

from the minister as to the government's intention than appears in the explanatory note.

Mr. McCANN: When the United States revised its transportation tax considerable representation was made by the transportation companies that, unless Canada did likewise, the travel agencies and the transportation companies would probably lose considerable revenues, because people who wanted to make transatlantic, transpacific or South American journeys would probably purchase their tickets in the United States in order to avoid the Canadian tax.

The intention of this section is to exempt journeys to Europe, Asia, South America, and Australasia, from the last point in Canada or the United States where the vessel or aircraft stops to discharge or take on passengers, but intervening transportation would be taxable. That is, if a person bought an air line ticket from Winnipeg to Prestwick, Scotland, and the point in Canada from which the aircraft took off for direct overseas flight was Dorval, then the portion of the ticket from Winnipeg to Dorval would be taxable. Similarly, if a passenger travelled by rail and vessel from Winnipeg to Liverpool, embarking at Halifax, the rail journey from Winnipeg to Halifax would be taxable.

Provision has also been made to empower the governor in council to reduce or remove the tax if it is found necessary so to do because of similar action taken by the United States. It may perhaps be explained that transportation companies, travel agencies and the like, find that a difference in the tax rate causes considerable fluctuation in the purchase of tickets in Canada and United States if the rates of tax are not parallel. This is to enable us to bring the tax rates into conformity with each other.

Mr. FLEMING: If this section is adopted will it be applied in such a way that, if changes are made in the United States tax, the Canadian excise tax will be changed in parallel fashion?

Mr. McCANN: This is to give the government power to meet conditions which might arise when the house is not sitting if there were a revision in the United States rate. This gives us power to revise our rate.

Mr. FLEMING: That does not answer my question. If the section passes may we take it from the statement made by the minister that, if changes are made in the United States tax, parallel changes will be made in the Canadian tax?

Mr. McCANN: We would not necessarily obligate ourselves to do that. It would be taken into consideration, and the government would have the power to do it.

Section agreed to.

Sections 5 to 11 inclusive agreed to.

On section 12—When taxes payable.

Mr. PROBE: My remarks will apply to both sections 12 and 14. Under section 12, the excise tax on certain commodities, wines I believe, are paid at the time of sale by the Canadian manufacturer. The effect of section 14 is identical because it refers to the collection of a consumption or sales tax of eight per cent on the sale price of all goods. Generally speaking, I think both excise and sales taxes are collected from the manufacturer on the invoice which he presents to the jobber or to the retailer. The effect on the consumer of this form of taxation is that there is a pyramiding of costs on the sales and excise tax portion, thus affecting the final cost of the commodity. With an eight per cent sales tax, I am quite certain that the ultimate consumer pays twelve to fourteen per cent on an article on which the government realizes only eight per cent. Since this is a consumer's tax, it enters into and is an important feature in the cost of living. Why is it that the Department of National Revenue or the Minister of Finance could not consider collecting both excise and sales tax at the last point of sale—that is, in the hands of the retailer—instead of in the hands of the manufacturer, and making it eight per cent at that stage, if he must—although I oppose that rate—or whatever rate the government decides is adequate! Then it would seem to me that at the same time it might be desirable to use a system of stamps placed on the goods to show that the taxes have been paid, as in the case with playing cards, matches and the like. The present form of taxation gives the government a good deal less revenue than is actually paid as tax by the consumer. It differs in that respect from the income tax where the amount paid by the income taxpayer is net to the taxpayer and the cost of collection is a cost borne by the government. But in the case of excise and sales taxes, the cost of collections is an expense added to the tax and borne by the consumer. Has the government given some consideration to the practicability of what I am now suggesting? What administrative flaws are there in levying the tax in the way I suggest rather than at the manufacturer? I believe that it would result in more revenue to the govern-