

Income Tax Act

income households can acquire their one major asset and build a substantial nest egg at the same time.

If mortgage interest payments were made tax deductible a ballpark estimate of the annual cost in terms of foregone revenue would be in the order of \$930 million. The alternative proposal to eliminate the 11 per cent sales tax on building materials it is estimated would cost about \$365 million per year. However, the mortgage interest cost calculation does not take into account offsetting federal government revenue which would be derived from increased mortgage interest payments resulting from a greater number of homeowner mortgages being taken out. Similarly, the increased sale of building supplies which would result from the stimulation to the housebuilding industry and the resulting increased level of employment among those who would be engaged in this industry would aid this sector of the business community significantly and, therefore, the Canadian people.

By stabilizing the housing industry we would effectively reduce union demands for higher wages geared to offset numerous lay-offs. This, in turn, would help dampen inflationary tendencies in the economy and the increased level of employment in absolute terms would increase government tax revenue while decreasing transfer and welfare payments and, at the same time, reduce our chronic unemployment problem.

The real cost of the mortgage interest program could further be reduced if, to offset excessive benefits accruing to more affluent housing consumers, a limit were placed on the amount of interest payments exempted from taxation. For example, a \$2,000 annual limit per family up to a maximum of \$30,000 over the life of the mortgage, would cover all or the greater part of mortgage interest payments from most home purchasers. Payments beyond this limit could be taxable either wholly or partially, according to some graduated schedule. With any incentive directed to a specific section of the economy there is a need to assess its efficiency. In my submission those who would benefit the most from this motion are the very people who have the potential purchasing power to give a massive thrust to the development of new housing in all areas of Canada, given this type of assistance.

This proposal then, by reducing the cost of housing to the individual buyer, would enable a more realistic number of Canadians to acquire home ownership and thereby provide for Canadians access to a lifestyle in accord with their aspirations and the promise of this great country.

Some hon. Members: Hear, hear!

[*Translation*]

Mr. Fernand-E. Leblanc (Laurier): Mr. Speaker, the hon. member for Regina East (Mr. Balfour) the mover of this motion, says that the government should permit homeowners from now on to deduct interest charges from their taxable income.

Obviously, this proposal has a great deal of political appeal and were it not for the fact that we are good administrators we certainly would be inclined to adopt this proposal and to put it in effect in order to get votes. However, I do not feel this is part of the Progressive

[Mr. Balfour.]

Conservative program, because, on looking at the program they submitted at the time of the last election campaign, I did not notice that they had put forward a proposed tax reform whereby interests paid on individual properties would be deducted from taxable income.

At the time of the budget debate and in the course of speeches made on other financial measures, I listened to spokesmen for the Progressive Conservative party, and I have to make the same remark. As for the member for Regina East, his proposal reflects his personal views, because, to my knowledge, it does not have the support of his party.

The hon. member particularly explained to us the aspect of housing promotion for low and middle income people. According to me, he did not consult the recent statistics, because since 1968, there have been more houses built in Canada than in the last 20 years. Consequently, the fact that a homeowner could not deduct from his taxable income the interest he was paying on his mortgage, has not proved an obstacle, in my opinion, to the construction of private homes in Canada.

Maybe certain arguments have not been put forward, either the principal of the Income Tax Act according to which there cannot be deducted, as personal or living expenses, genuine personal expenses. This obviously includes interests paid on loans obtained for the purchase of goods and services for personal use, as opposed to those that are used for business purposes.

Already, under the Income Tax Act, the interests paid on money borrowed to earn an income or for reasons of business is deductible, and we have gone one step further in the context of tax reform for we have even suggested that when a company borrows to increase its share capital, the interests should be deductible. We are well aware that as many individual exemptions as possible must be made, but we must nevertheless bear in mind the important principle of taxation which says that expenses may be deductible when they produce income.

If, as the previous speaker suggested, expenses of a personal nature were deductible, obviously very few people would have any taxable income in the long run because it seems to me people would rush to get loans and deduct the interest so as to take advantage of the additional exemptions.

In order to balance a budget, taxes must be collected, and to do so, somebody has to pay taxes.

• (1720)

Rather than allow such deductions, we have, since 1972, raised the basic exemptions to \$1500 for single person and \$2850 for a married one. In fact, the February 1973 budget provides for an increase in basic exemptions to \$1600 and \$3000 respectively. To these exemptions, we have added additional exemptions such as for dependent children. Furthermore, under the provisions of the bill now before us, the taxpayer over age 65 benefits from an extra exemption of \$1000. The blind have special exemptions especially when they have to stay in bed or move in a wheelchair.

The basic deductions allowed in this country stand among the most generous in the world. Compared with