

PART B: ECONOMIC AND DISTRIBUTION ASPECTS

Chapter 1: Economic Aspects

13. That the government not proceed with the proposed middle income tax rate reduction and that the savings be used instead to bring about a lower GST rate.

Chapter 2: Alternative GST Option

14. That any revenues from sales tax reform in excess of revenues required to finance replacement of the existing FST and associated sales tax credit increases and indexation payments should be used to reduce the government deficit.
15. That the general GST rate be lowered from the proposed 9% to 7%.
16. That excise taxes on alcohol and tobacco products be raised sufficiently to recoup the revenue losses that would otherwise result from the substitution of GST at 7% for the existing FST.

Chapter 3: GST Credits

17. That the single person's credit be eliminated and that it be replaced by a higher basic GST credit for the first adult in any household.
18. That the amounts for the GST credit be set as follows: \$250 for the first adult in the household, \$175 for the second adult, and \$100 per child.

PART C: The Design of the GST

Chapter 2: Basic Operation

19. That full GST input tax credit be allowed for meal and entertainment expenses, and for passenger vehicles purchased or leased, including those purchased or leased by self-employed individuals, partners and persons meeting the criteria of paragraph 8(1)(f) of the Income Tax Act. If the Minister deems it advisable to make appropriate adjustments because of the personal consumption component, the changes should be made by amending the Income Tax Act. The Income Tax complications should not be added to the legislation implementing the GST.
20. That a simplified method to eliminate the provincial sales tax component prior to determining input tax credits be allowed. The optional simplified method could involve use of a reciprocal tax factor to determine the GST input tax credit on the gross selling price including provincial sales tax and GST. An adjusted reciprocal factor to reflect an assumed tax status and value combination could be used where a business is supplying goods with a different tax status for provincial sales tax and GST purposes.