

*Excise Tax Act*

increases the Government's take will increase also. The Government benefits from inflation because it has now partially deindexed the income tax.

One wonders, if it is in the Government's vested interest to have a certain amount of inflation, then how committed is it to reducing inflation to zero? In the last little while members of the New Democratic Party have been asking for a lower interest rate. The Minister of Finance (Mr. Wilson) defends a high interest rate because he figures this is the way to fight inflation, that inflation at around 4 per cent is still too high and therefore we have to maintain this high interest rate.

Yet when we look at Bill C-117 we begin to recognize why we have the high inflation that we do have. It is not because of market forces. It is because of the forces of the Government. It has increased the taxes on manufactured goods which has resulted in increased prices right across the board. So it does not matter how high the interest rate is, it is the taxation policies of the Government that are maintaining an inflation rate of 4 per cent.

When we hear the Minister of Finance tell us that we need a high interest rate in order to combat inflation I suggest to the Canadian people that if we are to combat inflation we should turf this troupe out. If we did not have a Conservative Government, inflation would be down around 2 per cent. I would venture to estimate that 50 per cent of the reason that we have the inflation rate that we do have is the tax measures of the Government.

Let us take a look at some of these tax measures. The Bill which we are debating today will justify a 10 per cent increase on telecommunication services such as telephone and telex services, not including the charges for local residential lines. How much will this take out of the economy? It will take some \$870 million per year, by the Government's own figures. Now our telephone costs are higher, which increases the costs of doing business. This increased cost will be shifted on to the consumer. It is no wonder that we have this inflation rate when the Government is taxing anything that sits, moves and jumps.

The sales tax rate on paint and wallpaper products is increased from 8 per cent to 12 per cent effective January 1, 1988. That will take an extra \$60 million annually. In other words it will cost a little more to renovate one's home, put on some new wallpaper or to paint, whether it is a renovation or new construction. Again, we see the cost of homes and home fixtures being increased because of the measures of the Government.

Bill C-117 increases the federal sales tax rate on beer and spirits, wine and tobacco products from 15 per cent to 18 per cent. There is an increase in specific excise tax on the excise duty rates for tobacco products by 4 per cent.

There is an increase in the air transportation tax levied by \$4 per ticket to recover a greater proportion of the air transport program costs. There is an increase in the excise tax on gasoline and aviation gasoline by one cent per litre. As my

colleague and the spokesperson from the Liberal Party pointed out, since the election of the Government the federal take on gasoline has increased by some 23 cents per litre. My gosh, if Canadians wanted to have cheaper gasoline prices they should turf this group out. That inflationary cost is something that gets passed on to the consumer as well.

The Bill also introduces several technical amendments to the Excise Tax Act and the Excise Act. These include a shift of the taxes on motor fuels to the manufacturing level to address administration and compliance problems. Again, this is something that the finance committee has been concerned with. We did issue a report on it. I am happy to see that there is some sensitivity by the Government on this matter. Whether or not it deals with the problems of the small wholesalers of gasoline or not I am not quite certain. I think that the measures of the February 1987 Budget created unfairness in the system. That unfairness still prevails.

Part of the problem with our present excise tax and our sales tax is that they create distortions in the economy. As well as being unfair to low-income Canadians and to consumers they also create distortions in our economy. I will be addressing these distortions a little later in my remarks.

● (1210)

The Bill also shifts the sales tax to the wholesale level for snack foods, pet food and pet litter, candy and confectionery goods, and certain electronic equipment. This comes out of the February 1987 Budget. The tax on most of those products will be shifted back to the manufacturing level when the marketing and distribution cost measures announced in the February 1988 Budget come into effect on November 1 of this year.

The Bill clarifies the refund provisions applicable to certified public institutions. It amends the fair price provisions to apply tax on fair market values when non-arm's length sales are made, or where it is difficult to determine the sale price. There is a revision to certain compliance provisions in the Excise Act to reflect reduced on-site surveillance by excise officers in relation to the production of alcohol and tobacco products. Those are mainly housekeeping type measures.

One of the relieving measures in this Bill, and there are a few, is an increase in the existing fuel tax rebate available to primary producers for the excise tax on gasoline by one cent a litre to compensate for the increase announced in the February 1988 Budget. Thank heavens for that. The farmers in my district who are already having difficulty enough in surviving with the low grain prices and high input costs, will not be asked to pay an extra cent a litre for the gasoline that they must use to put the crop in the ground.

Another relieving measure is an increase in the tax threshold for periodic and seasonal filers in order to reduce the paper burden for small businesses. I am happy to see this provision. A small business person or restaurateur had to fill out those forms for, at times, very insignificant amounts, but it did take time. Operating a restaurant is not an easy matter, particularly