GST is proving a hard sell

Diane Maley
Your Business
Thomson News Service

Finance Minister Michael Wilson's goods and services tax is proving to be a hard idea to sell as people balk at the prospect of becoming tax collectors.

Hairdressers object to having to add an extra nine per cent to their bills; funeral directors say the tax will push the cost of burial out of range of some people, forcing them to be laid to rest at public expense.

Behind many of these complaints is the fear of price resistance. People who have to pay tax on a haircut may decide to skip the tip. Those who face an extra nine per cent on an already tax-burdened restaurant bill may decide to eat at home.

But collection is a problem. Tax resisters say the GST will force more businesses into the already thriving underground economy. Hairdressers will start cutting hair in their homes rather than their shops to avoid the extra nine-per-cent levy, for example. The tax-avoidance business will boom.

Provincial governments have added greatly to the problem by refusing to co-operate with Ottawa, forcing the federal government to set up its own expensive tax-collecting department. What can the finance minister do?

Well, he could have raised income taxes instead of imposing the GST. This would have punished income and saving rather than spending. Or he could have imposed a luxury tax, taxing only expensive or unnecessary goods; the problem of definition would have been daunting.

Or he could have cut spending, something that seems to be politically impossible. We the people believe that everyone in the country, regardless of family income, is entitled to family allowance and Canada Pension benefits. People who work for others are entitled to unemployment insurance for many months after they stop working, regardless of their savings.

We spend the government's money freely, forgetting that the public purse is replenished from our own pockets. Still it is too bad the GST is turning out to be such an administrative nightmare for government and business alike. Small businesses in particular will be hurt.

But if we don't adopt it, our exports will suffer. If we fall behind in world trade, our position will be even worse than it is now. Our steadily eroding standard of living will nosedive, the currency will fall and people will be thrown out of work.

Mr. Wilson's original plan was a good one. Everything would have been taxed, even food, and the provinces would have collected the GST along with their sales taxes. Politics got in the way, so we will have to suffer the consequences.

Had food been taxable, the rate would have been lower. Part of the reason for the resistance is that nine per cent will make a big difference in the cost of services.

Meanwhile, the Finance Department is pondering over the inequities in the system. Used cars sold privately will not be taxed; those sold from a lot will be. Pizza from a pizza parlor will be taxed, while pizza from a grocery store will not.

In the end, Mr. Wilson may have to pare a percentage point or so from the tax to make it saleable. He may have had this in mind all along. A seven-per-cent tax would be much easier to defend. Besides, he can always raise it later.

Chequ-ing in

The Georgetown and District Memorial Hospital got a shot in the arm last week when Halton Region contributed $1.62 million for the hospital's recently-approved expansion. Halton could give the hospital another $300,000 by the end of the year. Left to right are hospital executive director Mark Rochon, hospital board chairman Graeme Goebelle, Regional finance commissioner Joe Rinaldo and Regional Chairman Peter Pomeroy. (Herald photo)

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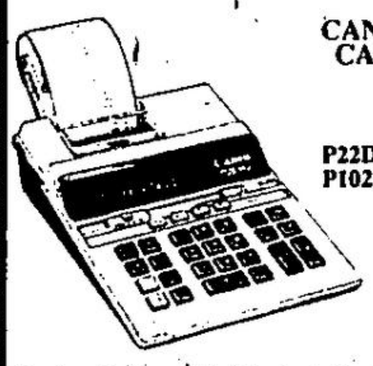

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