

What does this mean in plain English? It means that employers who withhold payments from the payroll for Canada Pension, income tax, and unemployment insurance, who used to have to remit it to the Government monthly, were first required to remit fortnightly, and a little later there was a further change and they were required to remit weekly. We have seen the same thing with the federal sales tax. Manufacturers are being required to remit it earlier; in some cases even before they have collected the tax from the sale.

This means that the Government's books look better once only, but this is not an ongoing source of revenue. This is the kind of selective bookkeeping which Peat Marwick criticized and which people coming before the finance committee on tax reform criticized. A Bank of Montreal newsletter a couple of months ago also criticized it. In fact, it reckoned that some of the selective bookkeeping might indeed have falsely reduced the deficit by as much as \$4 billion.

Let us look for another instance where the Government has used figures rather creatively. In some of the earlier economic statements soon after the Government came to power, we were told that a cap would be put on the growth of fiscal transfers to the provinces. The Government got terribly incensed when this was referred to as a cut. "No cuts", they said, "we have merely limited the rate of growth by \$2 billion". On February 26, 1986 we had a Budget where there was not a word about this cap on transfers to the provinces in the *Budget Papers* in Canada, but a glossy document, which was released in embassies abroad and which was given particularly a lot of exposure in the United States, claimed that the Government intended to cut these transfers. Reductions in transfer payments to provincial Governments for health care and post-secondary education were listed among the Government's so-called efficiency measures on page 6 of this particular document. So we have a Government which came to power on a promise of reducing expenditures, reducing the deficit and not raising taxes but it has done precisely the opposite.

• (1700)

Let us look at some specifics in this Budget, which I did not discuss in my speech on the borrowing authority. Again, it is a matter of the Government saying one thing and doing another. The Minister of Finance (Mr. Wilson) has frequently criticized the manufacturers' sales tax. He says it distorts the economy; that it is a silent killer of jobs. But he has increased that same manufacturers' sales tax enormously since he came to power. He tells us that it is only a temporary measure, that when he puts in his new sales tax, the federal manufacturers' sales tax will go. Meanwhile he increased it enormously. I will repeat again some of the figures that I gave on February 12.

On October 1, 1984 we saw the manufacturers' sales tax increased from 9 to 10 per cent. On January 1, 1986, it was increased from 10 to 11 per cent. On April 1, 1986, it was increased from 11 to 12 per cent. The impact on tax revenues was a \$3 billion gain to the Government as a result, this from a

The Budget—Miss Nicholson

Government which came to power on a promise of not increasing taxes.

On July 1, 1985, we saw the sales tax extended to candy and soft drinks. On July 1, 1987, we saw the sales tax extended to fast food and snacks. Those two measures netted the Government \$460 million. On January 1, 1988, we saw the sales tax increased from 8 to 12 per cent on paint, wallpaper and toys. That measure brings the Government \$60 million a year. We have seen progressive increases in air transportation taxes since May 1, 1986 which have netted the Government \$55 million. Then we have the excise taxes, to which I will return. Then there are the income taxes greatly increased by deindexation of personal allowances and other measures. The Government continues to increase taxes while not lowering the public debt.

I want to come back to the Peat Marwick newsletter because Hon. Members opposite have been objecting to figures and statements produced from this side, so I think if I quote a very well respected accounting firm's newsletter nobody can find fault with the accuracy of it. The newsletter is critical of the increases in the manufacturers' sales tax. We have some new ones here. Let me quote:

It comes as no surprise that the Government has again turned its attention to federal sales tax in the current budget. The second stage of the 1987 tax reform proposals on the multistage sales tax appears to have become bogged down in pre-election jitters. While it does not appear to be safe to introduce a new tax in a potential election year, it pays to tinker with the grande dame of taxes—the 68 year-old federal sales tax.

The proposal to shift the sales tax to the wholesale level for household chemicals, toys, games and sporting goods and records and tapes (to have been implemented January 1, 1988, then postponed to July 1, 1988) will not be implemented.

This was a matter on which the finance committee received many representations. The letter continues:

The sales tax on pet foods, snack foods, candy and confectionery, microwave ovens, television and video recorders and players, moved to the wholesale level prior to 1988, will be shifted back to the manufacturer's trade level effective November 1, 1988. It is unclear what the tax disposition of affected goods will be where such items are held by a wholesaler at November 1, 1988. Transitional provisions should ensure the ability of wholesalers to pay tax only on the cost of goods on hand at November 1, 1988 when they are ultimately sold at a later date.

Because of "structural problems" in applying the sales tax at the manufacturer's level on motor vehicles, cosmetics, health goods, prerecorded video cassettes and pet litter, these items will continue to be taxed at the wholesale trade level—

Concerning the manufacturers' sales tax, and I repeat, according to the Minister of Finance, the manufacturers' sales tax is destructive to the economy, destructive of jobs, yet he continues to increase it, to tinker with it and to apply it to more goods, to broaden the base and increase the rates. It is a very inconsistent position which is difficult to understand. One of the measures the Government considered was to introduce related-party taxing provisions. This was introduced in the June, 1987 tax reform papers. It was resisted. The finance committee received many criticisms of it, in response to which the Minister of Finance, sensibly, withdrew it. First, the provisions were temporarily postponed to July 1, 1988. Now it