

taxpayer to realize a capital gain on the sale of his house without incurring any tax obligation. The second is to continue the practice of not including in the taxpayer's income the economic advantage of owning a house. This advantage, which is the value of the house, can be considered the return on the capital he invested. Incidentally, notice should be taken that other countries, including Great Britain have added in the past this "alleged income" to that of the tax-payer for income tax purposes.

A comparison between the owner and the tenant of a dwelling should illustrate this. For instance, let us say that Mr. Leblanc and Mr. Tremblay each have \$20,000 to invest. Mr. Leblanc buys a house and Mr. Tremblay, securities bringing him \$1,000 a year.

Every year, Mr. Tremblay must add \$1,000 to his income while Mr. Leblanc is adding nothing. Furthermore, Mr. Tremblay must pay rent and, of course, rent is not a deductible expense. It is unlikely that the \$1,000 a year, once the income tax is paid, could get him a dwelling like the one Mr. Leblanc got with a capital outlay of \$20,000. The result is that Mr. Leblanc is in a better position than Mr. Tremblay from the income tax point of view.

For example, let us assume that, 15 years later, Mr. Leblanc's house is worth \$40,000 and Mr. Tremblay's securities are worth \$40,000; should both decide to sell, Mr. Leblanc would get all the proceeds of the sale tax free, but Mr. Tremblay would have to add to his income half his capital gain, that is \$10,000.

So, Mr. Leblanc has again the advantage compared with Mr. Tremblay. At the present time, the Income Tax Act favours considerably the home owner.

If the government, Mr. Speaker, were to pass a proposal for the granting of a tax deduction or rebate for the interest paid on mortgages, Mr. Leblanc would be still more ahead of Mr. Tremblay because he could purchase a house at a higher price, get a mortgage and deduct the interest. Not only would he not be taxed but also his eventual capital gain would be higher.

Thus, we see that the acceptance of such a proposal would be unfair to the tenant. It would favour the higher income taxpayer in two ways. Firstly, those who are too poor to save the down payment on a house could not avail themselves of this provision. Secondly, the person who owns a dwelling but who has only a small amount of income tax to pay could not take advantage of the full rebate. The maximum rebate of \$1,000 would be a very important relief.

Even if the proposal were changed so that the amount was deducted from the income rather than from the tax, it should be much more beneficial to the higher income taxpayer than to the lower income taxpayer.

Having studied in general the advantages the Income Tax Act gives now to home owners and the effect that the deduction of mortgage interest and municipal taxes would have from the point of view of fiscal equality, let us examine now some examples of what would happen if the proposal of the hon. member for Portneuf (Mr. Godin) was adopted.

Let us say that a taxpayer named "A" has a yearly income of \$5,000, claims deductions of \$4,000 and a taxable income of \$1,000; his federal income tax in 1973 would be

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\$75 and his provincial income tax, if he lives in Ontario, would be about \$24, which totals \$99. If he paid municipal taxes of \$200 and made interest payments of \$800, it seems he has a right to the \$1,000 rebate.

However, the proposal submitted by the hon. member for Portneuf refers to an income tax abatement. The federal government would grant a credit of \$75 and his income tax account would become nil. Likewise, considering that provincial income taxes are assessed in a number of provinces as a percentage of the federal income tax, his tax rate would also be nil.

The total benefit to the taxpayer would only amount to \$99, or a little over 10 per cent of his housing costs, and this amount of \$24 would have been contributed by his province of residence.

I should like to compare this case with that of another taxpayer identified as Mr. B, whose income amounts to \$9,000; because of his \$4,000 deductions, his taxable income amounts to \$5,000. In 1973, he would have paid \$875 in federal income tax and approximately \$300 in provincial income tax—as an Ontario resident—making a total of \$1,175. He would pay \$400 in municipal taxes and \$600 of interest on his mortgage. According to the motion introduced by the hon. member for Portneuf, this taxpayer would be entitled to a \$1,000 income tax abatement.

He would then be entitled to a \$875 abatement; therefore, his federal income tax account would become nil, and so would become his provincial account. He would therefore receive a benefit, not of \$1,000, but of \$1,175, that is, \$875 from the federal government and \$300 from his province of residence.

Let us now consider the case of Mr. C, a rich man with no mortgage to pay. Because he occupies a very expensive accommodation his municipal taxes amount to \$1,000 per year. He is entitled to a \$1,000 exemption from the federal government and a \$305 one from the provincial government, if he resides in Ontario. In fact, he has made a tax-free benefit of \$305, or 30.5 per cent, simply by paying his municipal taxes.

Mr. Speaker, those three examples illustrate some interesting suggestions. First, the abatement would favour high-income taxpayer at the expense of low-income taxpayers. Second, the overall effect of the abatement would yield an amount greater than the taxpayer's taxes and mortgage interest or the maximum amount of \$1,000, because in several cases, provincial tax is related to federal tax. Third, any abatement of this kind would represent a major cost to the provinces.

It must also be noted, Mr. Speaker, that two provinces, Manitoba and Ontario, in cooperation with the federal government, adopted a plan designed to grant tax credits in order to ease the burden of municipal taxes. But those plans have four major imaginative characteristics. First, they are meant to bring as much relief as possible to low-income people. Then, they reduce provincial taxes rather than federal taxes, with the result that provinces subsidize their own municipalities. Furthermore, they help tenants as well as owners. Finally, they pay money directly to people when the credit exceeds the amount of income tax.