

Excise Tax Act

The Minister says: Let us be realistic, we need money. But since an election is coming, we cannot impose a sales tax across the board, especially on food. We will try doing it sector by sector, but we have to find a way to increase Government revenues, create a new sales tax indeed on marketing. Now a manufacturer, once he has priced his product, must add to that price, in order to evaluate the sales tax, by including his promotion and marketing cost. In this Bill, the Minister of Finance completely neglected to include a definition of "promotion costs, marketing costs", or perhaps he does not even know himself. So everyone is left in the dark and companies definitely are seriously concerned with that unrealistic, incomplete legislation that will create a red tape monster.

Moreover, two or three years down the road, when an auditor from Revenue Canada's Sales Tax Branch makes an audit, a definition will then be issued, if there is a definition at that stage, and this will be arbitrary—what is a marketing cost? What is a promotion cost for a manufacturer? This is why a multitude of companies and organizations appeared before the Standing Committee on Finance and Economic Affairs, suggesting: In the name of God, stop that! This is a sheer madness, it makes no sense! Let us not get into that! We do not know where we are going, we do not know how much to charge because the sales tax cost is part of the pre-retail sale cost, and there is a danger two or three years down the road that we will be assessed by the Government—Therefore we have discouraged entrepreneurship instead of promoting and encouraging our manufacturers and our industrialists to become more active and innovative in producing and selling. They are discouraged because they are dealing with an uncertain tax system and they do not know how to proceed.

• (1150)

I should like to refer to a single case, that of furniture manufacturing in Quebec, a vital industry which will have to compete against Americans if the market is opened up. There is a problem and I should like, Madam Speaker, with your consent, to read from a letter which I received from one of my constituents, a company in my riding of Saint-Léonard—Anjou, by the name of *Les meubles Valentino*, which says:

We should like to bring to your attention the representations made by the Quebec Association of Furniture Manufacturers to the minister of Finance, Mr. Michael Wilson, in connection with the new computation method of the federal sale tax to be implemented on November 1, 1988.

As an employer and as a member of that organization, we should like to support its action and ask you to be kind enough to demand from the government the withdrawal of that new measure.

As you will appreciate after reading the enclosed brief we have good reasons to oppose this new measure. Suffice to mention:

They mention six points in their letter, and again I quote:

- (1) The measure adding \$34 million a year in taxes on the furniture industry.

I did not refer to this measure a moment ago when I listed the tax increases, but it means the furniture industry alone

must pay an extra \$34 million. You can imagine how much money this unrealistic and discriminatory measure brings in!

Again I quote the letter:

- (2) The measure will not narrow the gap in favour of imports, on the contrary it will make it even worse in most cases.
- (3) The administrative complexity of the measure will entail huge additional costs.

Just think of the small businessman having to cope with this mess and figuring out how much more he will have to spend on distribution and advertising to sell his products. How can he be expected to do that when the measure does not even define what constitutes an advertising or distribution expenditure?

I continue the quotation:

- (4) The measure will be harmful because of uncertainty concerning the amount taxable.

How will that be defined, how will the 25 per cent be added, and two or three years later in comes an inspector or an auditor who says: No, you know, such or such item must be included. For example, take a small firm where the president of the company or the owner happens to be the production manager, the salesman, the clerk, the accountant, he does everything, so where does his salary come from? How is his salary accounted for? What part? Is it part of the distribution? The gentleman or the lady also makes deliveries? What part of the salary will go under advertising? That is how far this Government has gone in its never-ending quest for money.

Fifth, he says, and again I quote:

- (5) It is unfair to make the furniture industry pay for the actions of other industries.

What is the meaning of the fifth point? There was a case before the court and they said a few companies took advantage of the situation and tried to get secrets, an advertising company with a separate branch for distribution, they boosted their products and their affiliated firm did not have to advertise, this way they could cut costs and therefore on the basic cost the tax was lower. The court ruled for the plaintiff. There were other ways of solving the problem. The Minister of Finance could have brought in regulations which, as is done for small business deductions, define allowable relationships between corporations and forbid corporations which are not at arm's length from claiming certain benefits.

The Minister decided instead to use the opportunity given to him by the judicial system to get additional amounts, unconcerned about the problems such a system would create for business.

Furthermore, the sixth point in the letter states: "The timing is bad for such a radical change!" Indeed, Madam Speaker. The government wanted Canadians to believe that its tax reform package would simplify things—and everybody agrees that the Income Tax Act needs simplifying.

All Canadians were therefore hoping that, through tax reform, their annual tax form would be clearer and simpler,