

*Excise Tax*

The problem, when one gets into tax legislation, is that one is dealing with something which is extremely complex, and matters of equity are not clear, they are not easily seen. One has to look beyond the surface into the depth, the meaning, the effect, the implication and the impact of the tax before one can determine whether a request for relief from one group is equitable in light of the over-all tax system.

There were other issues which were raised by the hon. member for Edmonton West. I am not sure how much time I have. I think I have ten minutes. The hon. member for Edmonton West raised the question of the legality of this tax at the outset of his comments. I think he implied that in this House we were passing a tax which had been ruled illegal. That was another red herring. This particular tax, the gas tax, the gas export tax or export side of the tax—

**An hon. Member:** It is not the export tax.

**Mr. Evans:** The export side of the tax—

**An hon. Member:** Oh, I see!

**Mr. Evans:**—has been ruled by the Alberta court of Appeal to be illegal if it is applied to one of three wells which are owned by the province of Alberta and which have not exported one cubic foot of gas to this date. It is a hypothetical case. If one of these wells were to produce a cubic foot of gas and it was exported, could the federal government's tax apply? That is the case. There could be very peculiar circumstances. A well might be owned by the province, transported by the province to the border, and never change hands until it crosses the border. That kind of question might be considered. The court of appeal in Alberta said that in that circumstance this tax could not be applied. It is now being appealed. However, there is certainly no question that in other circumstances, the federal government has the power to apply a tax on natural gas, whether it be exported or whether it be consumed here in Canada. The honesty of that particular case, I think, should be well known by Canadians.

The hon. member for Edmonton West also raised an issue which I do not really want to deal with in depth because it does not specifically apply to the legislation. However, he mentioned the fact that this is a tax on natural gas, and the budget of the hon. member for St. John's West (Mr. Crosbie) did not have a tax which applied to natural gas, and that as a result, Canadians will pay far more for natural gas under this government than they would have under the other. I really think, that is a mug's game, in all honesty. However, the fact of the matter is that the price of natural gas under the government of the hon. members opposite was tied to the price of oil, and the price of oil was to go to 85 per cent of world price in 1984, and that would have pulled up the price of gas. Therefore, one can take one point of view and run down the line with it. If one forgets about all these other factors, one can wind up with one conclusion which is not necessarily correct. It tends to have a misleading effect on the understanding of Canadians.

The issue of indexation has been raised. This government has been accused of trying to profit from inflation, that we are going after this particular area unfairly, and that we are imposing a tax which will grow exponentially and will take money out of the pockets of Canadians. First of all, all taxes take money out of the pockets of Canadians. I have explained this before. When we are talking about indexation, what are we doing? The alcohol and tobacco tax has always been a flat tax, in dollar terms. In other words, the tax was explained in the following way: the federal government tax or the provincial government tax, because both place taxes on certain products, will be 35 cents per pack of cigarettes. That is an example. That being the case, it was a very unusual tax. A fixed dollar levy is a tax which does not apply in many other areas in our society. Most taxes are on a percentage basis. The sales tax in Ontario is 7 per cent. The manufacturers' excise tax, which was formerly 12 per cent, is now 9 per cent.

There are other forms of taxes. The income tax provides that if one makes a certain amount of money, a certain percentage of that will come to the federal government and a certain percentage will go to the provincial government. The taxes are stated on a percentage basis. These two taxes, alcohol and tobacco, are stated on a dollar basis. As a result, as the price of the product goes up, the tax stays precisely the same. To keep the same tax burden on those products, every couple of years we come back and say, "Let's see. We're going from 35 cents to 40 cents a package of cigarettes or from two cents to eight cents on a bottle of beer", whatever the impact, but we keep coming back and changing the dollar amount. The logical thing to do is to change it to an *ad valorem* tax and to say it shall be a percentage. Whatever the price, add on 8 per cent or 10 per cent or whatever, and that is the tax. That keeps the tax at exactly the same percentage burden as it has always been. The way to do that is to do exactly what we have done. It was such a good idea that the hon. Frank Miller in Ontario, of the Conservative party, immediately brought in the same legislation for the Ontario tax.

**Mr. Baker (Nepean-Carleton):** That does not make it any better.

**Mr. Blenkarn:** It is not the same legislation either.

**Mr. Evans:** I am saying that it is fair and equitable way. The tax is tied to the sub-index of alcohol, and the tax will increase in the same proportion as the price, and will stay the same, with the same percentage burden, as it always was.

**Mr. Baker (Nepean-Carleton):** It is a bad example.

**Mr. Evans:** If the hon. members opposite say that that is indexation of taxation, then they should be against the income tax, the sales tax and the manufacturers' excise tax, because they are all stated in percentages and they will all have precisely the same impact which the indexation of this particular tax has because of the nature of the tax.

**An hon. Member:** Trying to kid the troops now?