

increasing this limit. I feel a good case can be made on that basis for making it higher than \$50,000.

Mr. Chrétien: Mr. Chairman, we discussed this matter with the mining industry because we knew it would be affected by this legislation. It was agreed that the \$50,000 limit was pretty generous in terms of the problems they are having. The hon. member is asking me why we should not increase the amount. When you are dealing with tax breaks for a certain class of citizens, you always experience difficulty, mostly because it is never enough. I do not blame the hon. member for defending forcefully the interests of the northern part of Canada, with which I have been associated for quite some time as the minister of Indian affairs; however, \$50,000 is considered by the industry and by the government as fair.

Mr. Smith (Churchill): Mr. Chairman, let me give the minister an example of what is going to happen in one of the mining communities of the north, and this will affect several employees of this particular community. The company will very shortly be offering for sale houses that were built this year, at a price of \$45,000. The terms of sale will be 10 per cent down, with the balance payable without interest over a 15-year period. The effect of the amendment to the act as it is presently worded will mean that if an employee who has been living in another home or apartment building, as I stipulated, decides to buy one of the homes in this community, he will be deemed to have received in the years following 1978 a taxable benefit equal to the interest calculated at a rate determined by the government on a mortgage balance at the rate of approximately \$40,000. If we assume that the prescribed rate is 8 per cent, the taxable benefit to the individual in this particular community is \$2,700, being \$3,200 at the prescribed rate of interest less the \$500 exclusion. The \$2,700 will be taxable at the same rate and as if it were wages.

However, if the bill were changed to exempt all housing loans—I would like the minister to pay particular attention to this—then because of the \$50,000 exemption there would be no taxable benefit. Does the minister have any comment on that particular aspect?

• (1732)

Mr. Chrétien: Mr. Chairman, this move was made because there were a lot of abuses of that scheme before the Department of National Revenue passed regulations which eliminated them. I am establishing a system which will permit the using of the interest free loan system in order to assist the mobility of manpower in some areas. Law officials were advising National Revenue on the previous system as it has developed. In fact we plugged a loophole. We saw some of the consequences of the move, and I am changing the law in order to permit the mobility of people. If we have to permit interest free loans for people anywhere in Canada for the purchase of a new house, people would create corporations and allow themselves loans. There were a lot of abuses. That is why the Department of National Revenue had to move in; we are just trying to establish a fair system. The hon. member can indi-

cate that it should be even more generous, but I do not think it would be advisable.

The Deputy Chairman: Order, please. I should like to point out to the hon. member for Churchill that he has time for one short question.

Mr. Smith (Churchill): Would the minister say there is no difference between the remote areas of northern Canada and the eastern and southern parts of the country? Would no consideration be given to any special status for people within that 25-mile limit? There has been no consideration given to a tax break for these people.

Mr. Chrétien: I can appreciate the preoccupation and the representation of the hon. member. So far we have avoided two different tax systems in Canada: one for Canadians in the southern parts of Canada, and one for the others. It would be difficult to determine which municipalities should be included and which should be excluded. This is not the first time the idea has been put to me. When I was travelling in northern Manitoba, northern Saskatchewan, northern Manitoba and the Northwest Territories, this idea was put forward quite frequently but was not entertained by the government.

Mr. Smith (Churchill): Mr. Chairman, may I be permitted to ask one short question?

The Deputy Chairman: This is the last one.

Mr. Smith (Churchill): Seeing that I was involved in the clause 1 and clause 2 confusion, I should like to ask the minister one short question. In his earlier remarks the minister indicated that some thought should be given to a clarification concerning my earlier remarks. Will he give me an undertaking that some consideration will be given to the possibility of changing the 25 mile limit?

Mr. Chrétien: Mr. Chairman, earlier I said that the representation of the hon. member will be looked into by my officials and myself. I have listened carefully to the hon. member, but I am not in a position to give him any specific answer. His remarks and representations will be studied carefully.

Mr. Nystrom: Mr. Chairman, clause 2 which is before us is one of the many clauses of the bill in which the corporate sector receives the bigger break.

Mr. Stevens: We are not on clause 2.

Mr. Chrétien: The blue collar workers who move to the north.

Mr. Nystrom: Perhaps I should defer my comments to later. My understanding was that clause 2, along with clauses 35 and 16, would give a better break to corporations under such items as employee loans, stock options, capital gains and so on.

Mr. Chrétien: Go ahead.

Mr. Lumley: You are right.