

CANADIANS FED UP WITH GOODS AND SERVICES TAX

Peter Benesh in Toronto reports on an experiment that the locals find more than a little taxing.

Have Australians fallen on their heads? Canadians would ask this question if they knew (they do not) that their Australian cousins may vote for a goods and services tax plan. They would think that Down Under had succumbed to mass psychosis.

The two-year-old goods and services tax is probably the most reviled piece of federal tax legislation in Canada's history. It was the capper to a series of tax "reforms" launched in 1989 by conservative Prime Minister Brian

Mulroney's Government. Those reforms look suspiciously like the genetic source of John Hewson's tax-reform package.

If so, the Canadian experience may be worth noting. *Statistics Canada* reported in May that Canadians have become steadily poorer since the reforms.

While the Government blames the recession, for which it takes no responsibility, economists say that taxation is partly to blame. In 1990, a year after the beginning of tax reforms, Canadians saw their family incomes taxed at 19.8 per cent, up from 15.4 per cent in 1980. While the reforms did bring lower federal income tax rates, other taxes were rising.

Real family income, adjusted for inflation, was lower at the end of 1990 than a decade earlier. Then in 1991 came the GST.

Canada's seven per cent goods and Services Tax replaced a 13 per cent federal manufacturer's tax on all products.

Many economic analysts – and certainly consumers – say that the GST is largely responsible for the depressed Canadian economy. It certainly depresses Canadians and is cited by business and academic research organisations as a major reason for the lack of consumer spending and the collapse of many retail companies.

It is also blamed for the large numbers of Canadians who drive the short distance to the United States for "cross-border" shopping – a GST protest Australians will not be able to emulate.

With the GST, consumer prices were supposed to fall. Nobody can prove they did back in 1991. In fact, the GST pushed inflation up in its first year, because it increased the cost to business of maintaining records and broadened the tax base to include such things as takeaway food and even postage stamps.

Yes, ludicrously, Canadians pay GST on postage stamps, even though the post office is a government-owned corporation. Thus a stamp with a 42-cent face value costs 45 cents at the post office.

The Government's own GST public relations campaign has been a disastrous failure. Businesses have been swamped by the new paperwork, electronic cash registers had to be replaced (about \$A2300 per business) or recalibrated. Accountants saw their business boom.

Small business, which is supposed to be the engine of growth in a depressed