

*Government Orders*

always easy to cope at a time when the economy undergoes profound changes. Our efforts, since 1984, to reduce the deficit were necessary to correct the mistakes of the past.

Since 1984, we have reduced the deficit by nearly \$8 billion, from \$38.3 billion to \$30.5 billion this year. In 1984-85, program spending was about \$16 billion more than the government's revenue. This year, thanks to improved expenditure management and increased revenues, budgetary revenue exceeds program spending by about \$9 billion.

We will continue our efforts to reduce the deficit. According to the plan the Minister of Finance (Mr. Wilson) tabled last April, 1993-94 will be the last fiscal year in which the government has to borrow new money on the financial market.

The bill before us today faithfully reflects the revised GST we revealed in December.

The 7 per cent rate will help bring in a climate of lower inflation, interest rates and deficits and help stimulate economic growth in the coming years.

However, with the GST at 7 per cent instead of 9, it will bring in nearly \$6 billion less each year, money which was needed to reduce the deficit and maintain essential services for our fellow citizens' welfare.

• (1600)

The measures announced by the President of the Treasury Board (Mr. de Cotret) will contribute \$700 million a year to financing the lower GST rate.

We also made some changes to income tax provisions.

The lower GST rate enables us to reduce the GST credit and still keep our commitment to protect Canadians of modest means. Families earning up to \$30,000 a year will pay less in income and sales taxes thanks to the GST. Three quarters of families headed by an elderly person or a single parent will have more after-tax income with the GST.

The refundable GST credit which will be paid four times a year to 8.7 million families and individuals will protect people on low incomes. The credit will be \$190 for adults and \$100 for children. Single parents will be able to claim an adult credit for one dependent child. Unmarried adults, including single parents, will be able

to claim an additional credit of up to \$100 and the first GST credit should be paid in December 1990.

Since the 7 per cent GST is less of a burden on middle-income Canadians, it is no longer necessary, as we had originally thought, to reduce the income tax rate. Even without this income tax reduction, middle-income Canadians will pay less tax.

Mr. Speaker, we also announced that the surtax on high incomes would be increased and that it would be extended to the basic federal tax on \$12,500.

We have also asked companies to carry their share of the load. For example, corporate taxes will go up and the annual fees that were to be paid to small businesses to administer the GST have been eliminated. However we want to help small businesses adapt to the new system, so they will be entitled to a one-time credit of up to \$1,000.

Sales and excise taxes on alcohol, tobacco and fuel will be readjusted to maintain them at their current level.

With respect to housing, the GST will apply only to new houses. The GST housing rebate has been readjusted to take the lower rate into account and will enable the government to honour its commitment to give Canadians ready access to houses at affordable prices.

Mr. Speaker, I do not know anybody who likes taxes. The introduction of a new tax is never popular even if the new levy replaces so ridiculous and destructive a tax as the current manufacturer's federal sales tax.

Of course this initiative is not aimed at pollsters.

Its purpose is to make Canadians more prosperous and the tax system more equitable. It will eventually rid Canadians of the ever heavier public debt burden and put Canadian companies on the same footing as their competitors in this country and abroad.

Mr. Speaker, now more than ever before is the time to take action.

A modern country such as ours whose economic growth depends on international trade cannot afford the luxury of maintaining a tax system designed for the conditions and circumstances which prevailed in the 1920s. On the eve of the 21st century, how can we possibly hope to stay competitive with a regressive and harmful 66-year-old sales tax!