

[Translation]

EXCISE TAX ACT

MEASURE TO AMEND

Hon. George Hees (on behalf of the Minister of Finance) moved: That Bill C-117, an Act to amend the Excise Tax Act and the Excise Tax Act, be read the second time and referred to the Standing Committee on Finance and Economic Affairs.

Mr. Richard Grisé (Parliamentary Secretary to Deputy Prime Minister and President of the Privy Council): Mr. Speaker, this Bill C-117 makes it possible to implement a number of proposals related to the Excise Tax Act and the Excise Act. Most of these amendments were announced last June in the White Paper on the tax reform and in the Notices of Ways and Means Motions which were tabled later on, more specifically on December 16, 1987. Moreover, this Bill makes it possible to implement a number of measures announced in the Budget speeches of February 18, 1987, and February 10, 1988.

From a tax point of view, this Bill is very important. Although it provides for some tax increases, it should be seen in its proper context. In this Bill, most of the revenue increasing measures are part of the global tax reform program. Generally speaking, this program is fiscally neutral: the major reductions in personal income tax, which represent some \$12 billion over the next five years, will be compensated by an increase in revenues from corporate income tax and by a large number of the sales tax increases provided for in this Bill. It should be emphasized that, among other measures involving personal income tax, the tax reform program provides for an increase of 40 per cent of the refundable sales tax credit paid to low-income Canadians. The purpose of this measure is to considerably reduce the impact of the sales tax increases on less fortunate Canadians.

In addition to measures announced when the tax reform was unveiled, the Bill features others aimed at a major target, namely deficit reduction. The most important factor in our deficit reduction strategy has been a curb on the growth of public expenditures, and we have been highly successful in this endeavour: general expenses have gone down, and there has been a sharp decline in operating expenses and capital expenditures. However, intent on reducing the deficit and maintaining financial management improvement, we had to combine lower expenditures with the higher taxes proposed in the Bill. Although no Government likes to raise taxes, these measures reflect our commitment to show more responsibility in the financial management of the economy.

Mr. Speaker, allow me to deal with some of the measures which will enable us to boost revenues.

I should like to sum up the major steps through which we intend to increase revenues, as set forth in the Bill. Here are the main provisions of the over-all tax reform program: a 10 per cent tax on telecommunications services such as telephone and telex, excluding service charges for local residential

Excise Tax Act

telephone lines. The corresponding tax rate on cable and pay TV services will rise from 8 to 10 per cent. These changes took effect on January 1, 1988 and are expected to yield additional revenues of about \$870 million a year.

The sales tax rate on paint and wallpaper products has increased from 8 per cent to 12 per cent effective January 1, 1988, which should bring in an extra \$60 million annually.

To compensate the effects of the tax reform temporary measures on revenues, the payment of sales and excise taxes will be accelerated effective April 1, 1988. At present, all businesses are required to remit the sales tax on the last day of the month following the month of the taxable sale. Under the new provisions, the great majority of corporations will have to remit the tax on the 21st day of the month following the month of the sale, while the largest corporations, which represent fewer than 1 per cent of all taxpayers, will be required to remit the tax twice a month.

This measure does not increase the amount of tax payable on each transaction, but only reduces the time elapsed between the date on which the taxable sale is made and the date on which the sales tax is remitted. This measure will make it possible for the Federal Government to get a one time cash flow increase of \$1,6 billion for the fiscal year 1988-89.

Finally, Mr. Speaker, as was announced in the Notices of Ways and Means Motion of December 16, 1987, this Bill will increase the federal sales tax rate on beer, spirits, wine and tobacco products from 15 to 18 per cent, effective January 1, 1988.

The revenues resulting from this amendment, representing some \$175 million per year, will be used to finance the increase in tax benefits to families with children.

This Bill will also allow for the implementation of two revenue increasing measures included in the February 1987 Budget.

Since February 19, 1987, the duties and excise taxes on tobacco products have increased by 4 per cent, which is about the rate of inflation. This measure should increase the revenues by some \$70 million a year.

Moreover, to recover a greater portion of the air transport program costs, the February 1987 Budget provides for an increase in the air transportation tax levied by \$4 per ticket, which should take in an extra \$45 million in 1987-88.

Finally, this Bill provides for an increase in the excise tax on gasoline by 1 cent per litre, as announced in the February 10, 1988 Budget. This increase will come into effect on April 1, 1988. At the same time, the existing fuel tax discount for farmers, fishermen and other primary producers has been increased by an equivalent amount to protect them from the tax increase. The net increase produced by this measure should bring some \$300 million in revenue in 1988-89.

The bill also provides for the implementation of a number of technical amendments to the Excise Tax Act and the Excise