

Excise Tax

serious problems inherent in the proposal before us, I would contend, and that proposal, of course, is to provide for a remission of the excise tax on building materials used to restore buildings damaged or destroyed in the disaster.

The tax in question is the sales tax. The problem is that this tax is assessed on the value of goods shipped by the manufacturer of the building materials. By the time these goods pass through the hands of wholesalers and retailers to their ultimate use, the tax has long since been paid and is embedded in the price of the materials. So it is not at all clear how the refund can effectively be made, or indeed how to determine the amount that should be refunded.

I know the hon. member for Oxford has indicated that he hoped I would not raise the administrative problem and use that as a guise for saying that the government cannot accept his proposal. But certainly the administrative problems are obvious, whether one thinks of refunding the tax to the manufacturer who paid in the first place or to the eventual purchaser. The sales tax we are talking about is 5 per cent on the value of the manufacturer's shipment, not the 9 per cent rate which generally applies to other goods subject to sales tax.

When one adds on costs of warehousing and transportation after the building materials leave the manufacturer, plus mark-ups at the wholesale and retail level, the original 5 per cent tax becomes a considerably smaller proportion of the final price of the materials, perhaps only 2 per cent or 3 per cent. Furthermore, the cost of building materials normally represents about one-half of the cost of the average construction.

So when we consider all of these factors I submit that the 5 per cent sales tax is a pretty small part, not much more than 1 per cent of the final cost of the building. It is clear that refunding this amount to a disaster victim would not go very far in helping to re-establish that person in the style to which he was accustomed prior to the disaster. As a result, it would certainly seem to me that we should be looking at much more generous and larger funds to be paid to the disaster victims, and whether there should be included in that particular package of funds which goes to an individual something that could be called a refund of the tax. It does not seem to me to make any difference to an individual who has been victim of a disaster whether the moneys that are being paid to him are earmarked as a partial refund or a total refund of a sales tax. What really matters to the individual is whether funds will be made available by the federal government, the provincial government or the municipal government to help re-establish himself, irrespective of where that money comes from or how it is earmarked.

One other factor which should be considered is the administrative cost of remitting the tax. There is a direct way of handling a problem which I have just described, which is the direct payment of funds to the individuals affected. It seems to me that if you have so much money available to pursue these programs and we use part of that available money for the administrative cost of making a specific form of payment, money which if it were not spent for that perhaps could enlarge the amount of money available to the government to

help the disaster victims, then it seems to me that that cost is something that is hard to justify. We should be using the moneys to help the disaster victims, as I have said. I suggest that this administrative cost might well be hard to justify in relation to the amount of the benefit we should try to provide under this particular program.

The kind of problems I have been describing are typical of the problems which arise when we seek to achieve a particular goal, whether to assist a certain group of taxpayers or to encourage certain kinds of business activity, or even to discourage other activities, by means of special tax provisions.

A year ago the Department of Finance provided an authoritative outline of what these special tax provisions have been costing in the way of tax revenues forgone. These so-called tax expenditures which were put out under the previous minister of finance, the hon. member for St. John's West (Mr. Crosbie) and the present Minister of Finance, indicated that these figures run into many billions of dollars. Obviously the proposal being debated today would not be an expensive one. However, we should examine carefully not only whether the expense is justified but also whether a tax exemption is the best way of assisting people who suffer losses from natural disasters. The alternative method, of course, is through an expenditure program.

For many years there has been a policy on federal financial assistance to victims of natural disasters. One of the principles underlying this policy is that the provincial governments have the primary responsibility for dealing with disasters. Not only do they have the constitutional responsibility for property, but provincial and municipal services are the ones most closely and directly involved in dealing with the kinds of disasters we have heard discussed here today.

However, the federal government stands ready to assist provinces where the cost of dealing with a disaster is greater than the province could reasonably be expected to bear on its own. Since 1970 the formula has been that federal aid becomes available when total costs exceed \$1 per capita of population in the province. The federal contribution starts at 50 per cent and there is provision for an even larger federal share if the losses are particularly heavy.

One of the points which the hon. member for Oxford mentioned was that the federal government is not seen to be participating in the assistance to individuals who have been struck by a natural disaster. I agree with him wholeheartedly that that is of great concern because I think the Canadian taxpayers should understand and realize that the federal government is actually involved in looking after their welfare when a situation like a natural disaster occurs. I think the hon. member is totally correct, the federal government is not receiving the kind of credit it is due when those kinds of payments and those kinds of assistance are being put out by the federal government.

● (1730)

The federal contribution, as I said, starts at 50 per cent, but the federal contribution does not provide for federal aid where