

REPORT
Regular Council Meeting
1990 JANUARY 15

THE CORPORATION OF THE DISTRICT OF BURNABY

EXECUTIVE COMMITTEE

HIS WORSHIP, THE MAYOR
AND ALDERMEN

RE: GOODS AND SERVICES TAX

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RECOMMENDATION

1. THAT a copy of this report be forwarded to The Hon. Michael H. Wilson, Minister of Finance, and to the Members of Parliament representing Burnaby:
 - . Svend Robinson
 - . Dawn Black

REPORT

Council on October 23rd received a letter from the Federation of Canadian Municipalities, together with a copy of a brief which the F.C.M. presented to the House of Commons Committee on Finance regarding the proposed Goods and Services Tax (GST). The matter was referred to the Finance Advisory Committee, now the Executive Committee of Council.

The Committee has looked at the proposed tax from two perspectives - its effect on the municipality and its effect on the citizens as a whole.

EFFECT ON THE MUNICIPALITY

The F.C.M. through its activities has caused some major changes to be made to the tax as proposed in the original White Paper and the Minister of Finance has made a commitment to "no greater burden" for municipalities than currently exists. The F.C.M. points out, however, that the technical paper that was issued recently, which reflects changes to the White Paper, still falls considerably short of the commitment made by the Minister.

The main concerns expressed by the F.C.M. are:

- . Additional Administrative Costs - The technical paper proposes a tax rebate system which causes extra administrative costs for municipalities, and the F.C.M. is insisting upon an exemption system.
- . Cash Flow Costs - The municipalities would pay the tax in advance and then claim a rebate, thus being permanently out of pocket.
- . Cascading Taxes - The F.C.M. argues that the formula doesn't recognize Provincial sales taxes and as a result there is a tax upon a tax, which increases costs to municipalities.

INTERNAL DISTRIBUTION:

: - AGENDA 1990 January 15
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 - DIRECTOR FINANCE

- Inequitable Treatment Among Municipalities - Municipalities currently have different Federal sales tax burdens; for example, road construction and maintenance costs are currently exempt. Therefore if an averaging approach as proposed is used, half of the communities will pay more tax after implementation than before.
- Traditional Municipal Services of a Quasi-Commercial Nature - It is uncertain which municipal services will be affected, but undoubtedly some of the existing services will be taxed.
- Inspection Services - The technical paper contains inconsistencies which indicate that certain inspectional services may be taxable while others would be exempt. The F.C.M. is arguing that no municipal inspection services should be taxable.
- Recreation Services - The technical paper proposes that recreational services made available to adults for a fee be subject to the GST, while children, the disabled and disadvantaged be exempt.

Staff increases can be anticipated to deal with the collection, accounting, rebate applications and reporting that goes with the tax. In addition, the definitions are not clear as to what municipal services will be considered to be commercial activities and as a result, subject to tax. On the whole, the GST translates into increased costs for the municipality and for the citizens.

EFFECT ON THE CITIZENS

Much has been written about the Goods and Services Tax (GST), but a common theme emerges:

- The GST will be inflationary, causing prices to rise, and wage demands will follow the price increases. This spiral will slow economic growth and cause unemployment to rise.
- The GST will take a serious bite out of the average consumer's income; for example, clothing which is currently exempt will become taxable. Additionally, the tax is unfair because the lower income earners spend a higher percentage of total income on consumption.
- The opportunity to impose a national sales tax in cooperation with the Provinces appears to have been lost. This lost opportunity significantly increases the administrative burden on the government to collect the tax.
- The GST represents a massive "tax grab" which will transfer millions of dollars to the coffers of the Federal Government with the municipalities and small businesses being used as tax collectors.

Proponents of the GST accept it as a means of reducing the deficit. Any revenue raised (unless the GST is revenue neutral) will only lower the annual deficit. It will not lower the existing national debt - so the implementation is only a half measure. The government needs to restore confidence in its ability to manage and to ensure that taxpayers are getting value for the taxes that they now pay.

Recently the Federal Government announced that the tax would decrease from 9% to 7%. As an alternative revenue source, personal income tax is being increased. Promised tax credits to offset the impact of the GST on low income earners are being cut in half.

No consideration appears to have been given to increased income taxes for corporations. In recent years, according to Statistics Canada, corporations have been paying progressively less of the total income tax collected by the Federal Government, and individuals have been paying progressively more. This trend appears to be unfair. It is important that the tax system be equitable. It is also important that the low and middle income earners be protected from the incessant income tax demands of the Federal Government. Consideration should be given to restoring an equitable balance in the taxes paid by corporations and individuals.

Proponents of the GST challenge critics to provide a solution. The government is elected and paid to plan and find solutions. The government has proposed a Goods and Services Tax and the taxpayers should say, "No, try again."

Respectfully submitted,

Douglas P. Drummond

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Alderman L. Rankin
MEMBER

Alderman D. Corrigan
MEMBER

Alderman F. Randall
MEMBER

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MEMBER

