

Excise Tax Act

process, the manufacturer inevitably ends up paying hidden sales taxes on some goods. It was recently estimated that 42 per cent of federal tax revenues were collected on intermediate and capital goods. This leads to the third concern that we have with the present sales tax system, and that is the discrimination against exports. Hidden sales tax costs are forward shifted to the export price, making exports more costly than they would otherwise be. We are about the only industrialized country in the world that puts a tax on our exports.

The fourth concern that we have with the sales tax is the advantage to imports. Canada does not include the cost of transporting goods to Canada as part of the cost base for the calculation of federal sales tax. Consequently, those imports competing with domestically produced goods are often subject to less tax than goods produced in Canada. We tax exporters through our sales tax system and we give an advantage to importers. Aren't we smart? Instead of the Government attempting to deal with it in phase two of tax reform, which should have been brought in at the same time as phase one, the Government, through Bill C-117, is complicating and making worse an already bad situation.

● (1220)

Our fifth concern is the complexity. The licensing requirements of manufacturers and the documentation which entail, the special exemptions for certain goods, and the system of notional values, all tend to make the federal sales tax administratively very burdensome and unnecessarily complex.

The new 1 cent per litre increase in gasoline, which is not applicable to farmers, fishermen, and other primary producers, will cost the average Canadian family of four, assuming a \$35,000 annual income, some \$50 extra per year. This amount is roughly the same as the decrease in tariff rates, which the first two years of the free trade agreement will see as a reduction of federal government revenue. In other words, the Government will lose this money because of the free trade agreement and the reduction of tariffs. It will be reducing its revenues, but the Minister of Finance has made certain that he will grab it out of the hands of consumers by increasing the price of gasoline by 1 cent per litre.

The new telecommunications tax on long distance rates is a blow to Canadians for two reasons. First, the finance committee of which I am a member, in its report last fall, recommended that people living in the remote North be subject to the 10 per cent tax on long distance calls only to a maximum of \$3, since many people living in northern Canada depend heavily on long distance telephone service. The Minister rejected the recommendation. In fact, the Minister of Finance rejected most of our recommendations, but this is one about which I feel somewhat outraged. It is a tax on people living in remote and rural areas who depend upon telephone services much more than people living in the cities. People in remote areas have to place many more long distance telephone calls than city people, and this 10 per cent tax is an unfair levy on them.

Second, the CRTC ruled that Bell Canada should reduce its rates because Canadians were paying too much on their telephone bill. The Government's new 10 per cent tax on long distance rates ensures that Canadians are still paying too much on their telephone bill.

These are some of our concerns with Bill C-117. It increases inflation, despite what the Government has been saying about the reasons for having a high interest rate to combat inflation. As I mentioned earlier, if we are to combat inflation, the best thing to do would be to defeat a Government which has been so inflationary because of the increases in sales tax which it has imposed.

We are also concerned about the unfairness and complexity of the present sales tax regime. I admit that it is a problem which the present Government inherited from the previous Government. However, the Government has been in power for almost four years now, and it still has not done anything about it. In fact, it has made a bad situation even worse by piling more sales taxes on average consumers, by taxing pet food, candy, chocolate bars, and so on. It has created distortions in the market-place with unsalted peanuts not being taxed and salted peanuts being taxed. If we look at the list we see that certain yoghurt products are not taxed whereas certain frozen bars are taxed. There are distortions in the market-place because of the unfairness of the sales tax system.

We have seen the Government do its smoke and mirror act regarding tax reform. In a sneaky way it has taken more money out of the pockets of Canadians while up-front it has given them some tax relief.

This is certainly not honest and fair government. A fair Government would have been honest with Canadians and, if it was to increase taxes, it would do it in an up front way rather than through hidden sales tax.

We are not happy with the Bill. As I mentioned before, it makes a bad situation even worse. We are certainly looking forward to reviewing it in committee.

[Translation]

Mr. Jean-Robert Gauthier (Ottawa—Vanier): Mr. Speaker, I take part in the debate on Bill C-117 very reluctantly because we are not too happy about having to face a government that uses regressive taxation, that resorts to hidden taxes to collect from Canadian consumers enormous amounts of money, admittedly to strike where it shows the least and use measures at its disposal such as the sales tax, the most unfair of all because it affects everybody without any consideration of income. Rich and poor alike pay the same sales tax. That is what a regressive tax is, Mr. Speaker, and a sales tax such as this one must be changed, even though it brings in significant revenue, and I think there is a disposition in this country to replace this approach with a fairer and more progressive one. But we are starting to lose patience with this Government. After three and a half years of endless studies and broken promises, Canadians have every reason to grow impatient.