

*Adjournment Debate*

● (2215)

As the hon. member is aware, the government decided, immediately upon taking office, to initiate this direct job-creation program as a replacement for the Canada Works program which had been terminated by the previous government.

Through this program, \$105.5 million was originally made available for the creation of jobs with a particular impact on the winter months of 1980-81. Early in this calendar year, an additional \$4.5 million was made available to the program for the creation of additional employment opportunities. While these jobs were created across the country, they were concentrated in those areas and groups beset by high unemployment. As a result of this government's initiative, almost 20,000 people worked over the winter months who would otherwise have been unemployed. Some 60 per cent, or almost 12,000, of these persons are still working today.

EXCISE TAX—APPLICATION TO LIQUOR SALES—PURPOSE OF INDEXATION

**Mr. Joe Reid (St. Catharines):** I rise in respect of a question I addressed to the Minister of Finance (Mr. MacEachen) on May 15, and I submit the answer given was not only unsatisfactory but, perhaps, by a sin of omission was misleading to the House. I am in the hands of the Chair in that regard, but I suggest the minister misled the House in saying that the excise tax on alcoholic beverages to the alcoholic beverages subgroup, having regard to the consumer price index sale, was not discriminatory. Specifically the minister stated that a different tax system, an ad valorem tax system, applied to other commodities. This suggests that although we are talking about two different and separate tax systems, the end result is the same. That suggestion is unmitigated nonsense and I am surprised it should come from the Minister of Finance.

Perhaps it is best that I begin by trying to distinguish between these two systems and establish what we are talking about when we refer to an ad valorem tax and indexation. An ad valorem tax simply establishes the tax percentage rate applicable to a particular commodity. It is voted on in Parliament and the taxation rate does not change unless Parliament changes it, either by way of increasing or decreasing it. As the value of that particular commodity changes, the amount of tax may change but the applicable percentage rate does not.

Indexation on the other hand, as it applies in this case to the consumer price index, represents an entirely new trend in taxation policy. It sets a precedent which I find reprehensible. The percentage rate of taxation is pegged to the consumer price index, meaning that the government's percentage of taxation increases at a rate equal to the change or the increase in the consumer price index. What makes this so disturbing is that the change in percentage, unlike an ad valorem tax, is accomplished without parliamentary approval.

With the definition of these terms somewhat clarified, I should like to again refer to my question to the minister, pointing out that it was based on fact. The indexation of the excise tax on alcoholic beverages is discriminatory. No other

tax is based on the consumer price index, and if the minister honestly believes that the effect of this taxation will be the same as an ad valorem tax, I invite him to make it an ad valorem tax so that the taxes all fall within the same system.

Of course the reason this was not made an ad valorem tax is that these are different tax systems, and the net return from indexation of the tax to the consumer price index will be far greater with the increase in consumer price index than it would have been on an ad valorem basis. It is the government's greed which has singled out these industries for this kind of tax. It is an established fact that beer and wine sales are down. My expectation in this regard is that this decline in sales will continue as long as this government continues to burden industries with higher retail costs as a result of a higher form of taxation.

● (2220)

The consumer, already in a financial squeeze, will simply cut back his or her purchases of alcoholic beverages. To an already closely run industry, a further drop in sales could only have a disastrous effect. If the government does not care about the wine or beer industries in particular, then let me add that the government is actively promoting inflation and inflationary expectations by the application of this indexing method.

Canadians expect interest rates to go up every week. This proposed indexation will give them a second expectation, and that is that every three months the cost of alcoholic beverages as a result of the indexed tax will increase as well.

I ask the parliamentary secretary, or whoever is speaking tonight on behalf of the Minister of Finance: does the minister propose to extend this precedent to other commodities, just as I indicated he might be able to do—and he can do—as he has in connection with the beverages we are talking about this evening? If he does not propose to add a form of indexing to other commodities, then how can he justify this continued discrimination against the wine, beer and spirit industries, particularly in view of the fact that they are now facing undue hardships?

**Mr. Peter Stollery (Parliamentary Secretary to Secretary of State and Minister of Communications):** Mr. Speaker, the hon. member for St. Catharines (Mr. Reid) sought an explanation of the taxes on alcoholic beverages in his questions to the Minister of Finance (Mr. MacEachen) on May 15, 1981.

The Excise Act and the Excise Tax Act impose commodity taxes on most goods imported into or manufactured in Canada. The great majority of these taxes are ad valorem levies; that is to say, they are expressed as a percentage on the sale price. The federal sales tax which is the main levy, is imposed at the rate of 9 per cent on most goods, except building materials, which are subject to a 5 per cent rate.

Since the federal sales tax is a percentage of the price, it automatically increases as prices increase. No special mechanism is required to achieve that relationship. Indeed, the system has functioned in that manner for more than 75 years.