

*Excise Tax Act*

seems to me that one of the primary standards on which the present Bill increasing the sales tax and other taxes has to be judged is whether or not the tax on goods put in by the Progressive Conservatives is fair. I think one has to come up with an answer which is to the contrary. It is not fair.

In fact, Canada is the only remaining industrial country in the world with a sales tax at the manufacturers' level. That sales tax now collects more revenue from goods and services—and it amounts to some 35 per cent of total revenue—than most countries in the Organization for Economic Co-operation and Development collect, which is about an average of 29 per cent.

There has been an increasing bias away from corporate taxes and toward sales taxes and personal taxes by the present Government. This is something which we inherited from the Liberals, but Liberals and Conservatives alike have seen nothing wrong with increasing sales taxes in all kinds of ways in order to increase an inequitable and a regressive tax as opposed to taking tax revenues from progressive sources.

My Party has argued for a long time that we should be looking for tax fairness. It is not fair if the same proportion of income is taken from people in a low-income bracket as is taken from people in a high-income bracket. Yet that is the effect of these constant increases in sales taxes.

If someone who is not well off goes today to buy some chips or food for the kids, some pet food for the family dog or cat, or even goes to buy candy for the children, then those products are taxed. The sales tax on candy for kids is the same whether the family's income is \$15,000 or whether it is \$150,000 per year. Perhaps that illustrates graphically what I mean. There is something unfair when poor kids are paying as much tax as rich kids pay on those few things that they can buy in order to have some pleasure. This is true when we talk about poor families and rich families as well. It seems to me that this is a fundamental unfairness. It is why it makes more sense to have the bulk of personal income taxation coming through the income tax system rather than constantly trying to cut the income tax system, and saying: "We have to do it because there are some states in the United States which have a lower tax rate than those which happen to prevail here in Canada".

The Standing Committee on Finance and Economic Affairs has spent a fair amount of time looking at the whole question of a manufacturers' sales tax and the whole question of Phase 2 tax reform. We have been looking at some of the proposals which were made in Bill C-117. We have also looked at some of the proposals that the Government was making with respect to Phase 2 tax reform and the proposals being made for an adjustment to the manufacturers' sales tax, a kind of quick fix which is meant to last for a couple of years' time.

As you know, Madam Speaker, the proposal is extremely complicated. It is somewhat like a skill testing question one has to answer in order to collect a lottery prize which one gets in one's cornflakes or some other product some manufacturer is trying to promote. One has to take away a certain portion of

the cost of the good in order to make some allowance for marketing and distribution costs. Then one has to add back a certain amount.

The hope is that this will create greater fairness between domestic manufacturers and importers of foreign goods who, right now, have some benefits because of the present sales tax system. In fact, we are increasingly hearing evidence in the system that it does not work. It will not work until we get to a system which is fair and modern and which probably hits at every level up to the retail level so that the disparities that now exist, depending on the way in which manufacturers or importers do business here in Canada, can in fact be brought to an end.

For example, right now there is discrimination as to whether a manufacturer sells directly to retailers or whether that manufacturer sells through wholesalers. Roughly half the goods sold by manufacturers in Canada today are sold directly to retailers. This creates all kinds of problems under which the base of tax for the purposes of the tax has to be attributed in some way so that there is not too much loss to the Treasury.

It has also been pointed out that for our export industries the present tax is quite unfair. It is estimated that something in the order of 42 per cent of federal sales tax revenues has been collected on intermediate and capital goods, or are therefore being charged in various ways on production which is for export. We are disadvantaging our exports at the same time that we advantage importers and imports in terms of their ability to compete in the Canadian market. That is not fair.

There is something more fundamental that is not fair. This goes right to the heart of what we have talked about when we talk about tax fairness for average families. It is this. Since 1984 the Progressive Conservative Party has consistently raised the sales tax and the excise tax burden on average families. It has done it year after year after year, to the point where there is now a total increase on the average family earning \$35,000 per year of some \$1,074.50. That is what we calculate has been the increase of tax over the course of the last four years under a PC Government that said it would make the rich pay and not that it would make average Canadians pay. That is a great deal of money, more than \$1,000. It is not compensated by a cut of perhaps \$300 or \$400 in the personal tax burden which people are meant to get under the tax reform when it comes into force in July of this year.

The partial deindexing of the system will mean that any income tax benefits that come from tax reform will very quickly slip away. In a couple of years that benefit will have gone as well.

I know, Madam Speaker, that you would be interested in what some of these figures show average Canadians are now having to pay. In 1984 the Government took measures that led to an increase in oil and gas prices that was worked out to about \$100 for the average family. The increased unemployment insurance premiums amounted to the equivalent of \$102