

GST is still unpopular but MP will vote for it

By the time you read this, the GST should have been passed by the House of Commons. I say "should", because in Ottawa I've learned that anything can happen. There's word floating around we may have to stay up all night voting before the issue is finished.

Then there's the Senate to deal with. The unelected and Liberal-dominated Senate is making noises about conducting yet another series of cross-Canada hearings on the GST, holding up approval and wounding the feds' plans to bring in the new system next January (not to mention spending more tax money).

So, the story is not over yet. Meanwhile the government is unpopular. The GST is unpopular. People continue to write me threatening letters about voting for a cocker spaniel before they'd vote for me. Changes in the system frighten folks - which is understandable.

Also understandable is anger at the GST, which replaces existing federal sales tax. No surprise there, either, because the feds have done their usual lousy job at explaining complex issues. As well, this tax is not perfect.

Most people oppose the GST but haven't read the document. The same held true for Free Trade - until very shortly before the last election. Ditto for Meech Lake - in both French and English Canada; few understand but many are against.

It seems Ottawa can't get its act together and explain things. As I said, the GST is imperfect. You may know that I wanted no exemptions and the lowest possible rate, and I tried hard to change Michael Wilson's mind. But I voted for the GST anyway - not to be a boy scout for the government, but because it's better than the alternatives.

Once I thought spending cuts along would be enough to save our country from drowning in its own sea of debt. Before I went to Ottawa I thought the feds wasted enough money to balance the books.

Now I see that's a myth. This year the government will have \$9 billion more in taxes than it spends

on programs. But that's not enough to cover the \$40 billion in interest this year on the debt.

So, we'll have to borrow another \$30 billion or so - and add that onto the debt.

This is wrong. And I can't figure out where we'd find \$30 billion in spending cuts - that would wipe out pensions and the military and most other programs in one whack.

So, we keep on cutting spending, but we also have to find new money.

The GST's part of that. The alternatives are these: Raise income taxes; raise corporate taxes; cut spending; or tax the rich.

Well, cuts alone won't do it - but we must continue cutting.

Raising corporate taxes would chase investment dollars - and jobs - south of the border where taxes would be less. We don't want that.

Taxing the rich sounds like fun, but there aren't enough rich people, and I can't see why they'd stay either if we took all their money.

So, how about raising income tax?

Well, right now most important countries are lowering income tax rates and relying instead on GST-type taxes. They've decided to tax spending more and income less.

This may make sense. For starters, if you tax income more, then people have less money in the paycheques. Income taxes

Garth Turner
MP
Halton-Peel
PROGRESSIVE
CONSERVATIVE



are imposed - you don't have anything to say about them.

But if you ax spending, then you get a choice on what you spend and how much tax you pay. Buying a mink coat means paying more GST than on a cloth one.

And higher income taxes are a disincentive to work harder. Worse, they make it harder for people to save money - if you take a bigger bite out of a paycheque, it's more difficult to tuck a little away in the bank.

So the GST may be the lesser of two evils.

The tax will raise the prices of many services. But the critics tend to forget to tell people that when the existing sales tax comes off, some prices will also fall. Last week I had a meeting with the na-

tional association of car dealers - who fully support the tax because cars will be cheaper and they expect to sell more.

The critics also don't tell smart business people that their cost of business will, in most cases, be going down. Right now businesses pay the existing sales tax on a whole range of things - from the vehicles they buy to printing to telephone charges to furniture and equipment and so on - and that will end.

Businesses will collect GST, but they won't pay it.

And will that collection be the nightmare that guys like John Bulloch claim?

I hope not. So far the feds have designed a one-page tax return - that's one page once a year - and promise businesses will not have to keep any extra books than they do not. I expect we'll hear from Ottawa soon about an easy, new-version streamlined accounting system.

So, I think we're going to survive.

That doesn't mean we won't have problems - because we will. The transition period could be confusing and perplexing. We still need to get the provinces to join with the feds on a single sales tax - because that only makes sense.

And we need to protect consumers, to find ways of ensuring

savings from the elimination of the old tax are passed through.

I'll be working on these things, and I'll continue to badger Wilson as we fine-tune the system. As always, I'd welcome your input.

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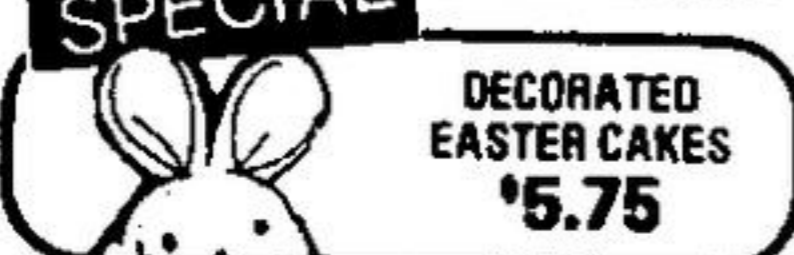
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