

*Excise Tax Act*

One of the major criticisms made by people such as economists and taxpayers, who are knowledgeable in the field, is that cutting back on the real income of Canadians will limit the opportunity to improve the economy and therefore bring in higher revenues. Arthur Donner, a business consultant and economist, said in a recent article comparing what is happening in Canada with the Government's proposals and what has happened in the United States:

The Canadian budget, on the contrary, accepts the fiscal restraint goal which Reagan preaches, but does not practice.

Although President Reagan has talked about cutting the deficit, the fact is that in the eight years he will have served as President of the United States the deficit will be double what it was in the 200 years before he took office. When President Reagan took office, the deficit was \$1 trillion. It will be \$2 trillion when he retires. This is what Arthur Donner said about the Government's proposals:

—the extensive consumer tax hikes and the program expenditure reductions will do little to improve economic growth in Canada. If anything, the budget will probably slightly retard economic growth.

While the Government is proud that there has been a 3.5 per cent increase in the GNP and that unemployment has gone down slightly, it ignores the fact that the number of people working full time has decreased and the increase in employment is due to people who are working part time, most of whom earn relatively low wages.

If the disposable income of Canadian citizens is reduced they simply will not have the money to purchase the goods and services they require. Yet, the Budget proposals and this Bill which will increase a whole series of excise taxes will reduce the purchasing power of Canadians, particularly low and middle income Canadians who save very little of their income. Many middle and low income Canadians spend most of their disposable income.

● (1630)

This Budget and this excise tax proposal, as part of the over-all budgetary proposal, is to make big savings and to give more income to people in higher income brackets, precisely those who do not spend all their disposable income.

It is our belief that if we want to get the economy moving better than it has moved, you have to increase people's disposable incomes. For 10 years, former Liberal Governments and the present Tory Government have followed austerity policies believing that was necessary in order to keep the deficit down as low as possible. It is our belief the Government deficit is not the problem, that attempts to cut the deficit will worsen unemployment and will increase the deficit.

It is obvious now that the business community, which believed the Government would make massive reductions in the deficit, is realizing that even this Government cannot make those massive reductions in the deficit, and the business community is becoming increasingly dissatisfied with the Government for that reason. I do not have the time to quote, Mr. Speaker, but any number of representatives of the Canadian Manufacturers Association and Chambers of Commerce have

called on the Government to reduce the deficit by \$5 billion, \$6 billion or \$7 billion rather than by the smaller amount which has been done.

We believe if we want to deal with the deficit that it is time to look at the whole tax system. We say that tax reform is long overdue. The tax burden on the poor and middle-income earners should be reduced both on the grounds of savings and on the grounds, as I have indicated, of stimulating economic demand. We say that social policy expenditures produce jobs and, therefore, should be recognized for their positive contribution to economic activity. We say the attempted reduction, which this Government is making, will only result in a serious erosion of this country's social fabric and in an increase in unemployment insurance and welfare costs.

Let me give some facts and figures to show the fundamental differences between the thinking of Members of the New Democratic Party and Members of the Government. Having seen how radically we differ on tackling this fundamental budget problem of creating employment, I want to outline where the Budget stimulus did go. It went to the friends of the Government in the business community.

Let me summarize how this was done in the Budget and what happened to those who do not have links to the corporate sector. The big winners in 1986-87 will be the corporations with a tax decrease of \$540 million. The wealthy, people with incomes over \$50,000 a year, will get a tax decrease of \$600 million through the capital gains exemption of \$500,000. Oil companies will save \$920 million through the phase-out of the Petroleum and Gas Revenue Tax. High-income earners, who can afford to invest in programs such as RRSPs, will gain \$1,000 in tax breaks in 1986.

Who are the losers, Mr. Speaker? Individuals who will see tax increases of over \$1 billion. Families earning under \$40,000 a year will have tax increases of \$490 million through changes in the federal income tax system, increasing the amount they will have to pay. Because of the increase in the excise tax on gasoline and oil all users of transportation will see increases of \$930 million. This is happening at the same time that we see a continuing and we say a completely unfair decline in corporate taxes, taxes which should be helping to pay for the services Canadians receive.

I remind Members of the news we got a couple of weeks ago that in the purchase of Gulf Canada by Olympia & York, avoidance of close to \$1 billion in corporate taxes was made possible. According to information which we now have, that is just one illustration of many cases which have and can occur because of defects in the corporate tax structure.

What we have seen in the last 30 or more years is a dramatic shift in the way in which taxes are collected. In 1950 the balance of income taxes paid to the federal Government was roughly equal between individual and corporate taxes. By 1960, the balance was 58 per cent paid by individuals and only 42 per cent by corporations. By 1970 the balance was 64 per cent paid by individuals and 36 per cent paid by corporations. By 1980 the balance was even greater, 70 per cent of taxes came from individuals and 30 per cent from corporations.