

Excise Tax

example, I recall that in the midsixties—I was not a member of the House at that time—the federal government removed the sales tax from prescription drugs. I think there had been an 11 per cent sales tax in operation. I recall noting at the time that the price of drugs did not decrease; instead, it continued to increase at its regular rate. So the cut did not benefit the consumers but served to increase the profits of the companies producing drugs.

The same is true, I fear, of many other actions taken by parliament in the hope of helping ordinary citizens. I cannot help thinking that the meagre increases in the old age pension which are made from time to time fail in their purpose because landlords take the opportunity to increase rents, and those who run nursing homes for the elderly raise their prices. This is a matter of real concern to me.

I hope the minister will tell us when we get to the clause by clause study in committee whether he believes the \$100 million being remitted will actually be passed on to the consumer. If it is not, it might have been wiser to use the \$100 million annually to provide increased family allowances. We could have put it into the Canada Assistance Plan, or perhaps even into old age pensions to help those in this country who really need additional purchasing power. If the minister can prove otherwise, I will be pleased, because I think in general sales taxes are regressive taxes and ultimately should be removed from all items which are consumer-oriented, as all people have to purchase things such as drugs, clothing and food. I think this is a very good measure if these tax benefits are actually passed on to the consumer.

● (1240)

As the hon. member for Edmonton West said, sales tax is a regressive tax because everyone must purchase clothing, food, shelter, fuel, and so on, in their daily lives. It does not matter how poor a family is; in the wintertime in Canada it must have fuel. It does not matter how rich or poor people may be; they need food and clothing. When you have a sales tax on these items you are taxing the people who are poor in a much harder and more direct way than you are taxing the middle-class and upper-income people.

I am pleased the minister has brought forth these changes in the Excise Act as this will eliminate sales tax on many items important to consumers. At the same time, I cannot help but re-emphasize the fact that the minister should be monitoring these tax cuts. He should get up in the House and say to what extent the consumer is benefiting from the \$100 million tax cut. He should inform us whether this is a benefit or just another corporate rip-off, a windfall to the companies that produce children's clothing and footwear and confectionery goods like chocolate bars and soft drinks. If that is the case, the minister should say to these companies they must pass on these benefits to the consumer. If they do not, she should then take much tougher action in taxing the companies or dictating to them what they must do in the future.

The purpose of this bill is to give the consumer, the ordinary person, a break. This legislation should result in the ordinary person getting an advantage from the tax cuts. I will not go over the tax cuts themselves as they are

[Mr. Nystrom.]

pretty general and deal with a number of areas involving food and clothing, etc. This measure is welcomed because the price of these items is increasing very rapidly.

There are a couple of minor points I wish to raise in terms of the necessity of reducing the tax. I see, for example, in clause 5 that the special 10 per cent excise tax on toiletries is to be repealed. Many toiletry items are used by all citizens and the tax on them should be repealed, but some of the items here are more in the luxury line and the tax perhaps should not be repealed. I am sure members like the hon. member for Témiscamingue (Mr. Caouette), the hon. member for Cochrane (Mr. Stewart) and others from the north would not be interested in the removal of tax on special perfumes and scents.

An hon. Member: Those are for our girlfriends.

Mr. Nystrom: I note that the special tax on deodorants, creams for preserving and restoring the skin, depilatories and various kinds of soap is being repealed. Perhaps these are for girlfriends, as the hon. member has suggested, and perhaps some of these items are necessary; but I am inclined to think some of them are luxury items. If that is the case, they are purchased by people who can afford to pay increased prices, and the excise tax would go to the consolidated revenue fund and could be used in giving citizens more purchasing power, particularly those in the lower income groups. There are toiletry items on which the sales tax should be removed, such as toothpaste, toiletries for babies and items of that sort, but I wonder about some of these other items.

I note that the maximum applied to clocks is \$50. I think that is good. This will cover most watches and clocks, people who want more expensive items can well afford to pay the excise tax. I am pleased to note the reference in this bill to the repayment or rebatement to municipalities of taxes on certain equipment such as incinerators and equipment to reduce pollution. This is something municipalities have been urging for a number of years and I welcome this part of the bill. I am also pleased that the tax will be removed from items produced or manufactured by those who are blind, deaf and dumb, mentally retarded, and so on. This provision will give them a break in the production of these goods and services.

I conclude by saying I hope this bill goes through very quickly. Basically it is good. There is only one thing I really want to insist upon, and that is that the minister satisfy the House and the country that the \$100 million to which he has referred, in terms of reduced taxes as a result of this measure, will be passed on to the consumers of this country. The minister must satisfy us that the \$70 million in relation to the removal of sales tax on soft drinks, confectioneries, and so on, will actually go to the consumer in the form of reduced prices for soft drinks, candy bars and other foods, and that the \$30 million in relation to the removal of sales tax on children's clothing and footwear will actually go to those who purchase these items.

Like the hon. member for Edmonton West, I think sales tax should be removed from all clothing, not just children's clothing because, as the hon. member suggested, there are children of various sizes and shapes. Many of us, like myself and the hon. member for Edmonton West,