

"The goods and services tax represents a massive federal invasion of the sales tax field, which until recently was exclusively a provincial domain. If the federal government decides to use the goods and services tax to reduce its deficit, it will do so on the backs of the provinces by raising its initial 7 per cent rate and crowding the provinces out of this very important revenue source. This could result in a reduced ability to deliver provincial services or increased reliance on other taxes, such as higher personal and corporate income taxes." (51:65).

(597) Also, the Minister of Finance for British Columbia stated, "The provinces are being put in vice. We are being squeezed on the revenue side by the GST's intrusion into our tax field and on the expenditure side by the offloading of program costs." (66:17)

(598) The Committee agrees that the introduction of a federal sales tax extending to the retail level, although within the constitutional authority of the federal government, represents an unwarranted intrusion into what has traditionally been a tax field occupied by the provinces. This is likely to have long term implications for the ability of the provinces to raise revenues by this means.

F. Increased Reliance on Sales Tax -- the Best Alternative?

(599) The Committee believes that this tax represents a fundamental change in direction for taxation in this country. Aside from the issue of whether the GST is revenue neutral or budget neutral at the outset, in virtually every other country introduction of a VAT-style tax has resulted in greater reliance on sales tax as a revenue source. Some examples of VAT rate increases in