

National Housing Act

tax on most building materials is 11 per cent. That does not mean that it adds 11 per cent to the cost of a house. The amount an individual pays for his home includes cost of land, legal fees and the cost of construction. A substantial part of the cost of construction is in the area of labour costs. But only the materials used in constructing the house bear sales tax on their price. The tax is imposed when the materials are sold by the manufacturer and not at the price the builder pays. Therefore, taking all these factors into consideration, it has been estimated that the present federal sales tax on building materials may add between 3 per cent and 4 per cent to the actual cost of construction.

As the Minister of Finance (Mr. Benson) has said on a previous occasion and as I said during a late show debate not long ago when speaking on his behalf, one must recognize the hard fact that if important tax reductions were made at the present time the public would either have to pay the same amount of tax in some other way or go without some service or benefit which it has come to expect from the government.

Estimates based on the value of production of building materials and related statistics lead to the conclusion that the sales tax on all building materials now yields over \$300 million a year. The revenue from materials used in the construction of housing of all kinds is more difficult to estimate but is believed to be in the area of between \$130 million and \$140 million. Therefore if the entire sales tax on building materials were to be repealed at this time, obviously some equivalent measure of taxation would have to be introduced to replace it.

An exemption on building materials used only in housing would, of course, involve lower amounts, but the sales tax not obtained thereby would still have to be obtained from other sources. Also, it would be very difficult to administer an exemption restricted to building materials used only for housing construction. As we know, Mr. Speaker, the tax is paid by the manufacturer of materials. He does not know whether the bricks, lumber or glass he produces will be used to build a house or factory. It certainly would not be an easy task to differentiate between residential and non-residential use.

No good answer has ever been given as to why the sales tax on construction material should be eliminated right across the board including, for example, the tax on materials

used in the construction of luxury office towers or luxury apartments. Speaking personally, therefore, I think it would be better to look at this matter in terms of rebates of sales tax to purchasers of low-priced homes, those selling below a certain price.

The other day, Mr. Speaker, the hon. member for Halifax-East Hants (Mr. McCleave) said that the proposed amendments to the income tax legislation contained in Bill C-191, which alter the method of taxing insurance companies, would have an adverse effect on the supply of mortgage funds in Canada. I believe the hon. member for Hamilton West (Mr. Alexander) who spoke a moment ago made the same comment. These hon. members suggested that since these changes increase the tax on insurance companies to some \$90 million and since half of the funds of these companies is invested in mortgages, the change would cause a decrease of \$45 million in mortgage funds.

While the new tax could have some effect on the amount of funds invested by insurance companies in mortgages, it should be noted that the managements of these companies are not willing to say yet exactly to what extent they will react to the proposed changes. I therefore find it difficult to see how the hon. members who have made statements to the effect that there will be a reduction in the availability of mortgage funds to the extent they have mentioned can make those statements so definitely at this time.

Indeed, Mr. Speaker, one could argue that the new tax revenue coming from this tax on insurance companies could help the government to make greater amounts of funds available to Central Mortgage and Housing Corporation for housing loans and subsidies than it might otherwise be able to do. Such action would certainly tend to offset any decrease in mortgage investments by life insurance companies. In any event, the amount of \$45 million is not that much when compared with the total new investment in mortgage loans, which in 1968 amounted to some \$2.7 billion. Also, while the possible effect on the supply of mortgage funds is important it should be remembered that the main purpose of these tax changes is to bring the taxation of the insurance industry into line with the taxation of other investment institutions and thereby improve the equity of our tax system.

I believe the hon. member for Broadview (Mr. Gilbert) made some suggestions about passing legislation to compel financial intermediaries or financial institutions to put a certain proportion of their investments into