

Government Orders

to proceed with the GST—the expedient thing for the government, but the wrong thing for the country.

The goods and services tax will help our deficit reduction efforts and ensure that we can continue to afford the programs and services which Canadians value. It will strengthen our industries in a significant and direct way, because a central feature of the GST, the input tax credit, will allow them to compete free of tax in markets abroad and put them on an equal footing with imports in our own market.

Eliminating the existing tax will remove tax-induced distortions in the price of goods and services, and will lower the cost of capital to produce long-term economic benefits. The GST output will increase by close to 1.5 per cent, or about \$9 billion a year. There will be gains throughout the economy, in all regions of the country.

We also expect the new system to lead to the creation of some 60,000 new jobs by as early as 1992. How quickly the economic benefits of sales tax reform are realized depends to a large extent on prices and wages. It is essential that savings from input tax credits and the elimination of the existing federal sales tax be passed on to consumers.

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Competition will provide the most important incentive for firms to reduce prices. In addition to that, to help consumers, the government will establish an office to provide consumers with information prior to the implementation of the GST. In this way consumers will be able to find out what impact the GST is likely to have on the price of key goods and services.

I also want to take this opportunity today to encourage companies and unions to follow responsible and moderate approaches to price and wage decisions. Because if they do, the transition will be smooth and jobs will be gained as early as 1991.

As I said earlier, a major reason for introducing the GST is to improve the fairness of the tax system. We have achieved this through the refundable GST credit, a unique feature of this tax.

The credit reflects this government's firm commitment to maintaining a caring and compassionate society. The credit will be paid by cheque four times a year to some 8.7 million Canadian families and individuals. In fact, the first payment will be made at the end of December of this year so that Canadians with lower modest incomes will have the money in their pockets before the GST is implemented in January of 1991.

With the GST credit, three-quarters of families headed by seniors or single parents will have more after tax income than they do under the existing system.

Another benefit which few people have considered is that the GST will end the error of the hidden federal sales tax. Under the existing system any government can raise the rate of the federal sales tax without many Canadians noticing, but under the GST Canadians will not only know they are paying a federal sales tax, they will be very, very much aware of any change that any future government might want to make.

This greater visibility of the tax will make governments much more accountable to Canadians than ever before. In fact, the GST will be a more visible tax than the provincial sales taxes. The provincial sales tax today applies to many business inputs, such as building supplies, computers and telephones. The result is that about a third of provincial sales tax revenues are from these sources. As a result, the tax that you see is applied on a price which already includes a hidden provincial sales tax, but if that hidden tax were removed, the provincial tax rates would have to increase by about a third to a half. Those hidden taxes are removed in the GST system so that the 7 per cent that you see is all that you are paying.

The goods and services tax bill is more than a question of balance sheets and bottom lines. It is more than a simple matter of dollars and cents. Thanks to the refundable sales tax credit and the visibility of the tax, the GST will also make a substantial contribution to social justice and ongoing political accountability.

I believe that in the months following January 1, 1991 when the cut and thrust of partisan debate on this issue has calmed down, when the controversy has subsided, when Canadians can see our economy even more vibrant