

II. GST CREDIT SYSTEM

A. Value of Credits and Burden of the GST

(29) The provisions of Bill C-62 introduce a refundable GST credit system with the following maximum annual amounts: \$190 per adult; \$100 per child; and a \$100 special singles credit. This compares with the existing FST credit delivering maximum amounts of \$140 per adult and \$70 per child in 1990. The GST credit system also increases the turning point beyond which the credit is reduced to approximately \$25,000 and allows single parents to claim an adult credit for one child. The benefit reduction rate is 5% of family income in excess of the threshold.

(30) This enhanced system of credits is the primary mechanism by which families earning less than \$30,000 per year are to be made better off, according to the Government. In examining the distributional consequences of this tax reform, the federal government estimates always assume that the full amount of the FST will be removed from prices, with the full amount of the GST added on. Numerous witnesses, such as the Canadian Council on Social Development and the Social Action Commission (PEI), among others, challenged this assumption, both for goods eligible for the FST inventory rebate and goods produced and consumed under the new system.

(31) The credits are not intended to offset the entire amount of GST paid -- rather they are intended to offset the additional tax burden for lower and middle income families. Many witnesses before the Committee had views different from those of the Government regarding the additional impact of the GST on households' tax burdens,