

Government Orders

Mr. Wilson (Etobicoke Centre): Mr. Speaker, I will answer the question exactly the same way as I did before. Any tax on consumption, which is what a sales tax is, whether it is a federal sales tax at the manufacturing level or a provincial sales tax at the retail level or the goods and services tax, any tax on consumption is paid by consumers. Consumers are individuals.

An hon. member: Is it regressive?

Mr. Wilson (Etobicoke Centre): The hon. member asks another question: Is it regressive? I say to the hon. member that the existing sales tax is a regressive tax. I think we would both agree on that.

With the introduction of the goods and services tax credit so that Canadians in low-income brackets, after sales tax reform, will be paying less as a percentage of their income than people in upper-income brackets makes it a progressive tax system. That is not the case today. It was not the case when we came into office in 1984.

We did this principally because we wanted to improve the fairness of the tax system, particularly for those in the low and middle-income brackets. As I said, 84 per cent of seniors and single-parent families will be paying less sales tax, including the effects of the GST, than was the case before.

Mr. Fontana: Mr. Speaker, across Canada the average price of a new home is expected to reach \$151,900 in 1990. That means the average family would need an annual income of some \$65,000 or more to reach for the Canadian dream of owning a home. But in 1988, the average family income was only \$46,185. That means family incomes and salaries must increase by 41 per cent by the end of this year before the average Canadian family can own the average Canadian home.

My question to the minister is this: These figures are a clear indication of Canada's growing housing crisis and rather than addressing the problem, why is the federal government adding to the problem with the 7 per cent GST and inadequate rebates for housing?

Mr. Wilson (Etobicoke Centre): Mr. Speaker, let me explain for the hon. member how the rebate works and speak about the tax on new housing. I should just make it very, very clear because both the Leader of the Opposition and the Leader of the New Democratic Party left

the impression that there would be a 7 per cent tax on the whole price of the house without the rebate.

There will be a rebate so it is 7 per cent less the 2.5 per cent rebate for a net of 4.5 per cent. We agree on that. I think the hon. member is nodding his head.

Today there is a tax at either 13.5 per cent or 9 per cent on building materials, plumbing supplies, windows, rugs, wallpaper, a large number of things that go into a new house. The effective tax rate of all that, in relation to the total price of the house, is somewhere in the 3 per cent to 4.5 per cent range depending on the place in the country. I think in his community of London it is in the order of 3.5 per cent or 3.75 per cent.

So the impact on the price of a house may be zero or it may be as much as 1.5 per cent, which is the case in Metropolitan Toronto. I think by bringing in the rebate of 2.5 per cent, we have been able to address the problem that he and I are both concerned about and the impact it can have on the housing market. I believe we have done this in an effective way.

Mr. Fontana: Mr. Speaker, the minister will know and understand that there is no tax on land and there is no tax on housing under the current MST. He has now admitted that even after his complicated formula—the rebates and what have you—that the net increase is still going to be as much as 2 per cent across this country on prices of housing which are already too high.

Now that he has admitted to the fact that there is going to be at least a 2 per cent increase on new houses, the industry says that is going to affect existing housing to the tune of about 2 per cent to 3 per cent. How has the minister answered the question of affordability by adding even after the rebates another 2 per cent to housing for Canadians?

Mr. Wilson (Etobicoke Centre): Mr. Speaker, the hon. member, like his leader, is distorting things again. He just said 2 per cent is what I said. I did not say that. I said it could be up to 1.5 per cent, but it could be zero. In some communities it will be zero. We have some examples where there will be an actual small reduction in the over-all cost of a house.

I have heard this distortion today from the Liberal Party and what the tax is applied to. The Leader of the Opposition said it was applied to education. Wrong. It is