

## THE GST AND LOW-INCOME CANADIANS

### THIS WON'T HURT A BIT

Various federal governments have wanted to replace the Manufacturers Sales Tax, MST, a sales tax on goods, with a sales tax which included services. It was widely accepted that the MST discouraged exports and hence undermined Canada's international competitiveness. As well, the increasing role of services in the economy meant that a tax on goods and services would generate more revenue in the future than a tax simply on goods, products. Several versions of a broader based tax were discussed during the 1980's. Michael Wilson opted for the Goods and Services Tax, GST, which was proposed and discussed in the late 1980's. It was implemented in 1991.

The deep animosity toward the GST which many Canadians feel continues. The Liberals tapped that hatred during the 1993 election for a short-lived political advantage with a promise to replace the tax which back-fired and led to the resignation of Sheila Copps. These issues are beyond this book. I am concerned solely with the attempt by Ottawa, to sell the GST as being good for low-income Canadians.

The challenge of selling the GST rested on two concerns. First, how to convince the public that an inherently regressive tax could be made 'fair'. Second, how to sell the taxation of food in the GST.

#### Regressivity and the GST

The efficiency arguments in favour of a GST were well known but economic theory did not address the political problem of selling the GST to a sceptical public. The shift to a GST would shift a couple billion dollars of tax revenue from corporations onto

---

#### Average Consumption by Household Income, 1992

Income Group	Average Income	Average Consumption	
		Dollars	Per Cent of Income
under \$10,000	\$ 6,358	\$ 12,186	192%
\$10,000-\$14,999	\$ 12,392	\$ 13,347	108%
\$15,000-\$19,999	\$ 17,535	\$ 18,009	103%
\$20,000-\$24,999	\$ 22,456	\$ 21,311	95%
\$25,000-\$29,999	\$ 27,450	\$ 24,382	89%
\$30,000-\$34,999	\$ 32,304	\$ 27,154	84%
\$35,000-\$39,999	\$ 37,348	\$ 29,183	78%
\$40,000-\$49,999	\$ 44,748	\$ 34,204	76%
\$50,000-\$59,999	\$ 54,548	\$ 38,498	71%
\$60,000-\$69,999	\$ 64,605	\$ 41,559	64%
\$70,000-\$89,999	\$ 78,748	\$ 48,220	61%
\$90,000 +	\$ 119,563	\$ 63,046	53%

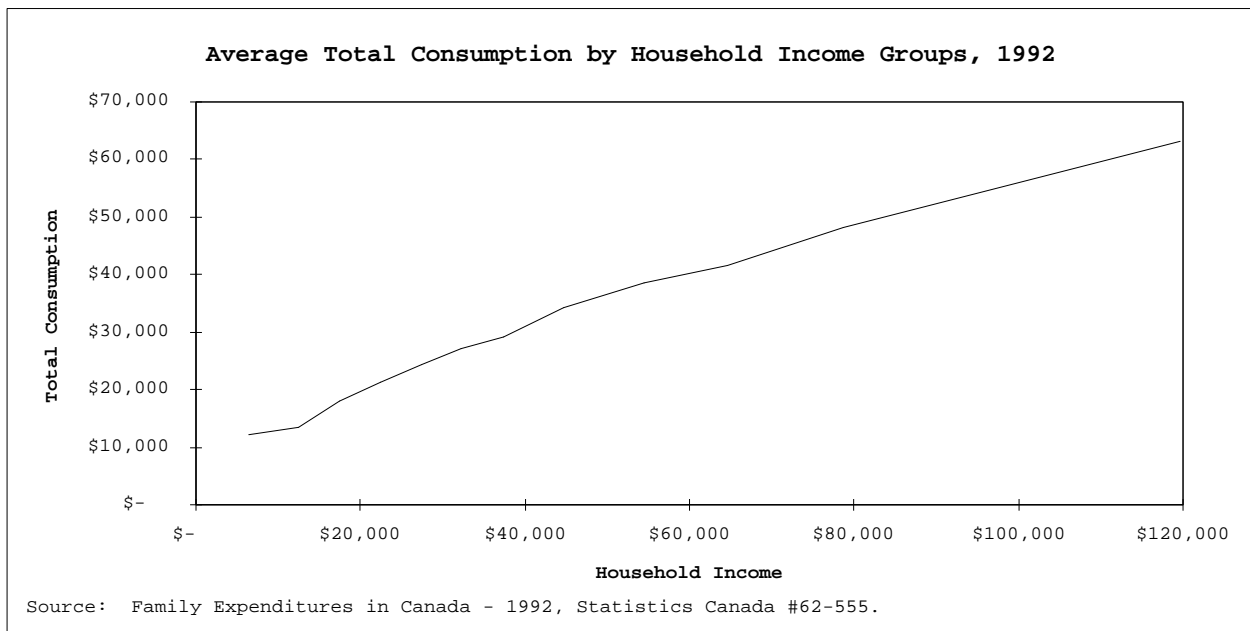
Source: Family Expenditures in Canada - 1992, Statistics Canada #62-555.

---

consumers<sup>1</sup> - consumers would on average have to pay more - corporations would pay less.

The political challenge was further exacerbated by the inherent regressivity of the GST; like all consumption taxes. Lower-income Canadians spend a greater proportion of their income on goods and services than higher income Canadians and therefore would see a greater share taken by the GST. The increasing reliance of the federal government on a regressive tax posed a political problem which became a marketing problem. How to sell the GST as "fair".

*Finance Official: "... that is why the GST is what is bureaucratically described as a 'communications challenge'. (Standing Committee on Finance, August 15, 1989).*



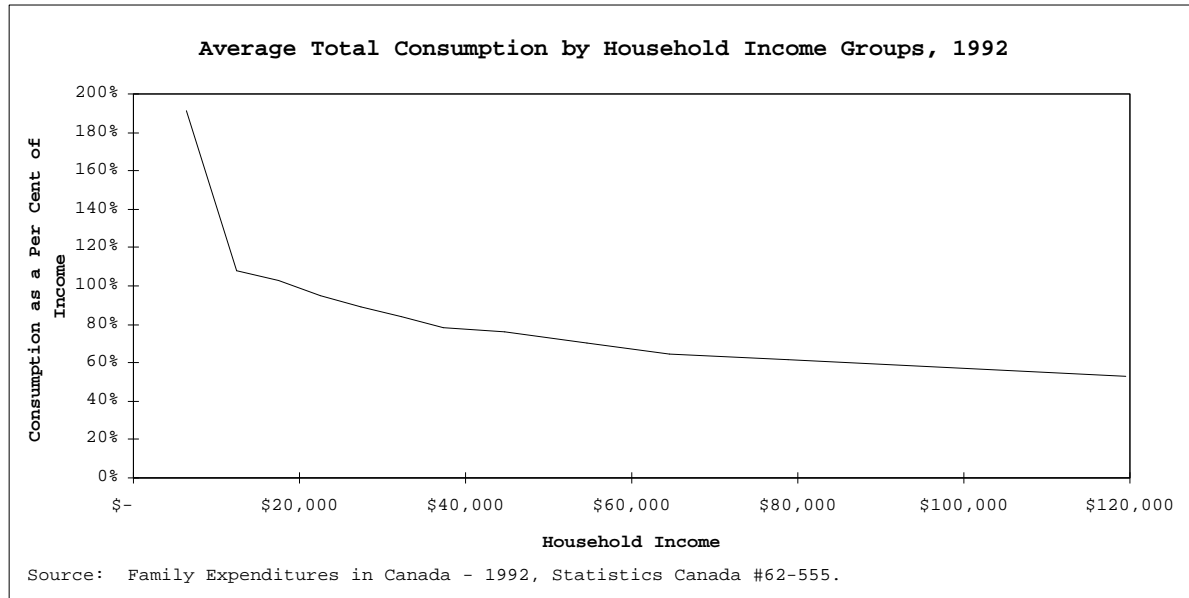
Data from Statistics Canada illustrate the point. Lower-income Canadians with incomes under \$10,000 have an average income of \$6,358 yet report consumption, spending on food, clothing, shelter of \$12,186. They actually spend far more than they earn. Many of the lowest income households are seniors and are spending their savings.

High-income households had the highest level of consumption, \$63,046 which is not too surprising yet they had the lowest level of consumption, as a per cent of income. That is, while lower income families spend less they spend more relative to their income. Consumption exceeds

---

<sup>1</sup>corporations paid part of the Manufacturer's Sales Tax on purchases of things like furniture and supplies. With the GST, corporations would pass these costs onto the consumer.

income for those with incomes below \$20,000 it is about 75% of income for those with incomes in the \$40,000 to \$50,000 range and it was about 50% of income for the highest income group. It is this trend which labels the tax as regressive. It is borne disproportionately by lower and modest income families.



## GST and the GST Credit

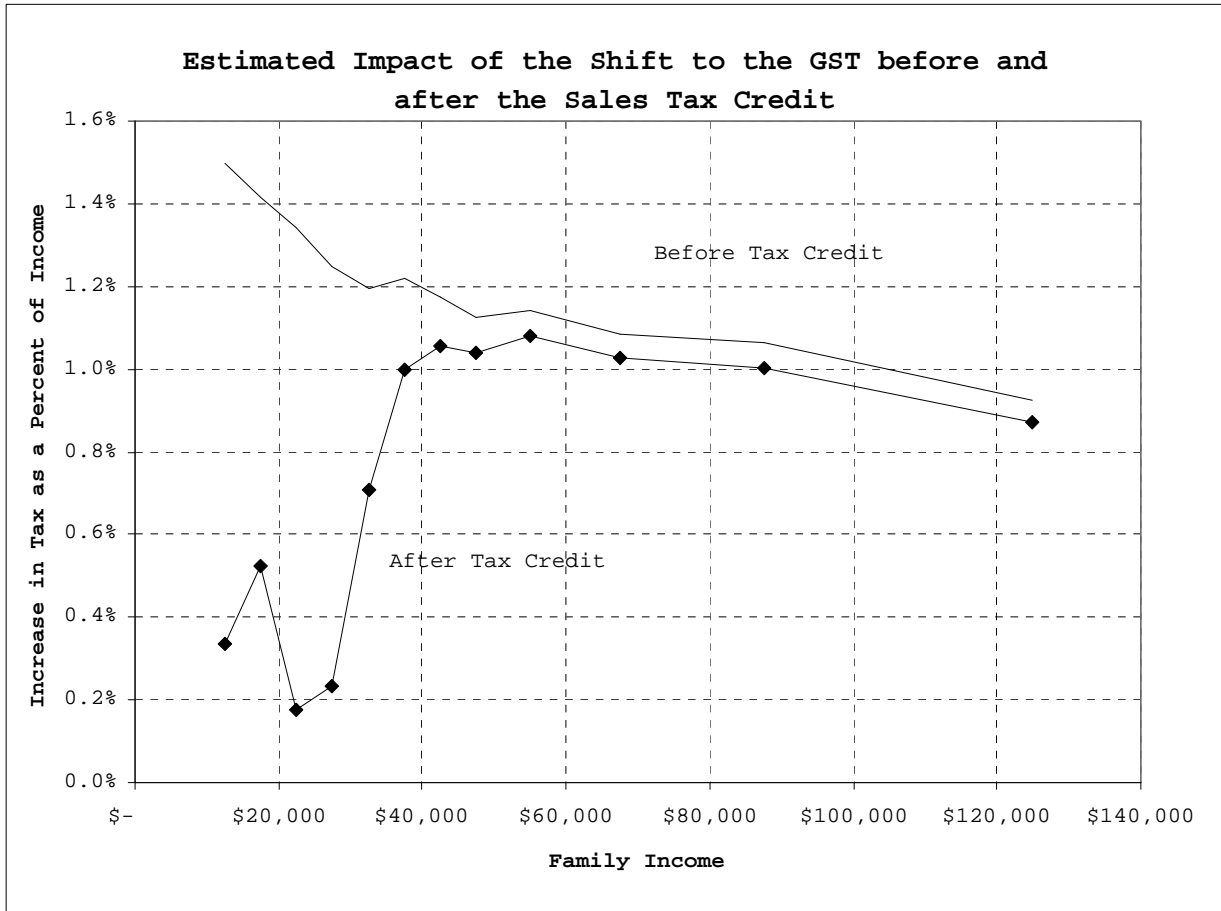
To address the regressivity of the move to the GST an enhanced sales tax credit would be used to protect low income families. All families would pay an increased tax with the GST each time they purchased a taxable item, furniture, clothing, reading materials and the increase would be proportionately higher for low-income families. Low-income families though would receive a support cheque from the government, the GST tax credit to offset the tax increase.

The tax credit was set so that low-income families would not be made worse off by the shift to the GST. The appropriate level of the sales tax credit was important. The credit would cost government a great deal of money, over two billion dollars. Yet it needed to be high enough for poor families so that they appear better off; so that the GST could be sold as "fair". Before discussing the level of the credit and the GST's fairness it is worth addressing how a refundable tax credit affects the regressivity of the GST.

The chart below illustrates how the shift to a GST will affect families at different income levels. There are two lines, the higher line illustrates the impact of the move to the GST before the effect of the credit is considered. It shows, as expected that lower-income Canadians will bear the greatest increased burden relative to income.

What then is the effect of the credit? Does it turn a regressive tax into a progressive tax?

No, in fact, it protects the poorest of households. In so doing, it shifts the unfairness so that the highest burden is borne by households with modest-incomes, at about \$40,000. The GST would have hit low-income families hardest, with the credit it hit modest and middle-income households hardest.<sup>2</sup>



### The GST and Low-Income Canadians

Families differ in their spending patterns, some spending more taxable items than others. Families with children obviously have different spending patterns. If the GST credit were set to protect all low-income families, it would need to protect that family which is made worse off. This would be prohibitively expensive. Instead, the credit was designed to offset the increased GST costs for the average low-income family.

---

<sup>2</sup> These comparisons should be reasonable for 1990 - when the GST was introduced but will no longer be accurate because inflation has erode the value of the credit and its protection for the poor.

To sell the GST the government created an illusion, perhaps a necessary illusion. The illusion was that low-income families would be better off generally rather than on-average. The charade was complete - as the discussion below will show. It began with public statements like those below:

*"... the government's goal is to assure that families earning less than \$30,000 per year will be better off after the Goods and Services Tax is in place than before."*

*(The Goods and Services Tax, Budget 89, April 29, 1989)*

This statement is clear at one level but open to interpretation. It's vagueness is necessary in order to advance the illusion that low-income families in general were being protected. The reality is that for some low-income families the GST credit was large enough to offset the effect of the increase in sales tax, for many it was not. The honest statement would have been that low-income families are better off on average. But what would the average citizen conclude from that? Were they in the group that was better off or the group that was worse off? They had no way of knowing. The government went to great lengths and the discussion below will show the lengths to which politicians and public servants went to avoid acknowledging the deception.

Yet on the surface this seemed to contradict the studies by Neil Brooks, (professor of tax law at the Osgoode Law School) and Patrick Grady (an economist at Global Economics). Each of these studies indicated that about half of those with incomes under \$30,000 would be better off under the GST and about half would be worse off. Who

is right? How do you square these two studies. The discussion below will show that they are both right - if one understand the claims actually made by the Finance.

---

A general asks his statistician if it is safe to cross a river. After investigating the river the statistician says yes it is.

"On average" the river is only five feet deep.

---

First lets deal with the claim by the government voiced repeatedly that the GST would make the tax system more fair. Low-income families would be better off.

**Mr. Michael Wilson:** *"Mr. Speaker, let me just read from the Budget here. The Government's goal is to ensure that families earnings less than \$30,000 per year<sup>3</sup> - that's average income in the country today - will be better off - b-e-t-t-e-r off as a result of the implementation of the sales tax reform.*

**Mr. Broadbent:** *"Tell the truth".*

**Mr. Michael Wilson:** *"I am prepared to read it more slowly if the Hon. Member*

---

<sup>3</sup>In fact the average family income was more like \$60,000 in 1990 not \$30,000 but his error does not affect the point.

*missed it, but there it is in black and white."  
(Debates of the House of Common, May 5, 1989)*

What the government did not state in budget documents or in media was how this claim was to be interpreted. Those low-income families were better off "on average". That is, the average effect of the move to the GST was positive for low-income families.

How would Canadians reacted though to the whole truth? Many low-income families would be worse-off due to the shift to the GST, also many would be better off. But how would an individual family respond? Were they among the winners or losers? Clearly from a marketing point of view it was safer to keep to the charade. Imagine a low-income family hearing the budget or reading the newspaper. Would they not interpret the governments assurances to mean that *they* would be better off? Like lambs to the slaughter...

---

Imagine, for a moment a room with one hundred people in it. I select 50 at random and take 100 dollars from each, and give each of the other 50 100 dollars. Half the people are ahead \$100 and half are out \$100.

On average, there is no change.

Next, I give each person in the room \$5.

Can I claim that these individuals finally are "better-off"? Half are clearly worse-off, half better-off. On average, they are better off. Because, on average they are ahead by \$5.

---

The government clearly hoped that when they said. "Low-income families will be better off" that it would be interpreted that each low-income family would be better off.

The whole truth was known to many economists who study tax policy. The discussion before finance committee though often involved oily words, a strategic interpretations, as finance officials made accurate statements without revealing the ruse. This lead to a series of contentious discussions before finance committee as we will see below.

The statements in the public discussion papers are quite clear.

*"The goods and services tax itself would be a regressive tax. It would hurt the poor. But we have attached to the goods and services tax the low income tax credit which provides an offset. It keeps low income whole so that families who are earning less than \$30,000 will be better off after tax reform and they will pay less as a result of tax reform."*

*(Mr. Michael Wilson, Debates of the House of Commons, Sept. 25, 1989 in response to a questions from Ed. Broadbent.)*

*"Let me go on to say that families earning less than \$30,000 are going to be protected from the impact of inflation and that they will be better off after the*

*change from the existing sales tax system to the new sales tax system."*<sup>4</sup>  
(Mr. Michael Wilson, *Debates of the House of Commons*, Sept. 26, 1989 in response to a questions from Doug Young.)

As usual, civil servants responded to questions before finance committee; they told the truth, without acknowledging the whole truth. They never acknowledge that the GST will make some low-income families will be worse-off despite some very direct questions from opposition MP's.

**Finance Official:** *"... I would say that low and middle income people, according to the tables that are in here, are in many cases more than fully compensated. It is not just a zero, but in fact families below \$30,000 in many cases are made better off and sometimes quite a bit better off by the combination of changes."*  
( *Standing Committee on Finance*, August 15, 1989).

Interesting here that the finance official goes so far as to assert that the some families are made "quite a bit better off." then perhaps the average effect of the GST would include some families who are not quite so well off.

In the following exchange a government MP uses the term "in aggregate" indicating that he is aware of the important distinction necessary to maintain the accurate half-truth that poor families are better off. This government backbencher [check this] clearly understands the importance of stating that low-income families are better-off "in the aggregate". He clearly also understands dispersion, that not all families will be better off to the same extent.

**Mr. Dorin:** *"You demonstrate in your tables, and you accept, that the shift from the existing tax to the GST does make people under \$30,000, in the aggregate, better off. ...*

*In the aggregate. Obviously, one person might have a different spending pattern than another."* (Mr. Dorin, *Standing Committee on Finance*, March 15, 1990, discussing the GST proposal with Prof. N. Brooks).

Doug Young was a opposition back-bencher in 1989 and 1990 and tried valiantly to get government officials to acknowledge that some families with low-incomes would be made worse off by the GST proposal. I do not think he succeeded.

**Mr. Young:** *... over half the people will be no worse off or worse off - the majority of Canadians. Mr. Wilson says of course everybody under \$30,000...*

---

<sup>4</sup> Of course, the poor were not protected from inflation in that the GST credit was not indexed. Mr. Wilson here is referring only to the fact that the GST credit was set so that it would offset the one-time cost of living increase expected as retail prices increase to reflect the new tax.

*The man lies consistently about this thing in the face of the figures.<sup>5</sup>*

Mr. Young's tenaciously pursues finance officials about the distinction in the exchange below.

**Mr. Young:** *"What has been going on in terms of a massive advertising campaign and a major effort by the Minister of Finance and other members of the governments is to convince Canadians ... who are being told in simple pamphlets and the very straightforward language, that under the GST Canadians with incomes of less than \$30,000 will be better off.*

*"I am going to repeat my question, Mr. Chairman. Are you saying that the methodology or the findings of Neil Brooks at Research for Public Policy and Patrick Grady at Global Economics - because their figures are very similar - and their suggestion that at least half of Canadian family units under \$30,000 will be no better off or worse off, is wrong? ... "*

*"I would like to get as clear an answer as possible from the officials of the department tonight as to whether or not they are still unequivocally stating that a Canadian family unit, across the board, ... is going to be better off than they are now under this proposed GST. "*

**Finance Official:** *"It is our view, based upon our calculations, that indeed families earning less than \$30,000 a year will be better off financially with the goods and services tax package than they are now.*

*( Standing Committee on Finance, March 6, 1990).*

This finance official is supporting the party line. He does not clarify that the truth of this statement relies of the hidden, premise that we are discussing families on-average; in aggregate.

Mr. Young though is not satisfied, he actually understands the issue, and he appears to have cornered the official in the exchange below, but to no avail.

**Mr. Young:** *"But are you standing by the position put forward by the government that people in the income groups of under \$30,000 will be better-off across the board... So are you still there. Is that your position?"*

**Finance Official:** *Yes.*  
*(Standing Committee on Finance, March 6, 1990 - Issue 92:9)*

This is actually a quite extraordinary statement by a senior civil servant. Given the senior level of the official and the past similar questions by Mr. Young, the official must surely have

---

<sup>5</sup>This comment was followed by a long conversation about how its unparliamentary for Mr. Young to accuse Mr. Wilson, (the then Finance Minister) of lying.

been aware of the issue and prepared for the question. It is difficult to fathom how he would not have, understood, that families could be better-off on average but not better off "across the board". He clearly misled the committee - one can only hope it is due to carelessness.

### **Protection of Low-Income From the GST but not from Inflation.**

The mechanism that could protect the poor from a regressive tax was the GST credit. An amount which would be paid to lower-income Canadians to offset the regressive GST.

*"Through the GST refundable credit, the fairness of the tax system will be improved. Families with income up to \$30,000 will be better off than under the existing system. ... " (The Budget 1990*

A government which was genuinely concerned about the plight of low-income Canadians would have indexed to inflation the value of their GST credit.

The Finance Committee which studied various versions of the GST was aware of the importance of full-indexation. As the testimony below demonstrates, witnesses discussed the issue.

***Prof. Brooks:** "... While it is true that these people look better off here, it is the case that this is only a snapshot. This is 1991. As everyone knows, the credits and the thresholds are not indexed to inflation. Two or three years along, these figures would look very different." (Prof. Neil Brooks, Standing Committee on Finance, March 15, 1990).*

***Mr. Doug Young:** surely everyone agrees that unless they are fully indexed they would be worse off further on down the line. (Standing Committee on Finance, March 6, 1990)*

The Finance Committee's recommendation, repeated below here, was clear. If you are serious about protecting the poor you will fully index. Yet the protection for the poor - the GST credit, was not indexed to inflation.

*?We note, as well, statements made by the Minister of Finance expressing the government's intent to adjust the credits over time as required so that their value will not be eroded. If that is the intent, there will be no savings from the partial indexation of credits, and it would be best to incorporate the intent into law and thereby remove the anxiety of those who count on these credits as part of their income." The Standing Committee on Finance, Report on the Technical Paper on the Goods and Services Tax, November 1989.*

So in 1991, the first year of the GST, many low-income families were made better-off by the GST measure. Some were made worse, but some may have taken some comfort that low-income families were better-off on-average. By 2001, many more families will be worse off due

to the GST change, because the GST credit which protected some of them has diminished in value as it was designed to do. The promises by Ministers and officials to review the credit's value over time and make necessary adjustments have had no effect.

In 2001 after 11 years, with the purchasing value of the GST credit eroding significantly it is still referred to as the protection that low-income Canadians get so that the GST will not make them worse off. The eroding value of the GST credit does not prevent claims of fairness. The 1997 Budget included a short paper on tax fairness. The excerpt below points out the anti-poverty benefits of the GST credit without mentioning that the credit is not indexed to inflation - that this protection for the poor reduces in value annually.

---

Without inflation protection, the GST credit, the protection for the poor, was designed to erode over time - fading slowly - like Lewis Carroll's Cheshire Cat.

*"This time it vanished quite slowly, beginning with the end of the tail, and ending with the grin, which remained some time after the rest of it had gone. "*

---

*"With respect to the GST, tax fairness is accomplished primarily through the income-tested refundable GST credit, worth \$2.8 billion in 1994. By providing directly payments to families and individuals at low- and modest-income levels, and reducing these payments as income rises, the refundable GST credit helps offset the sales tax burden of lower-income families and individuals, thereby ensuring that sales tax burdens are sensitive to differences in income and family type." (Tax Fairness, Finance Canada, Budget of February 1997).*

From the perspective of 2001 it is hard not to be struck by the bold indexation recommendations that Liberal's made in 1989.

*"Virtually all social groups were unanimous that the lack of full indexation of the refundable tax credits will make an already unfair GST system even more unfair over time:"*

*"In response to these concerns the Finance Minister has replied that the protection for low-income Canadians does not need to be fully indexed to inflation because the government, if necessary, would adjust the credits and the thresholds to protect the poor."*

*"The Liberal Members of the Finance Committee simply cannot believe this assurance. If the government really intended to fully protect the poor from inflation by adjusting the credits and the thresholds, then there is no reason not to fully index the protection for the poor in the first place, unless of course the Conservative government intends to shift even more of the GST burden onto low-income Canadians in the future. The Liberal Members cannot support this Conservative attempt to increase taxes on the poor."*

*(Liberal Minority Report, Report on the Technical Paper on the Goods and Services Tax, November 1989).*

The Liberals have been the government from 1993 to 2003, it took until 2001 before the government made good on their assertions made while safely in opposition. The GST credit was indexed to inflation, along with the rest of the income tax system in 2001.

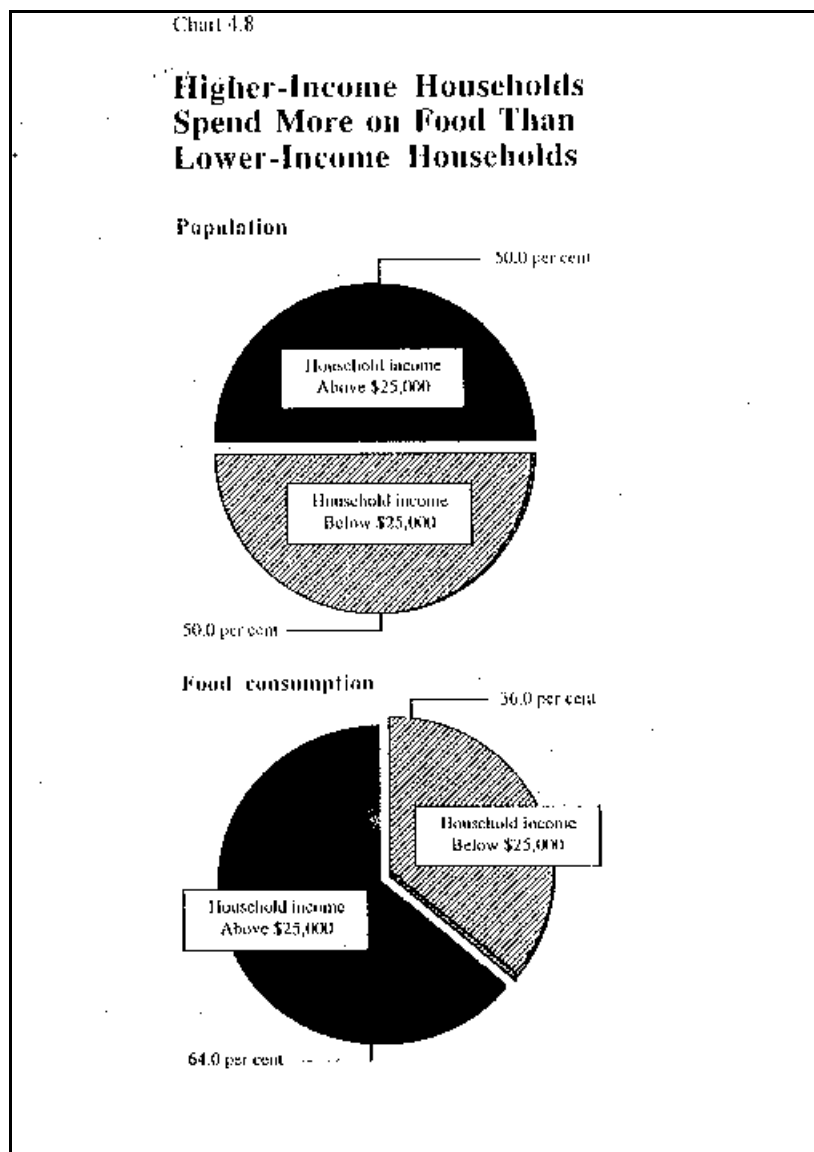
### GST and the Taxation of Food

The government would dearly liked to have included groceries, as a taxable item for the GST. From an efficiency and administrative ease point of view it made sense. Its easier for a business if all items, rather than some, were taxable. Consumers would benefit since they ultimately bear a businesses administrative costs. With food exempt from the GST businesses would need cash registers which could identify items which were taxable or not; indeed, businesses faced the horror of identifying items which may or may not be taxed, federally and/or provincially.

Including food as taxable would make the business man's life easier also because the ambiguous line between food eating out and groceries would not need to be drawn. Currently hot muffins in groups of 2 or 3 are taxable - because you 'eating out'; in groups of 6 or more they are groceries.

The efficiency and simplicity arguments for including food in the GST had to be balanced against regressivity. A GST which included food would be harder on low-income families, than a GST which excluded food. The government argued that food could be included in the GST and still be fair with an larger GST credit for low-income families.

That including food



under GST would be more efficient is self-evident. But the following section explores the efforts by government and its officials to portray the inclusion of food under the GST as being in the interest of the poor. This perverse argument, ultimately unsuccessful, violated elementary economic practice. This exploration of this case study in the useful illusion though is instructive of how apparent economic "facts" can be used to argue both sides of a question.

I show below how in 1990, Finance argued that including food under the GST would favour the poor. By 1997, having given up the effort to include food, Finance documents boast that the GST is not unfair to the poor; why? **because food is excluded!**

Chart 4.8" boldly asserts that high-income households spend more on food than low-income households - it comes from a technical paper prepared by Finance in 1987 as a background to the discussion of the proposed GST. This graph, with the text below, suggested a conclusion from an unsophisticated audience that low-income Canadians would do well to advocate the taxation of food because they spend less on it than higher-income Canadians.

*"Exempting food from sales tax gives higher-income people a greater absolute tax benefit than those at lower-income levels. This is because higher-income people spend more on food and, in particular, more on expensive foods and restaurant meals.*

*"This result is generally true for most basic commodities. Exemptions provide greater relative benefit to lower-income households but greater absolute benefits to higher-income households. Exempting certain items leads to higher tax rates on everything else, including all other goods and services both by low-income households, to raise the revenue required to fund public programs.*

*A better way to make a sales tax fair is to offset the effects of the total tax paid by lower-income families with a refundable sales tax credit."*

...

*The refundable, prepaid credit accomplishes the goal of enhanced fairness."*

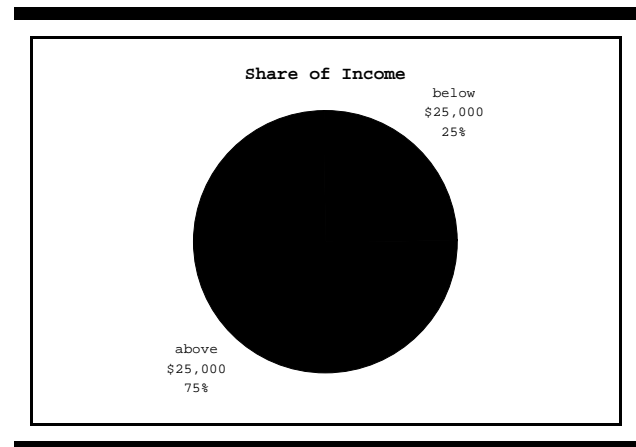
*(The White Paper, Tax Reform 1987, June 18, 1987)*

There has been no argument that exempting food would give the greatest absolute benefit to higher-income Canadians. It is also clear that the greatest relative benefit would go to low income Canadians from exempting food. While the text and graph never say that exempting food would be regressive, they certainly tempt the reader to form the conclusion.

What is missing from the Finance graph with the two pie charts is the chart that compares

the consumption of food with the distribution of income. This additional, information would have indicated that while the half of households with incomes over \$25,000 have 64% of food consumption, they have about 75% of the income. That additional pie chart would have looked as follows:

Taken together the 1987 document acknowledges that taxing consumption in general is regressive. While recognizing that, they try to suggest, hint, tempt the reader to conclude that taxing food might be progressive. To be clear, the documents never directly say this, that would be a clear lie. Instead, they suggest a line reasoning that they know is a half-truth.



I raised a question about this deception at a meeting of various social policy groups at the Canadian Council on Social Development during this period. Finance officials were there to describe their proposals and to seek support. At that meeting, I suggested that this graph and the attached text were potentially misleading. That, many readers might infer from them that exempting food from the GST as most social policy groups were advocating would be regressive. That is, the graphs and text hinted that the biggest winners from exempting food would be high income Canadians. The Finance official did not challenge my assertion and essentially said that it was not his responsibility to chose the graphs which were selected for the public documents.

"How doth the little crocodile  
Improve his shining tail,  
And pour the waters of the Nile  
On every golden scale!

How cheerfully he seems to grin,  
How neatly spread his claws,  
And welcomes little fishes in  
With gently smiling jaws!"

Alice in Wonderland, Lewis Carroll

The government continued to argue that they could tax food and make it "fair" in 1989.

*"It is sometimes argued that removing selected commodities from the sales tax base is an effective means of ensuring fairness. The premise of this argument is that the sales would not be a barrier to the purchase of these commodities by lower income Canadians.*

*"This argument is flawed. First, to the extent that some goods and services are removed from the base, a higher rate of tax must be applied to the remaining items, many of which would be purchased by lower income households. Second, removing items from the base involves extending a substantial tax benefit to higher income Canadians - those who consume the most in absolute terms and*

*who can best afford to pay the tax.*

*(The Goods and Services Tax, Budget 89, April 29, 1989)*

Once again the quote is "accurate"; it is also misleading. They do not argue about progressivity or regressivity. They are discuss expenditures in absolute terms. They do not mention that the usual comparison is relative to income; (they will do that later in the 1997 budget to argue the opposite assertion).

A clear statement of the silliness, frankly, of the Finance argument suggested in 1987 and 1989 that exempting food would advantage high-income low-income was advanced by the same department of Finance in 1997. In the 1997 budget, in a discussion of tax fairness, the following statement was made:

*"Another instrument for addressing fairness in sales tax burdens is to exempt from taxation some commodities that are more heavily consumed by low-income individuals. Key examples are the tax-free treatment of basic groceries and prescription drugs, and the exemption of residential rents from the GST. (Tax Fairness, Finance Canada, Budget of February 1997).*

The graphs which accompanied the 1997 documents all discussed tax burden, as a percent of income. By 1997 Finance had learned that indeed tax burden was measured relative to income.

Is economic science sufficiently pliable in the hands of civil servants that the following two statements are both true? Exempting food would mostly benefit higher-income families as was asserted by Finance in the 1980's. The GST is a fair tax in part because food is exempted as was stated by Finance in 1997. If physics were so plastic, governments could adjust the laws of gravity and the orbits of the planets to their political advantage.

Of course, exempting food was always regressive, Finance was simply trying to make it look progressive in the mid 1980's because they wanted to include food in the GST for efficiency reasons. What if they had succeeded? What if food had been included in the GST? From the perspective of 1997, its clear that low-income Canadians would have been substantially worse off than they are.

The government in the mid 1980's argued that tax fairness could be advanced by including food and then increasing the GST tax credit even further. This would have shifted the highest tax burden to those modest-income families with high enough income that they do not get the GST credit but not so high that they "benefit" from the regressivity of the GST (at incomes of about \$40,000). Exempting food though would have necessitated a bigger GST credit.

Since 1991, to repeat, the GST credit has not been adjusted to reflect inflation. If the Conservative government had succeeded in tax groceries, low-income families would be paying

the GST on groceries as well. The GST Credit would have been larger because of the tax on food. The erosion of this larger credit due to inflation would have been even more damaging. The government promised, instead of full indexation, that adjustments to the credit would be made "as necessary" - none have been forthcoming.

When selling the GST, Finance had tried to sustain a paradox; taxing consumption is regressive, bad for the poor, but the poor would benefit from taxing food. They failed and acknowledged in 1997 that exempting food makes the GST a fairer tax.

Low-income families are far better off in 1997 than they would have been if Canadians had fallen for the intellectual trap set by Finance in 1989.

### **A post-script.**

Mr. Doug Young was an opposition member of the Finance Committee in the late 1980's and clearly understood that not indexing the GST credit would hurt low-income Canadians; that the protection of the GST Credit for low-income Canadians was undermined by inflation. Despite his understanding and Mr. Young's position as a Liberal cabinet minister from 1993 onward, it took until 2001 until the GST credit was indexed to inflation.

In 1991, when the GST was introduced, about half of low-income Canadian families were made better-off; about half were made worse off. Many modest-income families were made substantially worse off. The protection that the government afforded to low-income families in the GST was undermined from day one because it was not indexed to inflation. Many more low-income Canadians are worse off in 2001 as a result of the GST than the analyses which were studied in 1989 would ever have imagined or suggested.

This document was created with Win2PDF available at <http://www.daneprairie.com>.  
The unregistered version of Win2PDF is for evaluation or non-commercial use only.