

Income Tax Act

million to establish a land-bank fund, saying he had to wait until a real estate conference was held in March before he could make any plans or a decision. Why do we have to wait for advice from real estate interests before getting on with the business of doing what is obviously essential, establishing a land bank or, preferably, a system of leasing public lands in order to provide affordable housing for Canadians?

I should like to present the NDP position on the taxation on capital gains, which we believe must be part of a housing strategy and part of a national economic program in the housing sector. In a research paper put out for our party, the section dealing with taxation of capital gains states that at present capital gains are taxed at only half the rate of other income, which is counter to the principle of tax equity—particularly since only the upper income groups are able to reduce their taxes payable in this way. The paper further states that Canada ranks lowest among OECD countries in its effective rate of tax on wealth.

In addition, of the capital gains reported to government in 1978, 52.8 per cent of the \$2.3 billion capital gains reported by individuals was derived from profitable deals in real estate; 67.6 per cent of the \$1.6 billion in capital gains reported by corporations was also derived from real estate.

We can see what a vastly important area the capital gains tax covers when it is related to the housing sector. The research paper continues by saying that since principal residences are exempt in any case, and since this system has made the few who can afford to be real estate speculators rich, while beggaring the rest of the citizens, who have increasingly had the doors to home ownership slammed in their faces, the government should change the capital gains tax to include all income derived from the sale of real estate. Of course, we believe very strongly that principal residences must be exempt from this kind of tax.

• (2150)

Mr. Chairman, "no" is not good enough for the people of Canada. It is certainly not good enough for this party. We want an explanation as to why the minister refuses to increase the capital gains tax. We want to know what alternatives, if any, he proposes in order to do something about this immoral speculation, which is putting the cost of housing beyond the reach of all young people today.

There is another taxation policy about which I have spoken many times in the House and which we strongly oppose as part of Bill C-54. I am referring to clause 20(13) of the regulations concerning MURBs and capital cost allowance. We all recognize there is a great need in most Canadian cities for more rental accommodation. No one would deny this. Affordable rental accommodation is especially needed for families, pensioners and other average and low-income people who cannot get into home ownership. They will never be able to be home owners. Statistics show that well over 50 per cent of Canadians will have no choice but to remain tenants for all of their lives. We have to have a realistic solution to the whole problem of affordable housing for tenants. People need housing at 25 per

cent of their incomes, not at the 60 per cent level of their incomes, which is what many senior citizens and those on fixed incomes are paying today.

People need decent rental accommodation, not the kind of accommodation which many single people have, not the kind of accommodation people on low incomes in inner cities have, nor the dumpy hotels or rooming houses which are fire traps and infested with cockroaches. This kind of accommodation is a disgrace in a country like Canada. We should not put funds into tax write-offs, as proposed under the MURB system included in the minister's budget this year. We want the building of affordable rental accommodation. This can only be done through the kinds of non-profit programs which are essential and which should be supported by the federal government, by municipalities and provinces as well.

Instead, the federal government introduced MURBs, a direct response to real estate interests, developers and investors who want to make a quick buck out of the housing crisis. I want to quote from an article by Michael Valpy on this question. I know his research is very good because we helped him out ourselves. He said:

At any rate, we got MURBs. MURBs are multiple-unit residential buildings (apartment buildings, in short) which wealthy people put up money to build.

Here is a simple definition of how they work: Wealthy people put up money to build MURBs because of a tax provision that allows them to write off a percentage of the total costs of the building—not just the amount of money they invest in it—against their income.

That is the total cost of the building. The article continues:

Thus a wealthy doctor or lawyer making \$100,000 a year decides to build a \$500,000 MURB. He invests a bit of his own and borrows the rest. Under the MURB provisions, he can write off four per cent of the total cost—or \$25,000—each year against his income. Meaning he will only pay income tax on 75 per cent of what he earns.

At the same time, the building appreciates in value, particularly if it is a high-rent, or luxury, building (which most MURBs are).

They are not affordable housing for the average or low-income people. Mr. Valpy's article continues:

Then after a few years, the wealthy doctor or lawyer sells the MURB at a substantial profit (which a lot of them do), having made a good deal on both their investments and their tax shelters.

In his budget speech, Mr. MacEachen called MURBs 'an important new initiative' as an 'incentive for the construction' of rental housing.

I wonder how he feels about it today.

Mr. Knowles: His face is red.

Mrs. Mitchell: Mr. Valpy goes on to say:

In fact, it is hard to find evidence that MURBs have done anything more than benefit the well-to-do—those who build them and those who live in them. Few MURBs have been built for family housing or low-income housing. Family housing was demolished in Vancouver's Grandview district to make way for single and couple-occupancy apartments, many of them MURB-financed.

Canada's foremost housing economist, Frank Clayton of Toronto, believes that the budget's MURB provision will do little to alleviate the shortage. The disincentives of high interest rates and rent controls will probably counteract the MURB dangled carrot.

In fact, they have. I understand very few investors are taking advantage of this program because the interest rates are so high. Mr. Valpy goes on to say: