

Income Tax

It has been for many decades a principle that any expense incurred in order to produce revenue was tax deductible. In this case an individual is denied the deductibility of interest. Can the Minister tell the Committee what the statistics are on the deduction of soft costs? On average, what did the Government envisage as the deduction from the cost of development of residential rental housing? How did that percentage meet the Government's expectations?

• (1740)

Mr. Cosgrove: Mr. Chairman, I do not have the tables showing the different levels of different activities where developers used this soft cost provision. The Parliamentary Secretary to the Minister of Finance has indicated that in some cases it was as high as 33 per cent of the total cost of the project. That led officials and fair-minded people to the conclusion that the provision was being used as a tax haven. People using the Section were motivated to construct buildings or the like as a way to shelter other areas of their portfolio. They were marshalling all the costs they could possibly get, into that project. It really did not reflect the original intention of the Section, which was to be of some assistance to people legitimately engaged in real estate development.

Mr. Clarke: That would lead one to ask the Minister whether following the rules resulted in an undesirable tax shelter. Is the Minister going to change the capital cost allowance rules in the next round? Compared to the 33 per cent of actual development cost, what level did the Government deem to be an acceptable deduction under the MURB program?

Mr. Cosgrove: I cannot say that the officials started out with a hard number. I am advised that we are talking about a provision to provide relief in the area of 5 per cent, rather than a one-third write-off of the project.

Mr. Clarke: I presume the Minister is referring to a 5 per cent write-off of soft cost. I suggest that officials were indicating to taxpayers that 20 per cent would have been acceptable. I understand the Government is now conducting a MURB hunt and is seeking to disallow many soft costs which were granted under the provisions of the original MURB rules. Does the Minister have any knowledge of that?

Mr. Cosgrove: Mr. Chairman, I am told that the whole application of soft costs in the real estate area, that is a joinder of MURB with capital cost allowance, was not something that the officials who were familiar with the Act felt had been done specifically. It was a way that enterprising tax specialists found of supporting a tax haven in conjunction with capital cost allowance and—

The Assistant Deputy Chairman: Order, please. It being 5.45 p.m. pursuant to order made Tuesday, March 15, 1983, it is my duty to interrupt the proceedings and put forthwith without further debate or amendment, every question to

dispose of the Committee of the Whole stage of the Bill now before the Committee.

Mr. Blenkarn: Mr. Chairman, I rise on a point of order. It appears that we have covered a great number of Clauses in this Bill. Had we had an opportunity for reasonable time, we would probably have disposed of them all in proper fashion. The order of the House is that all Clauses now be put. I therefore suggest, in line with the suggestion we made earlier to the Minister, that all of the Clauses that have not yet been passed, be grouped in one vote for consideration at this point.

Mr. Deans: Mr. Chairman, that sounds reasonable, surprising though it is. I am certainly prepared to say, on behalf of my colleagues, that we would agree to that.

[*Translation*]

Mr. Pinard: Yes, Mr. Speaker, I think we can agree with this procedure. In fact, it was suggested to me by the House Leader for the Progressive Conservative Party (Mr. Lewis), which is certainly to his credit. However, I would like to make it quite clear that the vote that will be taken on all clauses that have not yet been passed will serve as the basis for the vote on each clause, so that at the end of the debate it can be said that each clause was approved separately under an agreement, with the same division applying to both individual clauses and grouped clauses.

[*English*]

Mr. Cosgrove: Mr. Chairman, earlier this afternoon the Hon. Member for Mississauga South indicated that, in regard to the amendment I had proposed with respect to notaries in Quebec, it would be dealt with later in Parliament. I am anxious to know whether he is agreeable to including that amendment in the omnibus vote. He knows the Government's intention with respect to either Clause 16 or Clause 125.

Mr. Blenkarn: I am in your hands, Mr. Chairman. I should like to accept it but you appreciate that we are under a House order that was imposed by closure. We would be delighted if the Government would withdraw closure, and in that case we would be prepared to carry on. We do not want this iniquitous Bill that is being imposed on the people of Canada and forced down our throats—

The Assistant Deputy Chairman: Order, please. Would the Hon. Member please resume his seat. This is no time for debate. There not being unanimous consent, we will not consider the Minister's proposal.

Mr. Blenkarn: Mr. Chairman, it is not a question of consent, it is a question of the House order. I would point out to the Minister that Parliament does not exist entirely in the House of Commons; there is another House of Parliament, another branch of this Parliament, which is the Senate of Canada. The Government has ample opportunity to present the other amendments at the next reading of the Bill as it proceeds through Parliament.