

Income Tax Act

instrumental in holding up this bill. I realize that perhaps the minister is not in touch with reality and with what has actually been transpiring on the bill, but I would point out for the record that this bill arises out of the November 18 budget brought down by the Minister of Finance. The Minister of Finance chose not to introduce the bill to this House until December 20, and I would suggest that the government had it completely within its power to have brought this legislation on much sooner last year, but it chose not to do so.

When we returned in January this year the government could have given this legislation top priority to ensure that there would be the maximum debate time afforded to it. But it chose not to give it particular priority. In fact when it did bring it on for debate, I think the government took three separate days out of the debate to consider other matters rather than getting on with discussion of this bill.

As you undoubtedly know, Mr. Chairman, notwithstanding the time delays since November 18, the Minister of Finance has just very recently tabled about 40 amendments to the bill. With all due respect, if the government keeps introducing legislation that is so inadequate and has so many obvious mistakes in it that it has to be amended by the government before it can be passed, surely we cannot be faulted for giving some type of prudent review to the legislation before us.

Some hon. Members: Hear, hear!

Mr. Stevens: If we wanted to be purely political I could perhaps accept the comment made by one of the hon. members on the government side. He asked why we could not let the legislation go through and accept the faults—because there are faults—and then criticize the government later? Politically that may be right, but I think as members of parliament we should do what is right for the people of Canada.

Miss MacDonald (Kingston and the Islands): Mr. Chairman, I would like to make a few comments on subclauses (2) and (3) of clause 7 which, as I understand it, implement paragraph (12) of the Income Tax motion. It seems to me this provision would mean that carrying costs on land awaiting development will not be chargeable against other income but can be taken into account only when the land is sold.

As the hon. member for York-Simcoe pointed out last night, and as I mentioned in the House on second reading of this bill, this particular measure may well force many small developers out of business. It is these small developers who make up about 90 per cent of the entire industry. They are the ones who actually build most of the homes constructed in this country. So the government, which seems to be trying to increase the amount of land on the market at the moment to stimulate house construction, may end up by achieving the exact opposite result of depressing construction by making it hard for those in the industry to survive. The goal is admirable, but the means are very questionable.

We have asked the Minister of Finance if he will not make a distinction here between land speculators who buy and sell land but who do not develop it, and land develop-

[Mr. Stevens.]

ers who do much of the construction themselves. The minister said last night that he has reviewed this very carefully but finds it extremely difficult to do, and I would like to ask him why he finds it so difficult. Or does the government object to making the distinction between speculators and developers in the first place? I would like to direct that question to the Minister of Finance and also to his colleague, the Minister of State for Urban Affairs, who may have a somewhat different point of view in this regard.

As the minister must surely know, this measure will penalize many small developers who must bear the carrying costs of the land, not because they are unwilling to put it on the market but because of the long delays in securing planning permission and equally in the servicing for land on which they intend to build.

● (1410)

The average delay between applying for planning permission from a municipality to build and getting both that permission and the servicing necessary before construction can begin, is from two to five years. I want to ask the minister if there is any provision in this bill, or if he will insert one, to enable developers who have already applied for planning permission and for servicing to deduct the carrying costs of the land in question as they have been able to do up until now?

I would also like to get some clarification from the minister on whether the measures proposed in this bill will have the effect of enabling developers to charge the carrying costs of land against their income when the land is sold? In other words, when this clause is passed they will not be able to write off the carrying costs of undeveloped land they own, but when they sell it will they be able to write off those charges, and if so, will they be able to write them all off at once? If this is not possible it seems likely that most of these firms will simply pass on to the home buyer the several hundred million dollars of cost that this measure means they will incur, so that what the minister thinks he is gaining now with more land on the market, he will be losing five years from now in higher land and home prices.

My interpretation of the remarks of the Minister of Finance last night is that the full carrying costs of land will be chargeable against tax when the land is sold. But, if this is so, where is the effectiveness in his policy? Large developers will still gain the tax advantages of carrying land—they will simply gain them a little later. The people squeezed will be the small developers who cannot afford to wait for the tax write-off because of existing liquidity problems, and many may be forced out of business.

Yet these small developers are the builders and construction firms contributing most to housing in this country. They make up 90 per cent of the industry. But they are not the ones who hold the bulk of land designated for future development. As CMHC figures show, the vast proportion of land around Canadian urban centres is owned by five or six mammoth development corporations. They have the financial resources to resist pressure to put land on the market, because they can afford to wait until the land is sold to take advantage of the tax write-off. This would seem to be what this legislation proposes, Mr.