

*Statements by Ministers*

When we reach out and touch someone by telephone, we will be paying a 10 per cent tax. It will not be to Ma Bell this time, it will be to Uncle Michael Scrooge over there, who has now imposed this particular tax on telecommunications services. If we try to pretty up our house we will have to pay extra tax on the wallpaper. If we try to provide equitably for your cat, we will be taxed on its kitty litter. Games and toys for kids are going to be additionally taxed.

The Government has made it very clear that its proposals on sales tax are no longer options, that it is intent on pushing forward with a tax which, in its view, ought to include a tax on food. The Minister's paper on tax reform states that the Government proposes to replace the existing federal sales tax with a broad based multi-staged sales tax which extends the retail level. This multi-staged tax will be a form of value-added tax. The Minister of Finance is saying quite specifically that taxable sales will include sales of most goods and services in Canada. The Minister's White Paper indicates that he understands that the taxation of food is an emotional and controversial issue, and then proceeds to explain why the Government is intent on rolling over the objections of Canadians in order to tax food.

The Minister of Finance tries to indicate that the people who earn below average incomes spend less over-all on food than people with above average incomes. There is a good reason for that. They have less income to go around. However, the lower one's income goes, the more of it one will spend on food. If a sales tax is imposed on food, we therefore have a regressive tax which will cost more to ordinary Canadians with lower incomes than it costs people with higher incomes. It is not fair to tax people not according to their ability to pay but according to their need to consume, which means that average and below average earners will be hit harder by the tax on food than the people who have high incomes and can afford to pay.

The Government's arguments in this White Paper are specious and wrong. The New Democrats are going to oppose them in this House, in the committee on finance and everywhere else those arguments are proposed.

The Minister of Finance is just plain wrong if he tries to impose that kind of tax. He is mean and wrong. It appears he wants to go ahead. He wants to do it in 1989 because of electoral politics. Canadians out there should understand very clearly that they should not go and spend the \$200 or \$300 the Minister tells them they will receive next year because the Minister is going to take it right back in sales tax increases in 1989. That is his plan and he is trying to hide it from Canadians by means of a two-step tango.

The Minister of Finance should have had, of course, one package rather than two but he did not and what he has done instead is to bring in a little bit of a sales tax credit, trying to say that that will alleviate the burden for ordinary Canadian families. Canadians should know that the sales tax credit only applies to people far below the poverty line. It only applies to people with incomes of less than \$16,000 or \$17,000 a year. Above that level, one still has \$6,000 or \$7,000 to go before

one reaches the poverty line for a Canadian family living in a major Canadian city. So thousands, if not hundreds of thousands of Canadian families below the poverty line, will pay that tax on food and get nothing back.

Thousands of working families where there are possibly two spouses working in order to make ends meet, to pay the mortgage, to pay the rent and put food on the table, are going to find they are hit with this tax and will receive no recompense at all.

The Minister is not being frank. He is not being fair, and his tax system is not simple, either. I have here the *1986 General Tax Guide and Return* for residents of Ontario which I had the privilege of filling out this year. It was about 84 pages long. The Minister says his new system is simple because he has put in three rates rather than 12 rates which applied before. In the back of my book there is a federal and Ontario tax table. I always calculate my tax that way. There could be a hundred different rates, it would not make any difference to me. The fact is that the tax return form in 1988 and 1989 will be just as complex and just as long as what we have now. The Minister has not simplified the system. In fact, he has probably made it more complex because of the new bells and whistles he has put into his particular system.

• (2140)

I want to close off by saying that I welcome some of the concessions that have been made by the Minister of Finance. For years we have been condemned by Liberals and Conservatives for saying that it was wrong to give special privileges for capital gains; for saying it was wrong to give special privileges for investment income; for saying it was wrong to give special privileges for dividends and give them tax concessions; for saying it was wrong for corporations to be able to transfer dividends tax-free; and for saying it was wrong to continue to have deductions when we advocated there should be tax credits. Suddenly everything we were saying that we were told was wrong is right. The Minister is bringing in tax credits. He is acknowledging that the dividend tax credit is wrong. Except he is not taking it away. He is only taking away a bit of it. He acknowledges that we were right to say that capital gains should be taxed just like any other kind of income. Except he then kind of loses the thread—he will only tax capital gains a bit more heavily than now. But he will still favour those kinds of income over the income that is earned by the sweat of the brow of workers, farmers and small business people who pay income tax on all their income, as all Canadians should pay tax on all of their income.

So the Minister accepts our arguments but only in principle. When it comes down to cases, when it comes down to practicalities, he does not accept them enough. When the people judge the Minister of Finance on fairness, they should not just judge him on his rhetoric, they should judge him on his results. Any proposal that can cut taxes on average Canadians by \$6 a week but cuts taxes for the wealthy by \$85 a week is not real tax reform.