

Income Tax

in the community. It is really of no benefit to the companies directly except as it enables them to retain employees in the north.

Mr. Chrétien: This matter has been discussed thoroughly with the mining companies. It is one which closely involves the mobility of manpower, and the companies have agreed that this is a satisfactory compromise. We are satisfied it would lead to abuse if we were, say, to permit someone to sell a house he owned and get a loan from his company at an advantageous interest rate in order to buy another house down the street, or perhaps a bigger one. The program is not designed to do that; it is intended to encourage mobility.

Mr. Smith (Churchill): I understand what the minister is saying. But again I call attention to the fact that under this proposal an individual already living in a mining town, perhaps in rented quarters or in an apartment block owned by the company, would not be entitled to take advantage of an opportunity to purchase a house under this arrangement. On the other hand, a person who moved into the town from goodness knows where could immediately qualify for this benefit. This is an argument which will be forthcoming again and again from individuals concerned, especially in light of the expansion which is presently taking place around some of our mining communities.

Mr. Chrétien: I can certainly look into that aspect. I know an argument can be put up in specific cases but, generally speaking, it was felt that extreme care was necessary in order to avoid abuses. But we shall be looking into the point raised by the hon. member.

Mr. Smith (Churchill): I feel that the 25-mile limit might, in itself, be a cause of concern to people who live, say, on the fringe—those who would be a mile or two short of the qualifying distance. I wonder whether the legislation would be sufficiently flexible to accommodate people in that position.

• (1722)

When the legislation was drawn up, I do not think remote areas of the country were given serious consideration. We have to depend to a great extent on the remote sections of Canada, because they are the real producer areas. Every consideration must be given in respect of housing for those people in the resource, mining and other industries in the north. After all, we have to look at the north as the breadbasket of Canada because of the existence there of untapped natural resources. Naturally, we want to retain in the north the people who will harvest those resources for us. We must retain those who have the knowledge to do so.

Perhaps the minister would consider that the definition of a "housing loan" should be broadened to cover any loan to an employee to enable him, or assist him, to acquire a dwelling-house for his own occupation. I am referring in particular to remote areas. Housing has always represented a problem in remote areas, and I would like some consideration given to a change in order that the clause would refer to a loan to enable

[Mr. Smith (Churchill).]

an employee or to assist an employee to acquire a dwelling-house for his own occupation. Have you any comment on that whatsoever?

Mr. Chrétien: Mr. Chairman, I think I explained to the hon. member some of the problems. I cannot backtrack, because if we are to go too far in the direction the hon. member is suggesting, we might discredit this scheme which is, in fact, designed to induce people to move in some areas. If it looks as though it will create abuses throughout the land, the program will lose its credibility and might backfire rather than being helpful.

As far as the 25-mile limit is concerned, it was taken from the Income Tax Act in relation to deductions for moving expenses. This figure is already accepted as part of the system, and I do not see why I should confuse the tax laws even more by having different types of deductions for one thing and another. I think these figures are always arbitrary. We had to go with the 25-mile figure as it was judged by one of my predecessors as being a fair distance for that kind of deduction or expense.

Mr. Smith (Churchill): Mr. Chairman, I was not aware of where the 25-mile figure came from, and that was to be the subject of my next question. When you suggest you cannot have special circumstances, let me remind you that there are special circumstances in existence for federal government people who live in the north. Government employees in the north received special northern allowances. A number of mining companies regard interest-free mortgage loans on houses as special northern allowances for their employees. That is how they look at these and, as I mentioned before, if you take away that particular aspect you will create difficulty in keeping these people in the industry. Governments recognize that there are extra costs associated with working and living in the north. For instance, you must heat your home for ten months a year, and your hydro bill is much higher because of shorter days. Transportation out of the area is very expensive. For this reason, the companies provide interest-free mortgages to their employees. I suppose they could be paying a northern allowance of some sort, but the concern here is in respect of an individual being able to own a dwelling and realizing a tax break in that regard. This is not a break for the company, it is for the employee of a particular company. The mining industry, for example, is in tough shape at this time and we should encourage these companies to be optimistic and continue developing the north.

Let me refer to the minister another concern I have. This has regard to the possibility of increasing the amount to \$50,000. I suppose that \$50,000 could be considered as a reasonable exemption, under the circumstances in the north, because that amount would cover the cost of most residences in northern areas. It would be insufficient in one of the larger urban centres. Let us use Toronto as an example, where a decent, three-bedroom house would run in the neighbourhood of \$80,000. I am wondering if there is any resistance to