

*Excise Tax*

its amendments to this particular bill the government is seeking to maximize revenues to the Crown in any way it can.

There was no indication by the Minister of Finance (Mr. MacEachen) at the time of the budget that it was his intention to shift the incidence of the excise tax away from the manufacturers' level to the wholesalers' level, but we see exactly that in the item we are discussing at the present time dealing with cosmetics. A distributor of cosmetics who does not manufacture those cosmetics and who does not sell them to retailers but to beauty parlours and other establishments which actually use them as materials in their business are to charge excise tax on such articles which they import. This is clearly a wholesale distributors' tax.

Why was it imposed? It may be that having heard the representations from the organizations most seriously affected the government may change its mind. I do not know since I have not looked at all of the government's amendments. It is remarkable that if there are to be changes here it must be that beauty was able to get to the beast. This is a rather strange circumstance and since there is not a great deal of tax involved it is a particular point on which the government can yield at no great cost to itself to give the appearance of being reasonable.

**Mr. Fox:** Not only appearance.

**Mr. Lambert:** As the Minister of Communications (Mr. Fox) has said, it is all a question of appearance.

**Mr. Fox:** No, not only appearance but a reality of reasonableness.

**Mr. Lambert:** Certainly being cosmetic it is a matter of appearance.

In any event, I gather from the chairman of the committee, who was nodding his head sagely when I was referring to the change, that there has not been an elimination but a modifying change. However, there is an area called "marginal manufacturing", which is an area about which I expect to hear a great many remarks from members in this House because, frankly, it is a value added tax when it is imposed at the level of the marginal manufacturer. Goods are imported and packaged, and whatever the added value of the packaged goods may be, then it is taxed. It is clearly a value added tax, something which was referred to in the Porter commission report. There have been indications by the government that it was studying the question of the federal excise tax internally as it applied to goods manufactured or imported into Canada. There have been odd references to it, but there has been nothing concrete and no firm study or green paper that I can recall which was ever examined by a committee of this House.

The third point I wish to raise is the indexation of taxation on a quarterly basis. The government made an amendment to put it on a six-months basis and this afternoon the minister indicated that the government is considering a yearly indexation of the excise tax on alcohol and tobacco, alcohol being distilled spirits, beer and domestic wines. It will be based on the increase in the CPI in that subgroup.

If ever there was a devastating critique of precisely what this was imposing from the distributors' point of view, then the brief of the provincial liquor commissioners would be a complete answer to the nonsense proposed by the government. Any little thing which contributed to the increase, for example, in the price of wine, whether it be a fall in the value of the Canadian dollar resulting in imported wines costing a little more, or whether it is a strike by liquor commission employees who receive a wage settlement causing prices at the liquor commission to rise, if there are increased costs for heating buildings, if distillers in Scotland increase the price of their product or if there is just general inflation, it is all considered under the CPI of the particular subgroup and there is a quarterly—let us change it now to periodic—stop in the calculation of new tax, which is then added on. It is, in effect, compounding on an annual basis, according to the amendment proposed by the minister this afternoon. This is so, not only because of influences on the price within the subgroup, but influences from extraneous sources and the minister receives additional revenues without having to come back to the House. He gets an increase in taxes, not just like the ad valorem tax. Already the sales tax is on an ad valorem basis because it is 9 per cent of the manufacturers' cost. Now we are going to get an additional factor, compounded once a year, without the minister coming back to the House.

● (1600)

I think that this is a most pernicious proposal and one which this House should reject out of hand. It just means that Parliament is being asked again to yield its control over taxation. It is as if we had asked to let the Minister of Finance increase income tax, with the rate changed on an annual basis, with reference to the CPI. That would be outrageous; Parliament would be absolutely impotent to control taxation. Of course, there is this built-in interest on the part of the government to see inflation go up. All it is is a snowball in the spring rapidly rolling downhill, getting bigger and bigger. However, that is the principle involved in the indexation of excise tax on the alcohol subgroup.

I see the Ontario government has fallen for this, too. It is a bureaucratic move. It is beautiful. However, I cannot congratulate the provincial treasurer of Ontario for doing it, and I would oppose him to the end. I will not only suggest but I recommend to this House that we never accept that principle. It is far too easy. Ministers of finance and their bureaucrats think that this is apple pie because they do not have to face up to their legislatures for tax increases. That is the net result of the proposal put forward by the minister in his budget and which is included in Bill C-57. Whether it happens quarterly, half yearly or yearly, there is that compounding feature which creates a snowball and, of course, much more revenue for the Crown, benefiting entirely from inflation.

The government does not know how to cope with inflation, so it is saying that it will index taxes based upon inflation. If this House and this Parliament dares accept that principle in this particular case, in the subgroup of alcohol—oh, and do not the purists clasp that to their bosoms—