I would like to touch on a few other areas covered by the budget that I know are of concern to many taxpayers. For example, the question of income from properties.

Under the present tax law, investors in rental or commercial developments have been able to obtain an immediate write-off, in full, of so-called soft costs incurred prior to completion of construction. Such soft costs include the interest on money to finance development, land taxes, legal and accounting fees, mortgage fees and other such costs. As of November 12, costs of this type will be capitalized rather than being immediately deductible.

Mr. Blenkarn: That stopped a lot of deals.

Mr. Rompkey: I must also deal with the important issue of principal residence.

Mr. Blenkarn: That will make sure a lot of people won't have homes.

Mr. Rompkey: As you are aware, the Income Tax Act has allowed every person a principal residence free from capital gains tax. The budget proposes that after the 1981 taxation year, a married couple should enjoy the benefit of only one principal residence between them for the purpose of capital gains.

Mr. Blenkarn: They should get a divorce, then they can have two.

Mr. Rompkey: The gains on the second property that have accrued to the end of 1981 will continue to be free of capital gains, but after 1981 will start to accrue capital gains for tax purposes.

Again on the question of capital gains, I want to mention a proposed change to the Income Tax Act that will affect businesses and professionals. After November 12, no capital cost allowance will be allowed on art objects and antiques with the exception, and this is important to note, of initial purchases of the works of living Canadian artists. Until now, art work and antiques bought by business and professional firms could be written off at 20 per cent a year. In fact, such works of art and antiques most often appreciate in value rather than depreciate, and are often personal investments.

The customs and excise branch of my department will also be involved in the administration of certain budget changes. The federal sales tax will be moved from manufacturing to the wholesale level effective July 1, 1981, and the rate will be reduced so that revenue will not be affected. This new structure will remove a number of inequities as well as the present bias against Canadian-produced goods.

Mr. Blenkarn: And diddle the consumer.

Mr. Rompkey: My department will be discussing this matter with those affected in the near future. Revenue Canada will also be involved in administering improvements in the general preferential tariff for developing countries. Its coverage will be extended and rates reduced on a range of products of interest to developing countries. As well, duty free entry will be granted for imported products designed for disabled persons. Is the hon. member against duty free entry of goods for disabled persons? He is against that. Let the record show the hon. member for Mississauga South (Mr. Blenkarn) opposes that.

The main thrust of this budget is the fight against inflation. By bringing inflation down we will bring interest rates down and encourage investment. All across the country are projects waiting to be started. In my own province there are projects connected with offshore oil, the fishery and hydroelectric development which can create thousands of jobs. If the Government of Canada curtails its expenditures and thereby withdraws from the borrowing market, it will leave room for those firms which want to invest in these projects and create these jobs.

This country has a fantastic potential and it is the aim of this government to see that potential realized. But that aim will be difficult, if not impossible to reach, if we fail to lick inflation. And all must fight, each according to his capacity. Obviously, the economically powerful are better able to fight, and this budget issues the marching orders and the weapons for that fight. But each and every Canadian has a responsibility to fight inflation by living within his means and by keeping his own personal expenditures to a manageable limit. The battle against inflation must be won and can be won. But it must be carried on with fairness and equity, giving the rich a greater burden than the poor. That is what this budget does.

● (2050)

Mr. Charles Mayer (Portage-Marquette): Mr. Speaker, I find it very interesting to follow the Minister of National Revenue (Mr. Rompkey) because it is his department and his responsibility to look after the implications of this budget and he, of all people, should understand them. When he rises in his place and says that he is proud of this budget, I have to feel sorry for him because obviously it does not take much to make him proud. When he talks about Liberal principles, the principle of equity, I believe it is already evident by the reaction of Canadians that the only equity which will be shared as a result of this budget is misery. That is exactly what this budget will cause from one end of the country to the other.

I recently had a conversation with my colleague, the hon. member for Calgary North (Mr. Wright) who told me that a contractor in his riding laid off 40 people this morning as a direct result of this budget. Although the minister talks about projects waiting to start, this was a project already in operation which has been forced to cease operation because of the provisions of this budget. The minister constantly talks about "marching orders". The only marching order issued by this government as a result of the budget is a marching order to go backward economically.

When we talk about an inflationary budget, the government should realize its own responsibility toward some of the things the minister so piously espoused tonight when he suggested that every Canadian must do his part to fight inflation.