Students and the GST

An article from J.W. Bud Bird's office, MP for Fredericton, concerning the GST.

The government is proposing to replace the current federal sales tax with the Goods and Services Tax (GST).

If you are a student, the GST will probably mean more money in your pocket because of the GST tax credit, a better chance to get a job because Canada will be more competitive, and a smaller government deficit to pay for when you become a taxpayer after graduation.

Right now, you are paying federal sales tax, but don't notice it because it is usually hidden in the price. You pay this tax on such things as school supplies, beer, furniture, gas for the car, long-distance calls home, and records for your stereo. The usual tax rate tax is 13.5 per cent.

So, when the old tax comes off, many of the things you buy will go down in price. Other things will cost more. To make up for the difference between what you pay in tax now, and what you will pay in the future, the government is going to provide generous tax credits.

The current sales tax credit of $140 will be increased to $190 per adult. If as you are over 18, you will qualify on your own, regardless of how much your parents make. You will get the full amount as long as your income (or your family income if you are married) is less than $25,000. Few students earn more than $25,000, so most will qualify for the full amount. Moreover, if you live on your own, you could qualify for up to an additional $100.

There is an application form for the GST credit in this year's income tax package. Fill it out if you think you qualify. The credit will be paid in four quarterly installments. Expect your first cheque in December - before the GST takes effect.

Basic groceries, rent and tuition fees will not be taxed.

Universities and colleges will get a 50 per cent rebate on the GST they pay. This will make up the difference between the old tax and what they will pay in the future.

You may be one of the many students who run a summer business. If your sales are less than $30,000, you can opt out of the GST. This means you will not have to charge tax, but you will not qualify for a rebate on the tax you pay on your supplies. Or, you can choose to be part of the GST system, charge the tax to your customers, and get a rebate for the tax you pay your suppliers.

The GST will improve your chances of getting a job after graduation. The current tax hurts our ability to compete, as it taxes imports less than Canadian-made goods, and it raises the cost of our exports. By 1992 there will be 60,000 more jobs than there would be if we did not change our tax system.

Finally, you have to think about your future as a taxpayer. Did you know that your share of the national debt is more than $13,000, and that this is growing by $1,100 a year?

The lower the deficit, the less of a burden you will face later on. The GST will help reduce the deficit in two ways.

First, it will strengthen the economy. A stronger economy will produce more revenues.

Second, the current tax is leaking. Businesses are funding more and more ways to get out of paying it. The GST will minimize tax avoidance and evasion activities.

In summary, the GST will benefit students now through increased sales tax credits, and will benefit them in the future through increased jobs and a reduced deficit.

Perspectives

Canada Past and Future

by Wm. Mott Stewart

I am closing the door to a solution which would destroy the country. I think particular status for Quebec is the biggest intellectual hoax ever foisted on the people of Quebec and the people of Canada. P. E. Trudeau, Sept. 5, 1967.

Twenty-three years later, Mr Trudeau still believes that special constitutional status for Quebec will inevitably cause the break-up of the country. He recently asked us to make a choice, and to know what our choice entails: do we want one country in which every province is equal, or two unequal nations in a loose federation?

Should Quebec by given constitutional powers to preserve and promote its distinct identity through adoption of the Meech Lake Accord? The great majority of the Canadian people say no, agreeing with Mr Trudeau that this course will destroy the country.

Unfortunately, we must also consider the possibility that rejection of the Meech Lake Accord will destroy the country anyway. How has this unprecedented crisis been brought about?

The root of our present problems lies in the period prior to the 1970's, when Quebec was treated as an economic colony by the English minority centered in Montreal. It was impossible to obtain a job in Montreal during this period unless you spoke English. Quebec has never forgotten this insult, and are still taking out their anger on the rest of Canada today.

During the 1960's, Pierre Trudeau realized that if Quebec was to stay in Canada, it had to be shown a viable option. Together with several like-minded Quebecers, he provided this option by proving that Quebec could satisfy its desires within Canadian federalism by playing a powerful role in federal politics.

And none too soon. A few years later, a separatist government was elected in Quebec. A referendum was fought and won.

This was 1980, and the battle then returned to the constitutional front. Quebec's position, as it had been for decades, was simply put: we will allow patriation of the constitution from Britain if we are given more powers at the same time.

Mr Trudeau, seeing that he could not win playing by these rules, changed the rules. First, he tried to patriate the constitution unilaterally. The provinces took him to the Supreme Court. He lost, but learned for the first time that unanimous provincial consent was not required; he needed more than two, but less than ten. He got nine - all but Quebec. As a result, Canada got its Constitution and a Charter of Rights and Freedoms to boot.

The constitutional playing field was now very different. Quebec could no longer block constitutional change altogether. On the other hand, there was general agreement that the first matter of business should be to bring Quebec along-side.

The normal course of events would have been a series of First Minister's Conferences, followed by a deal trading Federal powers for Provincial powers. The actual course of events is astounding.

With the Meech Lake Accord in 1987, Mr Mulroney offered Quebec what it had always dearly wanted, but which no Prime Minister - from MacDonald to Trudeau - had ever found acceptable: special constitutional status for Quebec. The Accord would provide that the entire constitution of Canada would have to be interpreted by the courts in light of the Quebec government's right to preserve and promote its distinct identity.

Now it is 1990, and the ball is in the people's court: is the Meech Lake Accord good for Canada? There are three basic considerations.

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An edited version of a presentation made by Kelly Lamrock, president of STU, to the Parliamentary Committee of New Brunswick .

While we applaud, in principle, the decision of the Department of Finance to exempt tuition fees from the GST, it is our concern that in practise this step will prove to be little more than semantics. Since tuition fees are essentially a means by which universities recover expenditures from the students, the real method by which we can keep tuition fees down for students is by reducing expenditures for universities. unfortunately, the GST will, by all estimates, do exactly the opposite. First, there are the immediate effects: a seven per-cent levy on nearly everything that universities buy. There are no exemptions for photocopiers, desks, tables, blackboards, and all other expenditures which universities must buy as basic necessities. Also, the tax is inflationary. It seems to be based on a false premise that manufacturers will subtract the existing 14.5% tax from the current price of their goods, which is at best utopian. Thus, it seems that the costs paid in the old, hidden tax will merely be taxed again under the new tax. Equally inflationary will be the inevitable "rounding off" process, which will increase the inflationary aspects of the tax immediately upon implementation. In this scenario, sellers will round the newly taxed price to their goods off to a more market-friendly price. For example, the new price on a $7.00 movie ticket will not remain at $7.63, it will be rounded off to $7.75.

There are wider ramifications to this aspect of the tax, of course, but for our purposes one is preeminent - all of these inflationary effects will be acting upon university budgets, and will then be passed on to university tuitions. We consider it all a shame that the government's good intentions demonstrated through the tuition exemption will be wasted under the current plan. This is especially true in the Atlantic region, where our tuition fees are by far the highest in the nation.

As a side note to this problem, we would also note that student union fees have not received tax exemption status. As these are compulsory fees paid with tuition on most campuses (including our own), and are the funds which allow student unions to provide services essential to student life; we feel that this oversight is inappropriate.

The issue of tuition fees intrinsically leads into a discussion on the accessibility of post-secondary education. We at St. Thomas University support whole heartedly the stance taken by the Canadian Federation of Students that there must be a place in a university classroom for every qualified individual. Sadly, the effects of the GST are totally at odds with this ideal.

There are two particular groups which shall suffer the effects of the GST to an even harsher degree than the rest of the nation's students.

In New Brunswick, the cause for this concern is obvious. There has already been a trend under the current government to take jobs away from university students and hire high school students. If this trend combines with the effects of the GST proposal upon funding and accessibility, the detriments for students could be greatly increased.

With the recent 'de-indexing' of federal grants to Native Student Education, the combination of direct taxation of textbooks and students union fees with indirect taxation of tuition fees will make the effects of this action even more drastic for the Native community.

Secondly are the Francophone students. Currently, students at St. Louis-Maillet, Universite de Shippigan and Universite de Moncton are often forced to pay exorbitant prices for French textbooks due to the lack of ready availability. Imposition of a 7% tax on textbooks would make the attainment of a French language education all the more difficult.

The accessibility issue reaches far beyond identifiable groups. All students are affected by a tax which make post-secondary education an impossible dream for an even larger group of young Canadians. There are direct effects upon the individual who is denied an education, and indirect ones upon those who do get through university, who will have a larger group of low-income Canadians to support through tax dollars.

Given the proven emancipating ability of post-secondary education for people caught in what had previously seemed a sociological dead end, and given the already detrimental nature of Bill C-33 towards accessibility, the GST seems poorly thought out in this area.

For those students who are fortunate enough to make it through these new financial pitfalls and actually get to university, the question must be asked - What kind of education will await them? Under the current GST plan, the answer is not a happy one.

In such places as the University of New Brunswick, where blackboards are a luxury given to a fewer than 50% of classrooms, such essential items will be harder to obtain. The same can be said for the aforementioned textbooks for St. Louis-Maillet.

At St. Thomas, where overcrowding exists even if one applies the very minimal principle of one chair for every student, the capital expenditure necessary to have cafeteria faculties for all students and classroom atmospheres conducive to learning will become seven per-cent harder to obtain under the GST.

Since many student loans in New Brunswick must start to be paid back within 30 days, and there is still no provision to help self-supporting students regardless of parents' income, some measures of financial security must be provided for Canada's students.

Despite today's student's reputation as a high volume consumer of stereos, records, comic books, videogames, alcohol, and other frivolous items, the facts no longer bear this portrait out. Nearly 90% of student dollars go for the same essentials we all share; rent, food, and clothing. Since the student's income is low, provisions for these necessities while one is undertaking training must be taken into account. There are fair and equitable ways to bring this about.

Two areas that have caused us concern should be mentioned. It has been brought to our attention that the proposed tax rebate has been deliberately structured to exclude students, a move we consider unfair given the scant amount of disposable incomes students have as of now.

Also, we have been alarmed at the abundance of suggestions emanating from the business community that the tax rate be lowered and the basic grocery exemption be cancelled. There is no evidence to suggest that a student eats less than the wealthiest of Canadians, and a regressive tax put on this basic need would be highly inappropriate.

Employment is a major concern for students in New Brunswick, which is now the province holding the worst prospects for job-seeking students. Our concern in this area is that if the Finance Minister's utopian hope that workers will not ask for compensatory wage increases to help pay for the new tax turns out to go unrealized, the financial pressure is on employers to placate their full-time, year-round workers first, this will impact negatively on student employment.

Our primary recommendation is that the Goods and Services Tax concept be scrapped as regressive and unfair. We would further recommend that if the Finance Minister still has concerns about the Manufacturers' Sales Tax that it be returned to the lower level it was before this government took office.