

products, which include heat pumps, solar panels and thermal insulation, are to be taxed. All of these items are obviously important in reducing our dependency on non-renewable energy. The government, the Department of Finance and the minister have succumbed to the temptation to arrest the process of seeking alternative sources of energy, it would seem, by imposing a tax of 7 to 11 per cent on heat pumps, wood-burning stoves, solar and wind collectors and insulation materials. The minister decided, in his wisdom, that all conservation and alternative energy products should be fully taxed. Well, I question the wisdom of that decision at this time. One of the witnesses before the House of Commons committee said:

By imposing the tax, the government has ensured . . . there will be no revenue to tax. The tax has inhibited growth before it has begun . . .

He was referring to the new field of wind collectors. I draw this to the attention of this chamber because I think that it is a backward step that is not in the best interests of Canada.

I think that some pride was expressed in the idea that prefabricated construction goods are now to be taxed at their sale prices in order to put them on the same footing as all construction products. Perhaps that is fair—certainly the minister thinks it is fair—but the construction industry says that it is not fair. Let me inform honourable senators why the industry does not regard it as a fair tax. There are many contractors who had engaged in fixed-price contracts prior to the introduction and enforcement of the bill. These contracts often include prefabricated products which contractors assumed would not be subject to the 6 per cent sales tax in May 1985 and in January 1986. No notice was given to these people. No provision was made to allow them to apply for an exemption. The contractors now absorb these sales taxes with no recourse. They claim that it is not fair. On the face of it, it certainly does not appear to be a fair treatment of their situation.

The bill also raised the price of gasoline and diesel fuel by two cents per litre on September 3, 1985. One asks again whether revisiting the matter of tax on oil and gasoline was a wise move by the Minister of Finance. We have had in the past a defeat of a government on an increase in tax on gasoline, and one might have expected that the present Minister of Finance would be reluctant to revisit the scene of such a disaster.

Senator Flynn: Ours or yours?

Senator MacEachen: There is another provision which is worth mentioning, honourable senators, and that deals with the *ad valorem* tax on petroleum products and its replacement with a specific tax. This means that as of June 1, 1985, leaded gas is to be taxed at 32 cents per litre, while unleaded gas is to be taxed at 35 cents per litre. It is worth noting, honourable senators, that because of this proposal, we will now pay more tax on unleaded fuels than on leaded fuels at a time when we are fighting to keep our atmosphere clean, and when so much emphasis is being placed on a clean environment.

● (1540)

I turn now to another aspect of the bill. I believe this is the aspect of the bill which agitated Senator Leblanc (Saurel), the chairman of the committee, who considered proposing an amendment, or at least seeking some amelioration of this provision of the bill. In his introductory comments, Senator Simard spoke of how the bill gives taxpayers considerably more rights to appeal sales and excise tax assessments than ever before. That is true, and it is certainly a fair proposal. But he did not mention the injustice to taxpayers contained in the assessment and refund provisions of the bill. Because of the bill, the Excise Branch of Revenue Canada now has the power to audit and assess for a four-year period, while the taxpayer will be entitled only to refunds for the most recent two-year period. That inequity can be illustrated very easily. A taxpayer who made a mistake and underpaid taxes for a transaction that occurred four years earlier will be assessed and will be charged interest and penalty computed from the day the tax became payable. On the other hand, if the taxpayer made a mistake and overpaid tax for a transaction that occurred four years earlier, he cannot claim a refund in respect of the amount overpaid.

It may appear that all taxpayers are treated equally if inequitably by this amendment; but it seems to me that in addition to the inequity generally, there is unequal treatment. It is obvious that small businesses will find this particular amendment more difficult to deal with than will large businesses, because the mismatching of assessment and refund periods will be more onerous for small businesses than for large businesses.

So, honourable senators, there are certain aspects of the bill that are not pleasing, and I hope that when the committee meets tomorrow it will have an opportunity to take another look and to at least make some recommendations to overcome some of these generally recognized defects in the bill.

My third point has to do with a general proposition that was made by Senator Simard in his statement. I believe he was correct in reminding us that this bill was a key part of the budget of May 1985 and that it was introduced for the purpose of raising substantial revenues for the government in order to reduce the deficit.

As one is approaching a new budget in a very short time, one casts one's mind back to the period before the last budget and to the attitude of the government at that time. It was the prevailing rhetoric from the present Minister of Finance and his associates when in opposition that the important requirement of the country was to restore confidence in its investment opportunities. Indeed, the present Minister of Finance, when there was pressure on the Canadian dollar, constantly related it directly to lack of confidence. He said that if there were confidence in the economic management of the country, investors would be more apt to put their money in Canada, which would have an immediate effect of increasing the value of the Canadian dollar. As we know, not only was that theme put forward very strongly, but it was also clear from the budget itself and the budget papers that deficit reduction was to be, if