

THE NEED FOR SALES TAX REFORM

On August 3, 1989, the Minister of Finance issued the "Goods and Services Tax Technical Paper" (the "Technical Paper") setting forth the government's proposal for replacement of the existing federal sales tax ("FST") with a goods and services tax ("GST"). On October 13, 1989, the Minister issued a document "Goods and Services Tax Draft Legislation" ("Draft Legislation") to be read in conjunction with the Technical Paper.

Attempts at sales tax reform in Canada have a history that is even longer than attempts at constitutional reform. We've had a manufacturer's sales tax at the federal level since 1934. Calls to abandon that tax came almost immediately following its introduction - and not from self-interested critics only. The Rowell-Sirois report in 1940, the Carter Commission on Taxation in 1966, the Macdonald Royal Commission in 1985, and various task forces and study groups in between, unanimously condemned the manufacturer's sales tax as a poor tax that ought to go.

Even groups that oppose the proposed Goods and Services Tax recognize that the manufacturer's sales tax is harmful to Canada's interests. As noted by the United States Chamber of Commerce in their submission to the Commission:

APPROACHES TO SALES TAX REFORM

In a country where the tax burden is so high, it makes no sense to add another tax on top of the existing ones. And in an economy where the government is so large, it makes no sense to impose another tax on the economy.

The current federal sales tax applies to all goods sold by manufacturers in Canada and to all goods imported into Canada. The tax is levied on the selling price of the goods. The range of exemptions is wide, including food, clothing, housing, health services, and education. The tax is levied on the selling price of the goods. The tax is levied on the selling price of the goods. The tax is levied on the selling price of the goods.

The tax is levied on the selling price of domestically produced goods and on the selling price of imported goods. For some products, including automobiles, vehicles, goods, and other products, the tax is levied on the selling price of the goods. The tax is levied on the selling price of the goods. The tax is levied on the selling price of the goods.

As already noted, the GST has been studied extensively and its major distribution is well known. A brief review of the problems associated with this tax may nevertheless