

*Routine Proceedings*

as well as taxable and tax-free sales. This is exactly what they must now do with the current GST.

What will happen? Until now, small businesses could use the so-called quick method to calculate the amount of GST. So how will the new system be different? Most likely, it will be worse than the quick method which was not used very much. The government probably should have pushed the quick method more and not changed anything in this regard. But it did not, Mr. Speaker.

The report contends that the new system will be simpler for 80 to 90 per cent of small and medium-sized businesses. Lest we forget, businesses with earnings of \$500,000 and over account for 94 per cent of all sales in Canada. What does this represent for Conservatives, in terms of change? Ninety-four per cent of sales will still be subject to the same GST. However, small businesses which account for the remaining 6 per cent of sales will have to contend with a more complicated system.

When they get wind of this proposal, they are going to react very strongly. Let me give you four cases where the new system will prove to be more complicated. To digress, the report is rather non-committal when it says that maybe the door should be left open even for businesses with earnings of between \$200,000 and \$500,000. On this point, they changed their minds in mid course. The final version says that this could perhaps be an option for businesses with earnings of between \$220,000 and \$500,000.

• (1620)

Think of it, Mr. Speaker. A firm could sell some products that are taxed and others that are not. But whether the report tells us that they do or do not want to tax food, there will still be exceptions.

If there are any exceptions, how will firms with sales of \$200,000 or less be able to have a simplified system if they sell different types of products? What happens if these firms expand? What will happen to a firm with sales of \$400,000 that hopes to achieve growth, which is a universal goal in business? When that firm's sales top the \$500,000 mark, it will be forced to change its accounting and taxation systems. This is a terrible outrage!

Companies will have to decide which system is most profitable for them. They will spend their time trying to decide between the business transfer tax and the goods and services tax. And they will see that these are relatively similar systems, so they will probably prefer to keep the GST. Many firms will prefer to stick with the GST. If the threshold is set at \$200,000, it is even worse. What change? Most firms with projected growth will not change to another system. Firms engaged in interpro-

vincial trade—the provinces will still have differing rates, and it should not be assumed that there will be a uniform rate across Canada—will have to take sales and purchases made in other provinces into consideration in their accounting.

This translates into still more new accounting for these firms. The claim is that now these small firms could, in their annual income tax returns, manage to provide the desired statements. But they will not be able to; they will have to continue keeping daily accounting records. Furthermore, they cannot claim the tax credit for purchases from non-registrants—that is, people or businesses with sales of \$30,000 or less who are not obliged to register for the GST. So special accounting records will have to be kept for that purpose as well.

And this is the simplified system for small businesses? Is this it? It is a dog's breakfast. There is no way in the world that this will be simpler. People are being taken for something they are not when they are told things like this.

There are a number of things I want to say in the few minutes left to me. Easier to manage says the report in one of its objectives. Easier for whom? For the government? Do you think that the present staff at Revenue Canada will be able to handle the introduction of this new business transfer tax, a tax of which many small businesses will probably never avail themselves. They will nonetheless investigate the possibility. They will need information. People will have to be hired to provide this information. And after that, the tax will have to be administered.

Since the GST will still be widely used, people will continue to be needed to run that system. Administration costs, which are already high—at least \$600 million—are likely to increase. What a mess! What a waste! That is what the Liberal GST is about. Is this the kind of improvement the Liberals have in mind? The public will never go for that, never!

It will not be easier or simpler for businesses either. Someone mentioned the tax credit for low-income individuals earlier. This aspect has been debated vigorously here as well as elsewhere. Huge petitions were brought in, petitions that said the tax credit had to be indexed, that it was wrong to impose a regressive tax. Now, in this report, they do not even have the courage to state that, if a value added tax must be maintained, tax credits for low-income individuals will have to be indexed yearly.

The rate of inflation will not remain as low as it is forever. There will be years when it will be higher. If the economy grows, so will inflation. But the credits will remain the same. In time, the gap will grow. Also, this tax is a hidden tax. We are told that it will not be, that the amount will be shown on bills. That is not true, not at all, because bills could simply mention that the total amount includes a tax of such and such a percentage.