

Adjournment Debate

Now, I want to thank you, Mr. Speaker, for the time you allotted me. I am sure the hon. Member standing in tonight for the minister will inform him of my concerns on this issue.

[*English*]

Mr. Ross Reid (Parliamentary Secretary to Minister of Fisheries and Oceans): Mr. Speaker, first of all, if I might, I would like to congratulate my hon. friend opposite on his new appointment. On behalf of the minister and my colleagues, I wish him well. Certainly, we welcome his colleague from Broadview—Greenwood on his new responsibilities for tourism. To get to the point at hand, before undertaking any major policy initiative, the federal government must examine the impact on the tourism industry. This was certainly the case when the government undertook its recent overhaul of the taxation system. The proposed goods and services tax will strengthen Canada's ability to compete with our developed country trading partners.

Canadian business will no longer be obliged to pay the hidden manufacturers' sales tax. Registered businesses will be eligible for a refundable tax credit for GST paid on all business purchases. This means that the effective rate of federal sales taxation on products or services purchased as part of a business enterprise will be nil. This is not presently the case. Many businesses, including those in the tourism industry, currently pay the hidden 13.5 per cent manufacturers' sales tax when they purchase certain goods.

Under the goods and services tax, it is estimated that for some tourism businesses, the input tax credit will result in operating savings of 2 to 4 per cent. In 1989, the \$25 billion we earned in tourism revenues was credited with generating direct employment for more than 630,000 Canadians. Today, there are some 60,000 Canadian businesses which derive all or a substantial portion of the revenue from tourism. Under the GST, this vital industry, which in 1989 ranked third among Canadian exporters after automobiles and auto parts, is expected to continue to grow.

All evidence suggests that foreign visitors will continue to view Canada as a desired vacation destination. We are going to have a GST rebate for international visitors that extends to both accommodation and purchases. We are the only country to offer a rebate to international

travellers for accommodation. Except for transporter air services to the continental United States, inbound and outbound international passenger transportation will be zero rated. The rebate program will be accessible and visible. Visitors will be permitted four claims per year. The government is also implementing a program for foreign visitors to collect their rebates at the point of departure through duty free shops.

Other measures include simplifying the administrative aspects of tour packages, as my hon. colleague referred, and conventions where accommodation is offered as part of an over-all, all-inclusive package of services offered at a set price. In these cases, a visitor will be entitled to claim the actual tax paid on accommodation if this could be broken out or the visitor will be offered a flat rebate amount of \$5 per night. I am pleased to report that, as recommended by the Standing Committee on Finance, wholesalers and tour operators, as well as corporate and convention planners in some instances, will now be able to claim a rebate for the GST paid on the accommodation portion of their Canadian packages.

The threshold for the rebate has also been reduced from \$25 to \$20. The lower threshold brings the total eligible expenditure for individual tourists back in line with that originally proposed in the light of the reduction of the GST rate from 9 per cent to 7 per cent. My time is up.

TAXATION

Mr. Jim Karpoff (Surrey North): Mr. Speaker, last spring I had the opportunity to ask the Minister of Finance why seniors were being required to pay the clawback on their old age pensions when the legislation had not passed all parts of the legislative stages. I trust there is going to be at least a government member in the House to answer.

Mr. Vincent: Not to worry.

Mr. Karpoff: Not to worry. I am sure that their answer will be better than the one of the Minister of Finance. At that time the Minister of Finance said that it was perfectly all right, that if they did not wish to pay, they did not have to. However, that is not what has happened to old age pensioners. Old age pensioners who chose not to fill in the information about the clawback, simply filed their income tax returns and were entitled to refunds