermen and professionals who had to borrow money from a bank, or a mortgage lender, or from the Farm Credit Corporation, or through buying machinery under lien, must deduct all such interests from their interest income, before claiming the $1,000 deduction This also has the effect of eliminating 80 per cent of all those people.

Here is an example: let us take two individuals, a salaried person and, say, a farmer I might have chosen a businessman, a tobacco store owner, a shoe manufacturer or the owner of a rental housing project. Let us compare these two persons, each with a $30,000 capital for instance. If one of them has his money fully invested in Canada Savings Bonds, and earning say 10 per cent interest, he will have a $3,000 income.

On this income he is afforded a $1,000 exemption, so $2,000 only are taxable. On the other hand, take the farmer with the same $30,000 capital, assuming his net income is also $3,000. He has, $20,000 invested in his farm and $10,000 in Canada Savings Bonds. From farming revenues, he has to pay the bank interest on loans. If his farming revenues average 10 per cent of his $20,000 investment, he will have a $2,000 farm income, and a $1,000 Canada Savings Bonds income, making a total revenue of $3,000, just as his neighbour. But since he must subtract from his deductible interest income all interests paid on bank loans, before he is entitled to tax credit, he would therefore be taxable on the full $3,000 amount. He does not therefore get the $1,000 exemption.

The officials that proposed all those criteria undoubtedly had an objective in mind. They clearly did not propose that without a purpose. They wanted to remove what is called a loophole in accounting. This loophole would have been as follows: A farmer who owned his farm completely, did not owe any money to the Farm Credit Corporation, on his machines or to the bank and had no money invested in Canada Savings Bonds could do this: He could borrow $10,000 on his farm, deduct from his farm revenue the $1,000 paid in interests, and with this $10,000 buy Canada Savings Bonds for an equivalent amount, which would give him an interest income of $1,000 tax free.