

Tax Rebate

What can this man rent for \$1,600 a year? That works out to about \$125 a month. If he has children and wants comparable accommodation to the home which cost him \$30,000, he has to pay between \$275 and \$300 a month. He is being disadvantaged to the tune of about \$150 a month because of the distortions in the tax system. The tax system does not have a concept like an imputed benefit. There is no imputed tax in our society and there is no wealth tax.

What are the consequences? The consequences are that anyone with any kind of intelligence in the investment field puts his money into a house, whether he owns the house or not. There are many people who buy homes to increase their investment portfolio or as a hedge against inflation. This results in all kinds of homes being taken off the market. It raises the prices of homes because of the increased competition for the available supply of housing. It puts more pressure on the rest of the people in the housing market whether they are renters or owners. Today many apartments are being converted from rental units to condominiums. The owners can get a better price from buyers of condominium units because of the tax benefits which a condominium owner receives. In some cities serious shortages of rental accommodation have occurred as a result of this.

Rather than take a system which is now very unfair and make it more unfair, this House should try to find a way of levelling off the differences between owners of property and persons who rent. I have no illusions. I hope what I am saying will not be taken out of context or misunderstood. Those who wish to own their homes should do so. What I am suggesting is that we should be fair to everyone in our society. While there are many middle income people who own their own homes, they are still the better off in our society. They at least have the down payment; they at least have some capital as compared with those who rent.

If we want to help those who need help the most, we should to a far greater extent be making public housing available to persons who do not have the down payment for a home and cannot afford to maintain a home with the idea that one day they will benefit from capital appreciation.

[*Translation*]

Mr. Gaston Clermont (Gatineau): Mr. Speaker, we are now studying the motion of the hon. member for Portneuf (Mr. Godin) the adoption of which would mean that the personal income tax act would be amended. I intend to address myself to that particular point and explain the effects of such a measure, without dealing with the reasons invoked by the hon. member for Portneuf, to justify those amendments.

Now, in the course of my remarks, I shall discuss amendments to the income tax act. I believe the former speaker, the hon. member for Waterloo Cambridge (Mr. Saltsman), spoke on this matter.

The mover proposes a rebate on municipal taxes and the mortgage interest the citizen pays on his house. He seems to indicate that the amount paid in municipal taxes, or mortgage interest, to the extent of \$1,000, could be deducted from the individual's income tax.

[*Mr. Saltsman.*]

It is taken for granted that the hon. member for Portneuf does not suggest a direct payment to the taxpayer whose municipal taxes and mortgage interest exceed his total income tax.

Mr. Speaker, the present income tax act does give, even now, a tax rebate or, as is more commonly called, tax credits in one case only: when the income of the taxpayer has already been taxed.

For instance, when a taxpayer receives income from abroad where a tax has already been paid, the income tax act grants a tax credit to be used against Canadian taxes up to a maximum equal to the amount paid to the foreign government. That credit is known as the foreign tax credit.

• (1640)

The dividend exemption is granted because it is acknowledged that dividends paid to a taxpayer originate from incomes already taxed at the corporate level. Apart from those two exceptions, the Income Tax Act grants no further rebates. Moreover, this legislation is based on the principle that personal expenses cannot be deducted. Municipal taxes and mortgage interests for a family dwelling surely belong to the category of personal expenses.

I would like to make now a few general remarks. First, the proposal of the hon. member for Portneuf (Mr. Godin) is contrary to both principles of the tax legislation previously mentioned. By suggesting a tax rebate when no taxed income has been received, he is in fact suggesting that the government should pay the first \$1,000 in interest on the mortgage interest and municipal taxes of each taxpayer.

Second, the proposal goes beyond the area of tax deductions. The cost of deductible expenses is at least partly supported by the taxpayer whereas the proposal of the member for Portneuf shifts the whole cost to the Treasury. In this connection, it is more generous than the deduction and therefore even more contrary to the income tax principles which forbid deduction of personal expenses.

First, let us consider the deduction of mortgage interests and municipal taxes while taking into account that anything true of a deduction is also true of a tax rebate except that the proposed tax rebate is even more generous than a deduction.

In principle, the purchase of a house is no different from that of any other asset intended for personal use even though it is generally the most important expense incurred by a taxpayer during his lifetime.

When the Royal Commission on Taxation reviewed some years ago the income tax system, it recommended upholding the principle that personal and living expenses be not deductible. It did not recommend to government a deduction for municipal taxes and mortgage interest payments.

Mr. Speaker, at the introduction of the tax reform in 1971, it was recognized that an incentive to becoming a homeowner was desirable. On the other hand, it seemed preferable to stick to the fundamental rule mentioned above concerning personal expenses deductibility.

The Income Tax Act provides therefore two significant incentives to acquire a home. The first is to allow the