

suppression of the 10 per cent sales tax on footwear and clothing has not necessarily been felt by the consumers. Perhaps today, at this stage, the minister might be able to explain how he can ensure that supervision—

**The Chairman:** Order. I am very sorry but I must remind the hon. member that until now the committee has not given the Chair specific instructions on whether or not it should allow a general debate on clause 1. Therefore, in conformity with the rules, I must restrict the debate to the subject of clause 1 which deals with air transports affected by the tax. We have not yet reached the clause the hon. member is referring to.

[English]

Shall clause 1 carry?

Clause 1 agreed to.

On clause 2—*Tax imposed.*

**Mr. Brisco:** Mr. Chairman, clause 2 of Bill C-40 states that there shall be imposed, levied and collected an air transportation tax. The minister may wish to comment on the 5 per cent tax on air tickets sold in Canada for flights originating and terminating in the United States. I am also concerned about something mentioned by the hon. member for Northwest Territories. I suggest that the tax should not be imposed on tickets for journeys which originate and terminate in the Northwest Territories or the Yukon. That might be the best way of resolving the difficulty of air travel in the Yukon and the Northwest Territories. I am talking about flights originating and terminating north of the sixtieth parallel.

I bring forward my suggestion because frequently aircraft are the only mode of transportation in the north. The proposed tax will impose a hardship on people residing north of the sixtieth parallel. For this reason I urge the minister to consider removing the 5 per cent tax from tickets for flights originating or terminating north of the sixtieth parallel. Residents of Kootenay West who live close to the United States border, and travel agents in my constituency approve the suggestion of the Minister of Transport—I hope the Minister of Finance agrees—that the tax should be removed from tickets for flights originating and terminating in the United States. Would the Minister of Finance comment on that suggestion?

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, the purpose of this clause is to limit the tax to a ceiling of 5 per cent ad valorem. In addition, a \$5 ceiling is also imposed. As I explained to the hon. member for Northwest Territories, that \$5 limit will be of particular benefit on longer flights. It applies to the more remote areas of the country, particularly the Yukon and the Northwest Territories.

● (1650)

On the other matter, when we get to clause 7 the hon. member will see that we have an amendment to paragraph 18(c) concerning the definition of “certified air carrier”. As I said earlier to the hon. member for Edmonton West, this provision will provide regulatory authority to exclude from tax many of the air transportation services provided in the north and other remote areas if such areas require the use of aircraft below a specific weight, such as 18,000 pounds. The exercise will deal with a number of situations

### Excise

including the one mentioned by the hon. member for Kootenay West; in other words, to avoid levying a Canadian tax on tickets purchased in Canada which are solely for air travel between two points in the United States, as currently provided for in the legislation. I can give the hon. member the undertaking that the legislation, if passed, will have that effect. I do that on behalf of the Minister of Transport. I will let him know I have made that undertaking.

Clause 2 agreed to.

Clauses 3 to 7, inclusive, agreed to.

On clause 8—*Tax on resale by licensed wholesaler operating duty-free sales outlet.*

**Mr. Lambert (Edmonton West):** Mr. Chairman, I wonder if the minister could give the committee a full explanation of the effect of the amendment under clause 8, particularly as it applies to resale by wholesalers who usually operate duty-free shops. This is the second portion of subsection (2.1).

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, these amendments, beginning with 8(2), together with the amendments proposed in clauses 9, 10, 11(2), 16, 17 and 22 which are all interrelated, would authorize the Minister of National Revenue, who administers this statute, to licence as licensed wholesalers persons proposing to operate duty-free shops. As licensed wholesalers, such persons would be entitled to purchase and import goods for resale throughout their shops free of the taxes imposed by subsection 21(1) and sections 23, 24, 25 and 27 of the Excise Tax Act. Such goods would be exempt from tax if sold through a duty-free shop for export by the purchaser.

Goods purchased free of tax by a licensed wholesaler which are subsequently diverted for sale other than for export or for use by a licensed wholesaler, would become subject to tax in accordance with proposed subsection (2.1) set out in these amendments in sections 23, 24, 25 and 27. I know the hon. member's penchant for precision. I want to give it to him straight and with all interrelated cases. In brief, what this does is extend some exemptions for duty-free shops at land border points that are now in force at airports.

Clause 8 agreed to.

Clauses 9 and 10 agreed to.

On clause 11—*Special excise tax on wines.*

**Mr. Lambert (Edmonton West):** Mr. Chairman, I know that several of my colleagues want to speak on this clause. I am just wondering about the purpose of imposing on Canadian wines a tax which will also apply to imported wines. Why the equal imposition in respect of both domestic wines and foreign wines? Many of our domestic wines are being hard hit by, shall we say, protectionist levies by various liquor control boards as between one province and another. I do not know why the minister wants to accentuate this situation.

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, I think the hon. member knows I could not discriminate by way of federal taxes between imported and domestic wines because that would infringe our obligations under GATT.