

Income Tax Act

building is now going on at a much higher rate than ever before, much higher than that considered essential by the Economic Council, and there is such a great demand for mortgage moneys that the rate of interest has been pushed to a high level. Our efforts, surely, should be directed to bringing that interest rate down. If we increase the demand on available moneys, as this proposal would do, the interest rate would go up and the people who really need this money will be outbid by those who, like myself, are quite willing to pay 10 per cent or more for it provided the interest is deductible from income tax. After all, it is top dollars we are talking about and this money would be deducted from our top rate of tax. As I see it, this is a discouragement to homebuilding rather than an encouragement.

It is very difficult to estimate the effect on revenue of the proposed deductions because it is not known whether those who rent are included. As I understand it, those people are to be included. How many taxpayers would be able to take full advantage of the reductions? To what extent would they rearrange their affairs to take advantage of the deductions, as would happen in a case like mine or in the case of people who want to mortgage their homes or increase an existing mortgage? It is reasonable to estimate that the revenue loss would be well in excess of \$1 billion.

If those who rent were not permitted to deduct something on account of municipal taxes, the entire benefit of this tax reduction would go to one class of Canadians, namely, those who own their own homes. It should be remembered that our living styles vary from province to province. Traditionally, there has been a two-to-one ratio in favour of home ownership in the province of Ontario, as opposed to a two-to-one ratio in favour of renting in the province of Quebec. I think it is important to make sure that all sectors of the nation benefit equally. The proposed deductions would have the effect of decreasing not only the revenue of the federal government but that of the provincial governments whose tax revenues are calculated as a percentage of the federal tax.

The hon. member for St. Catharines also spoke of the effect on inflation and suggested that this measure would have a beneficial effect. In my opinion, quite the contrary is true. Force would be exerted on available funds, thus increasing interest rates. This, to me, would be inflationary. We would also run into difficulty in determining the practical application of this proposed legislation to those who rent, particularly to those who live in large properties, multiple dwellings, and so on. It would be difficult to determine precisely how much an individual could deduct.

Of course, there are many ways in which we can help the homeowner. One way, proposed continually by the opposition and supported by myself, involves the reduction or elimination of the 11 per cent tax on building materials for house construction. For years I have spoken in favour of that proposal, although I recognize that any government must decide where the proposal stands on its list of priorities.

At present, house building is at an all-time high. Although I have heard the argument about the cost of homes in certain parts of the country, I read just this past weekend advertisements for beautiful homes being built

[Mr. Herbert.]

less than half an hour's drive from the downtown areas of major cities such as Montreal at prices that, if you allow for inflation over the years, can be favourably compared with those charged 20 or 25 years ago. That one can in 1973 buy beautiful homes on beautiful, wooded lots of 10,000 square feet for \$14,000, \$16,000, \$18,000 or \$20,000 is an indication that we have nothing to be ashamed of; indeed, it is something we should be very proud of.

The hon. member for St. Catharines contended that when municipal governments receive additional provincial and federal moneys, they increase their spending and thus are not able to reduce municipal taxes. I do not think that is entirely correct. Many of these programs are for essential municipal works which would have to proceed in any event. To that extent there is an offsetting effect in this area and it may not be necessary to increase municipal taxes. Even if additional moneys were to be paid, it must be recognized that at some time the local councils would make their own decision whether to proceed with an additional park or some other program which is being undertaken with federal and provincial aid and, naturally, they would have to raise the necessary funds through an increase in taxes.

I began by saying that on principle I have always favoured the deduction of municipal taxes and interest on house mortgages from income tax. I have also tried to illustrate that everything must be put in some order of priority. With federal expenses running at their present level, I consider that any suggestion which would reduce our revenues by more than \$1 billion is improper. That is what would happen if this measure were adopted.

I also suggest that its adoption would be beneficial to the higher income groups. Certainly it would benefit me, and from a personal, selfish standpoint I would be happy to see this proposal go through. As I said earlier, one of the first things I would do would be to get myself a good, hefty mortgage, one large enough to provide me with the \$2,000 income tax deduction suggested in the motion. For these reasons I must oppose the proposal brought forward by the hon. member for St. Catharines. Mr. Speaker, I do not think there is anything else I wish to add at this time; I think I have covered all the points raised by the hon. member for St. Catharines.

Mr. A. P. Gleave (Saskatoon-Biggar): Mr. Speaker, having been the owner of farmland and a house for some time, I have a fair amount of sympathy for the objectives espoused by the mover of this motion. He wants more people to own homes. However, I do not think he is going about achieving this objective in a workable way.

• (1740)

If we really wanted more Canadians to own their own homes we would reduce the interest rate on mortgages to 4 per cent or 5 per cent and keep it there. We would do something about the developers who carry out so-called development around our cities. Not too long ago an hon. member described the situation around Toronto. I read at least two magazine articles on this matter. Several development companies pretty well control the land around Toronto that is going to be developed. These corporations will be in the position of charging as much as the traffic