

adding the words "or the fair market value of any property".

It is necessary to include these words referring to the fair market value of any property paid or payable as well as amounts paid. It is merely technical, it does not interfere with the substance. In the light of those explanations I therefore move:

That clause 7 of Bill C-49 be amended

(a) by striking out line 31 on page 17 and substituting the following:

"property, or a property that would have been a Canadian resource property if it had been acquired after 1971, or"

and

(b) by striking out lines 18 and 19 on page 20 and substituting the following:

"(5) Subsection (1) is applicable to amounts paid or payable or the fair market value of any property paid or payable after May 6, 1974 in respect of"

The Assistant Deputy Chairman: Shall the amendment carry?

Some hon. Members: Carried.

Amendment (Mr. Turner (Ottawa-Carleton)) agreed to.

Mr. Lambert (Edmonton West): On a point of order, Madam Chairman, I note that the minister made one amendment to clause 6 but I wonder whether he made a second one to subparagraph (10) on page 16. I have one posted for that area.

Mr. Turner (Ottawa-Carleton): I think so.

Mr. Lambert (Edmonton West): Did you make it? I do not think so.

Mr. Turner (Ottawa-Carleton): Yes.

Mr. Lambert (Edmonton West): At line 21?

Mr. Turner (Ottawa-Carleton): Yes, we got that.

Mr. Lambert (Edmonton West): Have you made it?

Mr. Knowles (Winnipeg North Centre): It was carried.

Mr. Lambert (Edmonton West): It has not been moved.

Mr. Knowles (Winnipeg North Centre): That is in clause 6.

Mr. Lambert (Edmonton West): But it was not moved.

Mr. Knowles (Winnipeg North Centre): We are on clause 7, now.

Mr. Lambert (Edmonton West): I know.

The Assistant Deputy Chairman: Clause 6, as amended, was carried.

Mr. Lambert (Edmonton West): Madam Chairman, there was one amendment of which I am fully aware, that which applied to page 13, at line 46; it was a correction of the French. Then there was an almost completely new paragraph or subparagraph at line 21 on page 16. I was not aware that the minister had read that out or that it had been moved and accepted.

Income Tax

Mr. Turner (Ottawa-Carleton): Yes, it was. I did not give an explanation of it, though I am prepared to do so.

Mr. Lambert (Edmonton West): It does not matter about the explanation. I just wanted to make sure it had been dealt with.

The Assistant Deputy Chairman: Shall clause 7, as amended, stand?

Mr. Stevens: Madam Chairman, we have no objection to clause 7 being stood, especially since it relates to the royalty provisions, but before we do so would the minister give us an explanation concerning carrying costs for development land which are found in clause 7? Many of us on this side of the House believe this provision will result in serious damage to the housing industry. The intention may be good but it seems to have been put together in the minds of civil servants who are totally lacking in knowledge as to operations in the real estate field. They hope to bring on stream land for the development of homes, but I do not believe this would be the result. In fact, I believe it would hinder the development of land for housing by driving up the value of lots. Would the minister tell us why he is maintaining this arrangement with respect to the carrying cost of development land?

Mr. Turner (Ottawa-Carleton): Well, Madam Chairman, I gave a fairly full explanation on two successive budget nights. The hon. member is aware of the existence of a land speculation tax in Ontario. I do not know whether he wants to attribute that tax to bureaucrats in Queen's Park. In any event, this was a conscious political decision.

The thinking behind the amendment is that the incidence of such carrying costs will make land banking more expensive and encourage developers to bring land on to the market more quickly. The intention is to counteract speculation in land, to decrease the amount of land being held for speculative purposes, and thereby to increase the supply of land brought to the marketplace. This tax will now be added to the inventory cost of land and will only become deductible in the year the land is disposed of or at the time a building is constructed. In other words, costs are not allowed while the land is held for speculation or is not brought on to the marketplace. They will be allowed as a legitimate inventory expense when the land is developed or when a building is put up.

Mr. Stevens: Has the minister given consideration to making the wording of the clause clearer so that it is evident it applies to speculators and not to true land developers? Is he trying to ensure that he does not catch the bona fide home builder who, I am afraid is being caught at the present time, bearing in mind that home building in this country is a small business operation? About 90 per cent of home builders in this country are small businessmen and I suggest that the impact of this clause will drive many of them out of business.

Mr. Turner (Ottawa-Carleton): We have reviewed this very carefully in the light of a good many representations from those interested in the business of real estate. We find it extremely difficult to define a speculator or to separate him or her from land developers. Moreover, we