

Income Tax

are not only trying to catch the speculator; we are trying to force development land on to the market.

Mr. Lambert (Edmonton West): If it is a question of forcing development land on to the market or forcing a speculator on to the land market, I think the minister is just whistling Dixie. At the end of the road, when the land is sold, at a higher value because it is being developed, all these costs that pile up during the years are added to the inventory costs. So what is the difference? A higher price is obtained in the end. There may be a capital gain. The inventory cost is a deduction as far as computation of capital gain for income tax purposes is concerned. What you have is a big exercise, a lot of show, a lot of people easily satisfied; yet the figure below the line is still the same.

● (2140)

Mr. Gilbert: Madam Chairman, I must commend the Minister of Finance on this clause. I am sure he has had the experience of many of us in respect of what is happening concerning land speculation in this country. The evidence is quite clear from Central Mortgage and Housing Corporation—not from private corporations or studies—that land around the main cities across the country, such as Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver, is controlled by about five or six large land-holding companies. This is the evidence of CMHC, as I am sure the Minister of State for Urban Affairs agrees. He is familiar with that situation and has attempted to obtain the release of some of that land so the price will drop and it will become available for building purposes.

I recall hearing the hon. member for York Centre and others make a tearful plea to the minister on second reading, suggesting that these expenses should be allowed. These land speculators across the country have milked the public of a tremendous amount of money because of the price of land, and they have been able to take advantage of these provisions in respect of deducting these costs, with the result that they have paid little or nothing in the form of taxes. When I look at the profit and loss sheets of companies like Cadillac in Toronto, I am saddened, particularly when I note that these companies have made millions of dollars and have not paid a penny in tax.

I must give the minister credit for this clause, and I would like to see the Minister of State for Urban Affairs rise in his seat and support the minister in this regard. Perhaps he could outline what the impact would be if much of this land was released across the country. That minister is concerned with the situation. He realizes that his reputation is at stake. He is aware of the 17 per cent drop in housing starts in 1974, and he has suggested that the target for 1975 is 210,000 housing starts. I am sure he must feel that this will be difficult to achieve. This is one step the minister has taken to alleviate the situation. I suggest it is a necessary step and I would like the minister to explain to the House the impact of this legislation.

Mr. Rodriguez: Before I give the minister any credit I should like him to clarify one point. I listened to his explanation about this clause and what it was supposed to do, and then I listened to the hon. member for Edmonton West. I am wondering if what the minister is accomplish-

[Mr. Turner (Ottawa-Carleton).]

ing by this clause is postponing these write-offs until the land comes on the market rather than letting the holders of the land write off the costs each year. Is the minister not allowing them to accumulate the write-offs so that when the land does come on the market they will be able to write off those accumulated costs? I should like the minister to tell us if that is in fact what is happening. Can these people write off the accumulated costs when the land is sold?

Mr. Turner (Ottawa-Carleton): They recover the costs when they sell the land, but because of the pressure of the non-deductibility during the time they hold the land they are more likely to sell it. This is a legitimate cost of doing business, and I refer to carrying charges; but these are not deductible for income tax purposes until the land is put on the market.

Mr. Rodriguez: I should like to ask the minister whether, if this land appreciates, when it is sold the owner can write off all the costs.

Mr. Turner (Ottawa-Carleton): It may or it may not, but since the cost of carrying it in interest and taxes is not deductible, the pressure is on the developers to put the land on the market.

Mr. Stevens: Madam Chairman, it is always very interesting to hear comments from the NDP. I think we have just had an illustration of how those people talk about something they know nothing about. The hard fact is that this clause is not going to catch the speculator, as the minister suggests. It is not going to catch those demons the NDP envisage. It is going to catch the relatively small homebuilder in this country who builds 90 per cent of the homes. Surely the Minister of Finance is not so naive as to accept from his advisers the suggestion that, because these taxes will now be charged against the carrying costs of the land, somehow the builders are suddenly going to sell the land. That is ridiculous rot. That is not going to happen.

Most developers do not carry their land because they want to; they carry it because of a lot of governmental red tape at all levels. Governments are not inclined to open up land for development, and to suggest that because a man is carrying 50 acres or 100 acres for future development—

An hon. Member: That's not the small homebuilder.

Mr. Stevens: All right, let us take the man who is holding ten acres.

An hon. Member: Make it one.

Mr. Stevens: Does the hon. member want to make a speech?

Mr. Stollery: Would the hon. member accept a question? I would like to hear the hon. member's comments about city parking land in Toronto, the holder of which is the largest landowner in the country. That land is all tied up in parking lots and the government has now used the provisions in the tax laws to stop this holder from writing off his expenses while he holds that land, during which time the land increases in value. I would like to hear the hon. member's comments on that.