

Adjournment Debate

smoke and mirrors in it. The Minister's own figures on page 30 of the tax reform 1987 Economic and Fiscal Outlook shows \$2.7 billion are accounted for by accelerated remittances, personal tax instalments and sales and excise tax payments. Other authorities, and when I say authorities I refer to the Bank of Montreal's tax newsletter and Peat Marwick's more recent tax letter—where the amount of smoke and mirrors—that is my wording not theirs—assess it at almost \$4 billion, and in another case at over \$3 billion.

If we also look at page 47 of the White Paper, Economic and Fiscal Outlook, it appears that Canadians will have paid almost \$17 billion in federal manufacturers' sales tax by 1990 as opposed to \$7.5 billion in 1984-85.

The so-called Phase I of the Government's tax reform proposals is supposed to stand alone, but the Government has quietly introduced a major change in public policy here, namely, a shift from income tax to consumption tax. In Phase II, the Government proposes to abolish the manufacturers' sales tax. In its place we will see a multi-stage sales tax on goods and services. At every stage of the production chain, all the way down to consumers, each business will charge tax on its sales and receive a credit for a tax payable on its purchases. The consumers, however, as the last link in the chain, ultimately bear the tax. This new sales tax is supposed to take care of the \$2.7 billion revenue shortfall. It is supposed to replace the manufacturers' sales tax and to allow for removal of the surtax on income taxes and allow a further decrease in income taxes. We are still, however, short of real clear figures.

Again, how much is the Minister expecting to raise by his new sales tax, bearing in mind that the Government has already, in its term in office, increased taxes to an unprecedented limit? How much does the Minister reckon that he can take out of the economy without risking provoking a recession?

• (1815)

Mr. Benno Friesen (Parliamentary Secretary to Minister of Employment and Immigration): Mr. Speaker, I listened with care to the remarks made by the Hon. Member. I would hope that in the interests of fairness and accuracy, she would re-examine some of the comments she made, particularly her opening comments with regard to an increased tax burden on lower and middle-income families. That really is not an accurate statement.

The Hon. Member for Trinity (Miss Nicholson) has asked if tax reform means that the Government will generate more sales tax revenues than that projected in the White Paper. When this Government came to office, it committed itself to a program of economic renewal and sound fiscal management. Since September of 1984, this Government has succeeded in bringing the deficit under control. Interest rates have fallen dramatically. There are over a million more people working today than when we came to office. Clearly, the Government's approach is working.

An important ingredient of the Government's program is comprehensive tax reform. Canadians want a fair and progressive tax system. They want a system that encourages individual initiative and one in which all high-income individuals and profitable corporations pay their fair share of tax. As well, they want a tax system that supports Canada's ability to compete in world markets, one that creates increased employment opportunities for Canadians.

In stage one of tax reform, we have lowered personal income tax rates and converted a number of exemptions to credits. As a result, and I hope the Hon. Member notices this, 850,000 lower-income Canadians will be relieved of paying any income tax. Eight in 10 households will see their income taxes reduced. The average decrease will be well in excess of \$400 per year. These are real benefits to average Canadians.

Still more needs to be done. The Government believes that a fair sales tax should remain one of the key pillars of the tax system. However, the current sales tax is clearly no longer adequate, and I think all three Parties in the House would agree with that. The Government has therefore made a commitment to replace the current sales tax with a more broad-based multi-stage tax in the second stage of tax reform.

The new system will both encourage economic growth and, at the same time, increase tax fairness. Indeed, the new system will be fairer than any sales tax that has existed to date. Lower-income Canadians will benefit from the refundable sales tax credit which will be substantially enriched by hundreds of dollars. Middle-income families as well will benefit from further income tax reductions. As in stage one, stage two will be revenue-neutral to the treasury.

As we have said before, the rate will be determined by the need to generate sufficient revenues to replace the revenues from the current sales tax, to remove the income surtaxes, to provide a substantial enrichment of the refundable sales tax credit for lower-income Canadians and to fund further income tax reductions for middle-income families. Stage two of tax reform will not therefore generate any new net revenues to the treasury.

CANADA MORTGAGE AND HOUSING CORPORATION—SHORTAGE OF AFFORDABLE HOUSING IN TORONTO

Mr. Alan Redway (York East): Mr. Speaker, I want you to think back a few years. Do you remember the very first apartment you ever lived in? I do not know about you, but I certainly do.

The first apartment I lived in was in a part of my community that is known as Thorncliffe Park. When Louise and I were married, we rented an apartment in that community. At that time, it was a newly developed community, virtually a new area. There were a lot of apartments available. We found a rather small apartment, a one-bedroom. It was not a big one-bedroom, but it cost us the grand sum of \$100 a month in rent. That does not seem like very much today, but I can guarantee that \$100 a month in 1962 was a lot of money.