

Routine Proceedings

● (1630)

I started off this hearing process fully supporting the GST. I had lectured about it in classes and thought I fully understood the principles. Well, I understood the principles but what I had failed to understand were the difficulties.

At the beginning we had many witnesses who said: "Let us keep the tax. We spent several billion dollars installing it. It would be very silly now to throw away this investment and start the learning process, the investment in cash registers and so on all over again".

We also heard the very eloquent and polished representatives of the large industry groups located here in Ottawa, all of whom suggested: "Keep the GST. There is no alternative", but they said "broaden the base, harmonize the tax with the provinces and do a few other things that will make it cheaper to run".

I thought for a long time that this was the alternative, the only sensible thing for the committee and for the country. However, I had an experience which I was very sceptical about. I travelled with the committee to as many of the capitals that I could here in our great country. There I found that the information conveyed to me by the people who one might say are on the firing line with respect to the administration and use of the tax were telling us stories that somehow were omitted in the more formal hearings that were dominated by the polished representatives of the big industrial organizations.

I changed my mind and came out with the belief that the tax cannot be rescued, that the tax is a bad tax. It is a nightmare and even with all the changes that have been proposed it will remain a nightmare.

I would like to discuss and put on record what I consider to be the unavoidable consequences of a value added tax, even under the assumption which is of course of very, very questionable validity that we will get total harmonization with the provinces. Even if we do this the administrative costs of the value added tax are extraordinarily high. Firms have to keep track of their input, the sales they have. There are all kinds of extra accounting procedures that have to be undertaken.

We know that the government is spending about \$300 million to \$400 million a year administering this tax. We know that there are over 1.5 million registrants, people who are entered into the computer with numbers and addresses who have to file regularly. They have to be supervised. They have to be caught up with if they do not file. Businesses are going bankrupt periodically and other businesses are created. Just to keep track of all those 1.5 million registrants is a very, very high cost.

In trying to keep track of those people the government already had to make exemption by the definition of a business. The representatives selling Tupperware or Avon products are all in principle required to file GST returns. As it happens and as I learned these people have entered into a special contract where a one step higher distributor pays the GST.

● (1635)

There is a system that was introduced in order to reduce the regressive effect of this sales tax, in order to reduce the impact of this sales tax on those people with lower incomes.

This system is extremely expensive and awkward to administer. We have to find all of those tax filers who qualify. We have to send them cheques. As we know, many of them cannot be found. The cheques do not reach them. There are some who are receiving cheques who should not be, for example people in prison. It is a very expensive and awkward system for making this tax applicable.

The hon. member from the Bloc mentioned other disadvantages for large families and so on. In a country in which there is a very big neighbour which does not have the GST, we are finding that some Canadians, the snow birds, are taking holidays in the United States, staying there for months on end and not paying taxes yet they have the right to services that are provided while they are here.

This was a report filed by several of the witnesses who considered that to be a tax inequity. I am reporting what some representatives of the people of Canada are saying.

One of the most traumatic experiences I have had was listening to a businessman who was located in a border town whose commerce has been devastated by the existing GST. Where there once were 10 supermarkets, there now are two. Where there were 15 gas stations, three are left. There is no way in which the new value added tax will take care of this problem.

I would suggest that if we put on top of the value added tax through harmonization the provincial sales taxes equivalent, we will increase the incentives for border shopping with all the problems that this causes to a wide strip where Canadians are living along the U.S. border.

We heard many stories about tax evasion encouraged by the value added tax. This is something that will also be increased by the possible harmonization of the increase in differences. The tax was designed originally to make international trade neutral.

We know that in this country tourism is a very important export service. We heard representatives telling us that it is not possible to remove the distorting effects of the GST on that important international trade dimension. We also heard that it is impossible to ever tax the consumers of the financial sector. A