

*Excise Tax Act*

sales tax. Starting January 1st, 1990, there will be an 11 per cent tax on communication services. Finally, the rate will be 13.5 per cent on every other product already subject to the federal sales tax!

It is interesting to note the Liberal Finance critic stated the federal sales tax was regressive. The federal sales tax as we know it is 65 this year. And I believe, Mr. Speaker, the time definitely has come to retire it. This is why we came up with a new tax, a new way of taxing, that will be introduced on January 1, 1991. But in the meantime we had to increase the existing tax. But the reason why this sales tax is not regressive is that we are the first Government to innovate, as you will recall, before 1984 the previous Liberal Government used to increase the federal sales tax, period! We have introduced and this is why I refer to our being innovative a refundable federal income tax credit on sales tax. In the case of adults in 1989 it increases from \$70 to \$100, and for children, from \$35 to \$50. In 1990, the credit for adults increases from \$100 to \$140, and for children, from \$50 to \$70. This means that in 1990, a family with two adults and two children with an income of \$18,000 or less will receive \$420 to make up for the increase in the federal sales tax.

When I hear a self-appointed finance expert suggest that tax is regressive, Mr. Speaker, I believe he is on the wrong track. Statistics reveal that with an amount of \$420 the two-adult family with two children will not be affected at all by this tax increase. I referred to the \$18,000 threshold, Mr. Speaker, because you know that this year it is set at \$16,000. It will rise to \$18,000 next year.

I heard the Hon. Member say that the federal sales tax costs more in remote regions such as that of my colleague from Newfoundland and others. Well, Mr. Speaker, that is precisely one of the reasons why our system has to be overhauled. The tax now applies at the manufacturer level. Nobody knows about it, it is hidden. Just ask your constituents who knows there is a 12 or 13.5 per cent manufacturer tax on practically all consumer goods.

In addition a number of provinces levy a sales tax on top of the federal sales tax. In other words the Canadian consumer, say in Québec, now pays close to 23 or 24 per

cent in provincial and federal sales taxes. That is sheer lunacy! What we want is to levy a 9 per cent retailer sales tax on goods, products and services. This way the Canadian consumer will see for himself how much the tax costs because it will no longer be hidden. Since the tax will apply to all goods and services it will be the same everywhere, easy to collect and more equitable as well.

I repeat that we will not hit low income families because the refundable tax credit we have devised will be maintained and even paid in advance. To put it another way, when the new tax becomes effective on January 1, 1991 families will already have received their first advance cheques. That, Mr. Speaker, is what I call fairness, justice and innovation, something both Opposition Parties have not even thought of!

Mr. Speaker, in speeches on the Budget after it is presented or on any bill having to do with taxation, unfortunately, we never hear positive suggestions from the Liberals or New Democrats. What did they suggest to improve the tax system, as we are prepared to do, to lower the deficit while at the same time ensuring that the Canadian economy will continue to operate well as it has done? You know that nearly one and a half million jobs were created in the past four years. But why were the jobs created? They were created because there was a government that managed the economy in such a way that jobs were created.

Mr. Speaker, eleven years ago, in 1978, I was studying for my master's in taxation at the University of Sherbrooke and the professor, a brilliant tax expert, especially on the federal sales tax, Normand Guérin by name, said in 1978: "The present federal sales tax system is archaic and no longer meets the needs of the country, much less of manufacturers, business people and the general public".

• (1250)

He said: It is unfortunate that the government in power is afraid to make changes because it is very complicated and it is not necessarily easy to tell people, "There is a hidden 12 per cent tax. We will abolish it and replace it with a 9 per cent tax that you will see". Certainly, the people must understand that there is now a 12 per cent tax, which will be replaced by a 9 per cent tax!