

*Government Orders*

It would be so much easier to reduce taxes, to offer new services and to develop all kinds of programs. In fact, Mr. Speaker, that is exactly how governments proceeded from the end of the sixties up to the early of the eighties. They were the big spenders. Public servants were hired in the tens of thousands. New programs were being introduced daily. Crown corporations were created in every possible sector, for every possible reason. In a word, Mr. Speaker, they were living in a fool's paradise.

The balance sheet was not a priority. If they ran out of money, no problem—they just borrowed a few billion more.

Mr. Speaker, the government we had in the seventies and the early eighties promised Canadians the moon. We know what we got: a national debt of nearly \$320 billion.

Mr. Speaker, today we have to pay the bill. It hurts when we have to cut spending. It hurts when we increase taxes. However, we have to do this in 1990 if we want to correct the excesses of the past and offer the programs and services Canadians will need in the future.

When introduced, a measure like the GST is never very popular. However, when Canadians see the positive results on our balance sheet and in our country's economy, I am sure the majority of Canadians will understand that the tax reform proposed in this bill is both necessary and salutary.

The GST bill is part of a series of measures aimed at strengthening the Canadian economy and reducing the deficit. I think it would be useful to review the main characteristics of the GST.

It will apply to the majority of goods and services, with the exception of the following: basic groceries; medical devices; prescription drugs; residential rents and existing housing; loans, mortgages and life insurance premiums; health and dental services, including hospital and nursing care; most education services; day care services; legal aid services; municipal transit services and passenger ferries.

This means we did not accept the recommendation that favoured applying the tax to all goods and services. I must admit, Mr Speaker, that I am very pleased with this decision because it would have been brutal to apply the tax to such necessities as basic groceries, prescription drugs, existing housing or day care, just to reduce the tax by one or two percentage points. In fact, we managed to

reduce the rate to 7 per cent without resorting to this radical application.

For businesses, the amount of GST they pay will be the difference between the tax they collect on their sales and the tax they pay on their purchases. If the tax they collect is less than the tax they pay, the government will refund the difference. To claim a refund or pay the tax due, most businesses will have to complete a one-page form, I repeat, one page. There are prophets of doom and gloom in the House and outside who would have Canadian businesses believe they will have to complete endless forms. No, Mr. Speaker, just one page!

Thanks to the input tax credit, businesses will receive a full refund of sales tax on their inputs, which will reduce operating costs in Canada and make all sectors of our economy more competitive. This measure will have the effect of reducing the price of capital goods by an average of 4 per cent. Lower costs will increase incentives to invest, resulting in an increase in productive capital stock and a significant increase in production in most sectors throughout the country.

One of the major concerns about the GST, mainly among small businesses, was the administrative burden that the GST would impose. We intend to introduce a number of simplified accounting procedures. The government will provide a measure of sales tax and income tax relief for small businesses that purchase cash registers to help them apply the GST. The government, together with small business, will also look at other ways to simplify administering the tax.

Mr. Speaker, we are also co-operating closely with the provinces in the area of sales tax administration. Recent statements by the Minister of Finance of Ontario give us hope that we will have a period of co-operation between the two levels of government in this field, which would be positive and much appreciated by business people, Mr. Speaker.

Most sales by charitable organizations and many sales by non-profit bodies will be exempt. Furthermore, charities and agencies largely funded by the state will be eligible for a 50 per cent refund of the GST paid on their purchases for exempt activities.

To protect low-income Canadians, a refundable GST credit will be paid four times a year to nearly 8.7 million families and individuals. The credit will be \$190 for adults and \$100 for children. Single parents will be able to claim an adult credit if they have a dependent child. Unmarried adults, including single parents, will be able