

*Income Tax Act*

through their spokesman, have made the worst of a very bad argument, but apparently this is the official line. A study must be undertaken immediately. The Carter Commission, having been abolished or abandoned, we now have a patchwork quilt of special subsidies to the rich but not to the average man.

The tax cuts arguments do not make sense because no consideration is given to the fact that people who rent would also get a deduction and would reach the limit put on the amount of those deductions. This relief is needed by the people in Canada who live on fixed incomes, such as pensioners. The provinces have a variety of schemes for deductions from income tax of real estate taxes. Surely, this government must realize that these provisions must be co-ordinated and made fair for all the people of Canada. The government should ensure that the scheme is the same from east to west. I would like to draw attention to the *Income Tax Journal* of 1967. There is an article there on home owners, in which the whole subject is dealt with in great detail.

The core of this motion is to help the home owners, especially those on fixed and low incomes. They are the ones who need help most. There will be, by way of the property tax, a differential between the commercial and industrial properties, one which is long overdue. People on low and fixed incomes pay a high percentage of their income in real estate taxation and mortgage interest, and I suggest this is not fair. They are burdened with all kinds of education taxes for which they do not get any benefit. I think this is something which can be corrected by this government, if they saw fit to help those people who really need help.

Some people argue that we should give direct aid to municipalities instead, but anyone who has served on municipal councils knows well that if you get an extra dollar from the provincial government you tend to increase the work done on roads and sidewalks within the municipality. The benefit of this dollar will not be passed on to the pensioners, to the fixed and low income group who need the help so desperately. Within the world in which we find ourselves, where high unemployment and inflation exist and where we almost see a technological revolution taking place and oppressive taxation is imposed, this motion would at least make economic survival possible. The young would take a creative step and the old would find some security, but most important of all we would give some social capital to the people in need of a home.

Lastly, the argument put forward by this government has been that the Progressive Conservatives are always complaining about the complexity of the Income Tax Act and that if this motion were adopted it would only make it more complex. In view of the present income tax law, how can this government blithely bleat on and say that this provision would make things that much worse, for that becomes the cruelest joke of it all.

**Mr. H. T. Herbert (Vaudreuil):** Mr. Speaker, I am pleased to have the opportunity to reply to this motion. In principle, I have always favoured a reduction of the income tax by the amount paid in interest on mortgages on housing as well as of taxes paid on house property. At the same time, however, I have always argued that one must

consider priorities, one must make decisions on what one should do first. So, I want to repeat these arguments as I presented them in the past on what would be the effect if we were to introduce a measure of the type proposed.

The Income Tax Act currently follows the principle that deductions cannot be made for personal or living expenses. This extends as well to interest paid on money borrowed to purchase goods and services which are for personal as opposed to business use. It also applies to taxes paid on living accommodation, to provincial sales taxes on purchases, to provincial fees such as car licences, and to municipal taxes and charges of all kinds. In keeping with this principle, a taxpayer may not deduct expenses of repairing and maintaining his residence. If one could deduct all expenses of a personal nature, very few people in this country would have any taxable income at all.

Rather than allow such deductions, the act provides for basic personal exemptions, \$1,500 in the case of a single individual and \$2,850 in the case of a married couple. The February 19 budget proposes to increase these to \$1,600 and \$3,000 respectively, as well as to index these exemptions to cost of living increases. Additions to these basic exemptions are granted where there are dependent children, where a taxpayer is over 65 years of age, and where a taxpayer is blind or confined to bed or wheelchair. The deductions granted in Canada are among the most generous in the world. For instance, in the United States the basic deduction for an individual is \$750 and for a married couple is \$1,500.

• (1720)

The hon. member for St. Catharines (Mr. Morgan) would allow the deduction of municipal taxes to a maximum of \$500, and mortgage interest to a maximum of \$2,000 if these amounts were paid in respect of a principal residence. In concept, the purchase of a home is no different from the purchase of any other item for personal use, even though such a purchase is usually the largest single expenditure which a taxpayer will make in his lifetime.

When the Royal Commission on Taxation thoroughly reviewed the income tax system several years ago, it recommended that the principle of not allowing a deduction for personal or living expenses be retained. It did not recommend a deduction for municipal taxes or mortgage interest. I also note that there is no mention in the motion of school taxes which in my county in many cases are probably running at least double the municipal taxes. Incidentally, I would like to see these school taxes as a deductible item, if this were possible, but rather than that my own opinion is that school taxes should be removed entirely from residences.

When tax reform was introduced, it was recognized that the encouragement of home ownership was desirable. On the other hand, it was thought best not to deviate from the basic rule regarding deductibility of personal expenses to which I have already referred. The Income Tax Act, therefore, provided two major incentives to home ownership.

The first incentive was to allow a taxpayer to make a capital gain on the sale of his home without incurring tax liability. This is particularly useful to people like myself. I imagine there are many of us at the present time. We are the "do-it-yourselfers" who spend money and time adding

[Mr. Morgan.]