

or pulp mills are concerned, there are other factors of which I believe Hon. Members are all too painfully aware, and that is the lack of market for some of these major industries. That as well has an impact on finance decisions, not just the method under which companies contemplating expansion can finance those expansions.

• (1700)

Miss Carney: Mr. Chairman, I again would ask the Minister to address very simply the question I put to him. We have 1.5 million unemployed in this country. We have every investment survey being done indicating that investment intentions have plunged. We have companies all over the country whose biggest problem is cash flow and who are not in a position to finance necessary expansion or renovations which are required in order to create new job opportunities. We have the last few budget measures which have brought in measures related to the CCAs which have made it less attractive to invest in new capital equipment. I ask him, given all of these adverse factors, given the economic climate today, and given the need to promote new building, new construction, new expansion and renovation and new productivity measures, I ask him a very simple question: does this measure which forces companies to capitalize soft costs create a greater burden on those private companies than the previous measure whereby they could be deducted and expensed out? Is this measure going to create an added financial burden on the very companies to which we are looking to create new job opportunities by new investment?

Mr. Cosgrove: Mr. Chairman, the officials have brought to my attention that there is a grammatical error in Subclause 11(4) which is specifically the one that we are dealing with. I would like to move the following amendment to correct it. It is:

That subclause 11(4) of Bill C-139 be amended by striking out line 10 on page 38 and substituting the following:

“or a cost incurred during that period”

As regards the question put by the Hon. Member, in isolation, in a narrow sense, one would be tempted to be simplistic and to answer it by a yes or no. But we know that we are looking at a Bill that has 139 Clauses and that has relieving sections. For example, it has a section that reduces the general tax rate for certain people under the tax schedule. For example, for people who have children, it offers a tax benefit by increasing the \$50 per child benefit.

There are many Clauses in this section, some of which would be more burdensome to some sectors in the economy and some which would lighten the financial problems faced by other sectors, and the Government has to balance those. If there is no balance the Government also has to take into account other programs that it has under other legislation such as programs under the Minister responsible for Regional Economic Expansion. There the Government is spending billions of dollars on grants toward, for example, some of the industries that the Hon. Member referred to, such as the pulp and paper industry.

Income Tax

The Government has to look at the question in terms of its total resources, what advantages it offers to these industries, what are the total advantages that it offers to the industry, and it has to weigh what is the impact of this section.

We are dealing with the Income Tax Act. We thought that logic and fairness indicated a rationale that is defensible. The rationale is that the interest costs, because they are in association with development or enhancement of a capital item, should be capitalized together with all of the costs for that enlargement.

Miss Carney: Mr. Chairman, I would like to address to the Minister something which he may have addressed in his amendment, but in the 1982 draft legislation it was proposed to deny a deduction for soft costs relating to construction, renovations or alteration of a building or to the ownership of land. This Bill proposes a different test and denies deductibility wherever a cost is incurred during the period of construction, renovation or alteration of a building, provided it relates thereto.

We do not understand what the reason for this change is. It may be that it is designed to permit minor repairs to a building to be continued to be fully deductible. It may be that the intent is to allow minor repairs to be fully deductible. Could the Minister explain the apparent discrepancy in the wording, or whether his proposed amendment clarifies that?

Mr. Cosgrove: Mr. Chairman, the officials advise me that it was an attempt to clarify rather than to change, that it related to costs in association with land only during the time of construction.

The Assistant Deputy Chairman: Order. Earlier in the debate the Minister moved an amendment. Is it the pleasure of the House to adopt the amendment?

Some Hon. Members: Agreed.

Amendment (Mr. Cosgrove) agreed to.

Mr. King: Mr. Chairman, I have seen my hon. friend for Mississauga North stand up and fulminate and fumigate and really say nothing. Then we get the Minister from Grand Falls-White Bay-Labrador standing up and criticizing the Opposition for failure to pass legislation that has not yet been presented to the House.

An Hon. Member: Fisher's speech was brilliant.

Mr. King: That is right. Fisher's speech was brilliant—which Fisher was that? Anyway, I missed the brilliant speech he made but I note that a great deal of time of the House has been occupied that could have been spent in valued debate, so I thought I should add something of value to make up for the time that has been spent by the Hon. Member for Mississauga North.

I want to talk a little bit about soft costs because I am confused by the whole matter of this tax Bill. We have heard much said in the House about the incomprehensibility of the tax Act. It seems to me that this Clause 11 dealing with soft costs adds a degree of confusion that we could well do without.