

Income Tax Act

● (1440)

If this type of philosophy were applied by the Department of Finance to business generally it would bring most businesses to a halt. Give the Minister of Finance encouragement and he may pull this kind of a trick on all business.

Mr. Saltsman: An excellent suggestion.

Mr. Stevens: Let us not get our eye off the ball. The net result will be higher prices for homes. There is no way of avoiding it. The minister knows it, and for him to suggest this is chargeable once the lot and the home are sold without revealing that the builder has to add the cost of carrying the \$2,000 per lot to the sales price, is not being fair in his presentation. Various developers have been mentioned. As I have already said, the ten largest developers in the country, those the hon. member for Broadview likes to refer to, are building collectively less than 10 per cent of the homes in the entire country.

An hon. Member: Nonsense.

Mr. Stevens: The hon. member says nonsense. He mentioned Cadillac. I should like him to tell us how many homes Cadillac built in the last fiscal year. The total number of homes built by Cadillac was 2,000—2,000 homes in 1973 out of a total of 268,000 built in the nation. I think he would be a little more responsible if he would start talking a few facts instead of conjuring up a lot of ridiculous rubbish for the record in *Hansard*.

The hon. member for Ontario who says he wishes there were some way to help a small businessman in this development phase. I say there are obvious ways in which he could be helped. For example, why cannot the Minister of Finance say that deductions may be made against income earned by a builder in the process of building homes? These are the people about whom we are talking. What would be wrong with an amendment to make it clear that, whatever his net earnings with regard to these homes, he could charge the carrying cost of the inventory on land against his revenue from the homes he is selling? This would certainly get around the Spadina member's comment last night when he was worrying about his friends with parking lots in downtown Toronto.

The fact is that ultimately a builder needs an inventory, and that inventory has to be backlogged for five years. Surely the carrying costs are properly chargeable expenses against the income the developer is making. Again, if we are anxious that undue profit should not accrue to big developers or companies, let us put a ceiling on it and say that carrying costs are chargeable up to a certain limit only, beyond which they are not deductible.

There are all kinds of ways in which the legislation could be improved if the cold-hearted minister had the will to help the consumer and home buyer in this country.

Mr. Guay (St. Boniface): Now you have spoiled it all!

Mr. Stevens: I believe the committee is disposed to stand clause 7. I should like to propose that the clause be stood and that, before we return to it, the minister should review the position to see whether amendment is possible to ensure that small builders will not be inadvertently

[Mr. Stevens.]

hurt by this provision. If it is designed to catch the speculator, if it is designed to put more land on to the market, let us not act exactly in reverse and simply complicate a problem which the Secretary of State for Urban Affairs is at a loss to deal with already. Let us stand the clause on the understanding that the minister will return to it with an amendment, which hopefully will meet our requests.

Mr. Saltsman: Mr. Chairman, I do not think this clause should be stood. I am quite prepared to support it because I think it will do some good. I do not see it as constituting a cataclysmic reform. Indeed to some extent I am in sympathy with the position taken by the hon. member for York-Simcoe. While he is being reactionary he is at least being logical. He points out that the entire income tax system is loaded with all sorts of devices whereby losses in one sector can be charged against profits in another.

Shopping centres, for example, have grown and expanded by exploiting taxation policy. They take their losers, the ones they hold on to, the inventory in other words, and write them off against their profitable operations. In this way they get a nice government subsidy for uneconomic expansion. This is what is being done throughout the economy.

Is the existence of such a system an argument for saying, as the hon. member suggests, that the particular proposal in the clause before us should be extended to apply to industry as a whole? Maybe it should. Maybe we should not allow these write-offs. I see the hon. member shaking his head. He is not prepared to be a red tory.

I do not know whether this provision will lower the price of land to the buyer of a home. I doubt very much that it will. I do not think anything we have done to date by way of taxation law has resulted in lowering the price of land to the final purchaser. But this legislation is at least meritorious in that, while we do not know whether the price to the consumer will be lower, it will not increase, and the government will get some revenue it can use to build public housing and correct some of the deficiencies in the housing market that exist today. That in itself is worth doing.

● (1450)

I listened with a great deal of care to the hon. members who talked about the small developer versus the large developer, and suggested we should act rather more kindly toward the small speculator as opposed to the big speculator. What is the difference? Surely a speculator is a speculator; the size does not much matter. The small speculator has just not had the opportunity to shove it into us as much as the big speculator, but he is on his way up, and this legislation is helping to give him a boost so that eventually he will be in the grand category of the big knife. He now is only the little guy and is only ripping us off by a little bit, and according to some he is entitled to some consideration. I would hate to have a lawyer come into court and defend me on that basis.

Mr. Turner (Ottawa-Carleton): Gilbert would.

Mr. Saltsman: No, the hon. member for Broadview is an excellent lawyer and his clients are all innocent. I really