

Excise Tax Act

half of one per cent on the present CPI would be almost one per cent.

Mr. Turner (Ottawa-Carleton): The hon. gentleman is quite correct—a half of a percentage point.

Mr. Knowles (Winnipeg North Centre): Is the minister sure of that?

Mr. Turner (Ottawa-Carleton): Now that the hon. gentleman forces me to precision, yes, I am sure of that.

Mr. Towers: I was wondering whether the minister could explain why it will cost .2 per cent less to collect this tax than to collect income tax? It comes under the same department.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, that is more properly a question for my colleague, the Minister of National Revenue, who is in charge of the administration of the tax. I might tell the minister that I was asked why, in percentage terms, it costs less to administer the ten cents tax on gasoline than the 1.2 per cent it costs to administer personal income tax.

Mr. Basford: Because the administration is a great deal simpler, Mr. Chairman. Administration of personal income tax requires a great deal of checking, auditing, and computer work in order to determine the assessment and either certify the payment of the correct amount of tax, or that the amount be reduced or increased. The administration of the gasoline tax refund program is administratively much simpler, certainly far more simple than administering the income tax collection.

Mr. Stevens: Mr. Chairman, the Minister of Finance has used the figure of 1.2 per cent with regard to collection of personal income tax as some type of bench mark and has said that, relatively speaking, the one per cent is a lower cost figure. My question to the minister is this: is he not aware that the 1.2 per cent figure he is now referring to is substantially higher than the average collection expense for personal income tax over the last ten or 15 years? Is it appropriate to take the relatively high administrative cost figure that he is now referring to and use it to justify what I regard as a high collection fee, one per cent, for the new ten cents a gallon Turner gasoline tax?

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I just do not agree with what the hon. member says.

Mr. Stevens: I will bring the figures down and present them to the minister later in the debate.

The Deputy Chairman: Is the House ready for the question?

Some hon. Members: Question.

The Deputy Chairman: Before putting the question, may I say that in order to avoid difficulty I would remind hon. members that when a question is being put members are not permitted to enter or leave the chamber.

● (1640)

Clause 1 agreed to: Yeas, 40; Nays, 22.

[Mr. Knowles (Winnipeg North Centre).]

On Clause 2.

Mr. Peters: Mr. Chairman, I think I understood what the original clause was for, but I should like to ask the minister what the 8 per cent of the amount paid will represent. Under the old measure it was understood that \$5 was the tax, but under the new one we have gone to \$10. Is the original 5 per cent related to the 8 per cent in the new legislation, and does this affect only charter flights, or does it also affect the tariff structure on flights inside Canada? Does it affect the tax collected on external travel as well? Does this establish a tax that we previously did not have on flights leaving the country?

Mr. Turner (Ottawa-Carleton): Mr. Chairman, the proposals found in this clause increase the air transportation tax now in existence from 5 per cent to 8 per cent. The figure eight is underlined, which indicates a change from 5 per cent to 8 per cent effective August 1, 1975, on air transportation in Canada on flights within the taxation area, that is to say, Canada and the United States except Hawaii and the Islands of St. Pierre and Miquelon. The governor in council on the recommendation of the Minister of Transport may prescribe maximum amounts for the tax levy. At the present time the maximum payable is set at \$5.

Mr. Peters: Does the 8 per cent change the \$5, or is it Clause 3 where it is changed to \$10? I am confused as to whether Clause 2 has any relationship to Clause 3, because Clause 2 refers mainly to charters.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, let us look at Clause 3, if you do not mind, as it is interlinked with Clause 2. This clause increases the tax, effective August 1, on air fares for flights from Canada to locations outside Canada other than the United States and the Islands of St. Pierre and Miquelon from \$5 to the lesser of \$10 or the amount which may be prescribed by order of the governor in council on the recommendation of the Minister of Transport. There is also a provision for a reduced rate when the passenger is a child under 12 years of age and is being transported at a reduced fare. Just to make that clear to the hon. gentleman, Clause 2 applies to flights in North America excluding Mexico, and Clause 3 applies to flights from Canada to elsewhere outside Canada.

Mr. Peters: Mr. Chairman, this is a sizeable tax on travel, particularly when you think in terms of members of parliament and others for whom the government must pay the transportation bill. This 8 per cent will amount to a sizeable figure if it applies to all those travelling in the North American area. Has the minister given any consideration to the establishment of a departure tax of a set amount rather than this tax being applied to all travel in North America? I presume this would apply more specifically to Clause 3 than to Clause 2, but it does seem to me that 8 per cent is an amount which will only add to the difficulties faced by the airlines in this country at the present time.

Air Canada, for instance, is operating now on its scheduled air flights very close to the break even point, with approximately 50 per cent capacity. When we add the 8 per cent Air Canada will still be flying across the country, but it may end up with a deficit. There is a level at which a tax