

INCOME, CIGARETTES AND LIQUOR TO COST MORE

In a statement to the House of Commons on November 30, Mr. Mitchell Sharp, Minister of Finance, announced that personal income tax would be raised, by a 5 per cent surcharge, effective January 1, 1968. He also announced increases in the taxes on spirits, beer, wine, cigarettes, cigars and tobacco, by approximately 10 per cent, to be effective immediately.

In addition, corporations, which at present pay taxes in 12 monthly instalments beginning in the fifth month of the financial year, must now start paying in the third month.

Part of Mr. Sharp's statement follows:

...I come now to my tax proposals. My first proposal relates to the personal income tax. I am asking the House to approve a special surtax of 5 per cent of the amount of the basic tax assessed on an individual in excess of \$100. This surtax will take effect January 1 and would remain I expect until we have completed the transition to a slower rate of growth of expenditures or until economic and financial conditions call for a change in our fiscal policy.

This change will be made in such a manner as not to affect provincial revenues. As was done in 1965, I propose that the maximum change in tax resulting from this amendment be limited to \$600. The surtax is so defined that it will not apply to single persons with incomes of less than \$2,000 a year nor to a married man with two children having an income of less than \$3,600. The increase in tax for a married man with two children and a typical income of, say, \$100 a week would be 23 cents a week....

I might give a typical example, taking a current taxpayer with two family-allowance children. The increase in the tax for a man with a \$5,000-annual income is \$10 a year; with a \$7,000-annual income, \$29 a year; with a \$10,000-annual income, \$64 a year, and with a \$15,000-annual income \$145 a year. This gives an index of the incidence of this tax.

My officials estimate that this surtax will increase our revenues in the fiscal year 1968-69 by \$185 million: the effect on the current year will be to increase our revenues by approximately \$25 million.

LIQUOR AND TOBACCO

My second proposal is to increase the taxes on liquor and tobacco. The effect of the proposed changes would be generally to raise the weight of the federal tax on spirits, beer, wine, cigarettes, cigars and tobacco by approximately 10 per cent, effective immediately. This would be implemented by a number of measures.

The rate of excise duty on spirits distilled in Canada would be increased by \$1.25 per proof gallon. For most spirits this would mean an increase from \$13 to \$14.25. The excise duty on beer would increase from 38 cents a gallon to 42 cents a gallon. It will also be necessary to provide increases of the same amounts in the tariff on imported liquors and beer.

A special excise tax would be applied to wines, both imported and domestic. The rate would be 2½ cents a gallon on wines containing not more than

7 per cent of alcohol, and 5 cents a gallon on wines containing more than 7 per cent of alcohol.

On tobacco and tobacco products we levy both excise and duties and excise taxes. We propose to use the excise taxes to obtain the increase necessary. The rate of excise tax on cigarettes would be increased to 3 cents on each five cigarettes from the present 2½ cents, that on manufactured tobacco to 90 cents a pound from 80 cents, and that on cigars to 17½ per cent from 15 per cent.

In all, it is estimated that these changes on liquor and tobacco will increase our revenues in fiscal 1968-69 by approximately \$95 million and in the current year by approximately \$20 million....

CORPORATION TAX

...Corporations presently begin the payment of their tax in the fifth month of the taxation year to which it relates, and complete these payments four months after the end of the year. This timetable of payments, which was advanced in 1963 and 1964, still contrasts with that of individuals who have income tax deducted from their wages each pay day. We have decided to reduce further the difference between corporations and individuals.

In future, corporations will be required to make their first instalment payment in the third month of their taxation year and complete their payments on account of their estimated tax by the second month following the year.

SPECIAL REFUNDABLE TAX

Honourable members will recall that in 1966, as a measure to restrain the boom in capital expenditures then in progress, we introduced a refundable tax on cash profits. Under the law, the payments must be refunded with interest not later than 36 months after they were due, or after they were received if they were late. They could be repaid as much as 18 months earlier if the Government so decided. Consequently the amount collected - some \$230 million in all - must be repaid some time between today and June 1970. Clearly, it would be difficult to make repayment in the next few months, but I believe we should not put off the repayment entirely until the last possible date for that would add seriously to the burdens to be faced during the 1969-70 fiscal year. I believe the measure I have proposed in regard to corporation taxes will provide us with enough cash receipts to permit us to repay a substantial amount of the refundable tax during 1968-69.

We now propose to begin the refunding process in June of 1968, refunding then the payments received before June 30, 1966. Every second month thereafter we will refund one month's receipts; in August 1968 we will refund payments received in July 1966; in October 1968, receipts of August 1966, and so on until February 1970. The final payments will be made in May 1967, as the law requires, and late payments.

In order to reduce administrative costs, we should refund with our first payments in June the total amount received from those corporations whose aggregate refundable tax did not exceed \$1,000. We will be asking Parliament for authority to do this.