

Excise

There is one matter that has consistently disappointed me in connection with excise taxes and the Excise Act. The minister's predecessor, the now departed Mr. Benson, and also the hon. member for Windsor West (Mr. Gray), who was formerly minister of national revenue and subsequently minister of consumer and corporate affairs, indicated that a study in depth would be made of all excise taxes. We had a study in depth of income tax by the Carter commission, which had a great number of things to say about sales taxes as well as the confusing situation arising out of federal and provincial jurisdictions and how the taxpayer was affected by such taxes. But ever since then there has been a deathly silence on the subject.

However, the problem of the impact of sales taxes, whether at the federal level or at the provincial level, still exists. To the person of low income they are certainly a heavy burden. Although taxes levied on an ad valorem basis strike at taxpayers evenly as to amount, as to impact this is not the case. In the province of Ontario a rebate is given income tax payers so that those of lower income are given some form of compensation for the impact of sales taxes both at the retail and federal level. This is part of the Ontario tax credits plan. This is one of the reasons that there is this form of compensation.

We have studied in the past tax credits for persons on lower income scales, rather than the elimination of taxable trusts, so as to compensate them for the impact of sales taxes. True enough, with the removal now of sales tax on clothing and footwear one can say that the impact of sales taxes on, say, senior citizens whose income is limited to pensions will be much lighter since they will not have to pay sales tax on those items, at least at the federal level.

● (1220)

I always felt this was one of the inequitable features of an excise tax. We are seeing these removed more and more. Excise taxes in this country have reached the level of 12 per cent and that is very high. There is a great difference between non-taxable items and taxable items in particular categories. I suppose the reduction to a 5 per cent tax on building materials will remove some of the difficulties that arose from the arbitrary nature of the classification of building materials because some were caught and others were not. With the 12 per cent on the one hand, and no tax on the other, it makes quite a difference. I would like the minister to tell us whether it is now the view of the Department of Finance and the Department of National Revenue that they should continue the study into the effect of sales tax and the general reforms that are required. Up to this moment we have not seen any reform of sales taxes but we have seen the removal of some.

We are now coming into a new era of transportation tax which in itself will cause a lot of grief to a lot of people who heretofore have had nothing to do with the collection and remission of sales tax. The travel agencies and airlines that sell tickets are going to step into a buzz-saw of which they have had no prior knowledge. There will be some extreme difficulties in this area and I shall refer in some detail to air transportation taxation and the general principle, as will some of my colleagues. Let me emphasize at the outset that the main burden of my point is that we should have a study without delay on the impact of sales

taxes. If one accepts the principle of justice in a progressive income tax system which is purportedly established on the basis of ability to pay, then in so far as excise taxes are concerned there is a total denial of justice because they are certainly not based on ability to pay.

One now has to pay excise tax generally, outside of footwear and clothing. Excise tax is certainly payable on the purchase of a chair, and whether that chair is bought by an old age pensioner or a person with an income of \$40,000 or \$50,000 a year matters little. Certainly, one must recognize that excise tax is not predicated upon ability to pay. Some will argue that people with more money will buy the more expensive goods, but that is not the point. I would like to see some form of social justice within the whole framework of excise tax because in this way we would require fewer relieving features and there would be fewer complications for persons on lower incomes. The minister did indicate that it might cost some \$300 million to drop the sales tax on clothing and footwear.

Having looked at the latest information from the Dominion Bureau of Statistics, the 1973 Canada Year Book and the 1973-74 Analysis of National Financing from the Canadian Tax Foundation, I must confess that the only reliable information is in respect of the fiscal year 1970-71. I am afraid that is a little out of date for the purposes of the remarks I should like to make at this time. The budgetary statistics tabled during the budget speech by the minister lump together sales taxes and other taxes and it is impossible to sort out precise excise taxes or sales taxes as we know them. I would like the minister to indicate what the annual yield is and what it was for 1971-72, 1972-73 and 1973-74, although I can understand that we cannot get anything for this particular year and that in respect of 1973-74 there is a complication because of the export tax on oil.

My objective is to determine what the progressive yield has been from excise or sales taxes on goods and commodities as we have known those taxes over the years. We want to see the effect of inflation upon this type of tax. I know that this will require some intensive effort, but it is something we would like to know about in respect of the general theory of federal sales tax. If the minister cannot provide that information today, perhaps he can do so at a later time as we would certainly like to have it.

I am sure the country welcomed the minister's announcement of a reduction in the tax on building materials to 5 per cent with a headshake and a smile, not necessarily all of joy. I wonder why this reduction was limited to 6 per cent rather than applied to the entire amount. I do not think that was necessarily related to cost but, as I have said, at the moment I do not know what the sales tax on building materials has yielded. It may have been in the nature of \$500 million or \$600 million. With the inflated prices we have known in the past couple of years, the yield might have been that high. I know it has been fairly substantial. On the other hand, when we consider the swollen coffers that have resulted from inflation, there is no question that a total abatement of this tax could have been made. There would have been much greater benefit, if this reduction was designed as an anti-inflationary item, an anti-recessionary item or an item to encourage the construction of homes in the hope that there would be a

[Mr. Lambert (Edmonton West).]