

B. Indexation

- (47) The system of GST credits is subject to the same indexation provisions that apply to the income tax system in general; that is, the credits and the threshold are indexed to the rate of inflation, measured by changes in the CPI, in excess of three per cent. Thus the real value of these credits will generally decline by 3% per year.
- (48) Virtually all opponents of the tax cited this feature as a major flaw in Bill C-62. It is instructive to note that some proponents of the Bill also commented critically on this feature. In particular, Dr. Robert Clark of the University of British Columbia noted, as did the Economic Council of Canada and the Conference Board, that refundable tax credits are an efficient means of introducing progressivity into the GST. Since it is so important, Dr. Clark insisted that its real value must be protected. Another vocal supporter of the GST called convincingly for the full indexation of the credits and the turning point. Not to do so would, according to Mr. Wolfe Goodman, "...be grossly unfair to the poorest and most vulnerable people in our community."
- (49) The credits, in addition to other elements of the tax reform package, are designed to make the GST package progressive at the lower to middle income levels. As the real value of these credits declines with inflation, this progressivity will diminish.
- (50) The federal government's claim that the GST will make families with incomes below \$30,000 better off is true in the first year of operation, according to Mr. Ken Battle of the National Council of Welfare. But in testimony