

(b) THE EXCISE TAX ACT

The methods by which federal sales and excise taxes are levied have a direct influence on domestic production, demand and employment. It is submitted that appropriate amendments to the Excise Tax Act would make it possible to reduce the importation of unemployment, by removing a large measure of discrimination against Canadian manufacturers and producers.

1. It is recommended that the Excise Tax Act be amended to provide statutory authority for the use of a wholesale value for the purpose of determining sales and excise taxes.

In respect of goods manufactured or produced in Canada, the Excise Tax Act provides only for the payment of sales and excise taxes on the sale price. By regulation and at the discretion of the Minister of National Revenue, certain manufacturers may be allowed a wholesale value for tax, but this discretion is limited in its application and there is no effective right of appeal.

It is observed that under the current Regulations of the Excise Tax Act, the use of a wholesale value for sales tax purposes is in general restricted to two categories of Canadian manufacturers—manufacturers who make regular sales in representative quantities to independent bona fide wholesalers, and manufacturers who may not qualify in this manner in respect of their own sales but in whose industry in Canada it is considered by the Minister of National Revenue that regular sales are made in representative quantities to bona fide independent wholesalers.

On the other hand, in respect of imported goods, the Excise Tax Act provides that sales and excise taxes are payable on the duty paid value. Accordingly, as imported goods are frequently purchased at an earlier level in the distribution process than that at which competitive Canadian-produced goods are sold, there are considerable sales tax inequities in those cases where domestic manufacturers are not allowed a wholesale value for tax.

In considering these problems and observing the declining role of the wholesaler in the distribution process, the Association considers that there should be the widest possible application of the wholesale value for tax principle to sales by Canadian manufacturers.

2. It is recommended that the 15%, 10% and 7½% special excise taxes listed in Schedule I of the Excise Tax Act be abolished.

The selection of certain specified commodities for these special additional taxes is both unsound and discriminatory. The abolition of excise taxes should give a much needed stimulant and a wider home market to those industries in Canada which are producing goods subject to excise tax, e.g. automobiles, radios, televisions sets, etc.

APPENDIX "B"**GOVERNMENT EXPENDITURES**

Since the level of taxation threatens to become confiscatory, it is recommended that the Government make every effort to reduce public expenditures.

In making this submission the Association is aware of the efforts made by the Government during past years to keep down expenditures. At the same time it is felt that much more can and should be done in the public interest to reduce government expenditures so that it will be possible to lower the present high tax rates and provide some relief from the present heavy tax burden.