

**Mr. Stevens:** I am wondering if the minister has an opinion from the Department of Justice that clause 35, along with clause 2, in fact will be interpreted that way?

[*Translation*]

**Mr. Chrétien:** The legislation as introduced and now under study in the House has been approved by the Department of Justice.

● (2052)

[*English*]

**Mr. Smith (Churchill):** I have a further question for the minister. If a person qualifies for a tax-free loan of \$50,000 to purchase a house, how long does he have to retain that capital before he can dispose of it?

**Mr. Chrétien:** There is no time limit.

**Mr. Stevens:** Perhaps the minister misunderstood my question. I do not doubt there has been some cursory examination by the Department of Justice of the bill as to form, but I was wondering whether the minister ever put the matter to the Department of Justice and whether he received an opinion as to the impact of clause 35 as far as dollar amounts are concerned.

**Mr. Chrétien:** I did not need to ask the Department of Justice for a legal opinion about that. They drafted that clause themselves. They say you can get the benefit equivalent of a \$50,000 loan interest free. So if it is half the rate, evidently you are entitled to double that amount of money.

I am surprised the hon. member did not understand that. I got it right away and I have never been closely associated with the banking system.

**Mr. Stevens:** Well, Mr. Chairman, I hope those who get rudely shocked in 1979 or thereafter will be able to get back to the Minister of Finance—

**An hon. Member:** He won't be here!

**Mr. Stevens:**—and ask him to produce an opinion he seems so casually to offer us tonight as though it were written in stone.

Dealing with this question of mortgage interest rates, can the minister tell us whether any consideration has been given to allowing mortgage interest rates on personal residences to be offset at least partially against income before taxation?

[*Translation*]

**Mr. Chrétien:** Mr. Chairman, the government does not intend to introduce such a measure at this time.

[*English*]

**The Deputy Chairman:** Shall the clause carry?

**Mr. Stevens:** No!

**The Deputy Chairman:** All those in favour please say yea.

**Some hon. Members:** Yea.

### *Income Tax*

**The Deputy Chairman:** All those opposed will please say nay.

**Some hon. Members:** Nay.

**Mr. Chrétien:** Aren't the NDP going to vote for this?

**The Deputy Chairman:** In my opinion the nays have it.

**Mr. Stevens:** No, no! Come!

**Mr. Alexander:** I think the NDP are abstaining.

Clause 2 agreed to: Yeas, 32; nays, 16.

On clause 3.

**Mr. Stevens:** Before we proceed further, would the minister tell the House the main reason for which he presents clause 3?

[*Translation*]

**Mr. Chrétien:** Mr. Chairman, these special rules apply only to an employee who holds shares for a minimum of two years. Without such a minimum and reasonable period, there could be an important tax benefit, because instead of paying a salary a company could choose to issue preferred shares which would immediately be bought back. We have included this clause so as to enable small Canadian businesses to give inducements to their employees to stay on or to make it possible for some businesses to enter into competition with other companies to obtain competent personnel.

[*English*]

**Mr. Stevens:** Can the minister go further and indicate the magnitude of what he is doing here? Does the department expect that many small businesses would use this clause if we pass it? Or is it something he feels would be rarely used?

[*Translation*]

**Mr. Chrétien:** Mr. Chairman, we have received many representations concerning this proposal from small and medium businesses, and we believe that they will help those businesses obtain the administrative support that they need to develop. We also believe that this option that the employees will have to own shares will be favourably received by small and medium businesses. We have received many representations on this subject, and we believe that this will be well received by small and medium businesses.

[*English*]

**Mr. Stevens:** Why does the minister feel it necessary that the shares be owned for at least two years? What is the magic about two years?

[*Translation*]

**Mr. Chrétien:** I said this briefly in French earlier, but I can repeat it now, Mr. Chairman. These special rules apply only to cases where the employee has owned shares for a minimum of two years. Without such a minimum and reasonable period, this could constitute an important tax loophole since instead of paying wages a company could decide to issue preferred shares which it would immediately buy back, and we believe that we