

SALES TAX HARMONIZATION:
THE FACTS & NOTHING BUT THE FACTS



prepared by:

David Douglas Robertson
Partner – Taxation
Fasken Martineau DuMoulin LLP
Barristers & Solicitors

for the

25th Annual
CICA Commodity Tax Symposium
Ottawa, September 25 to 28, 2005

CONTENTS

INTRODUCTION.....	4
HISTORY & BACKGROUND.....	5
THE FEDERAL GOVERNMENT.....	5
QUEBEC.....	7
THE HST PROVINCES.....	9
THE RST PROVINCES.....	10
TAX POLICY & ECONOMIC ANALYSIS	12
INCOME VS. CONSUMPTION VS. PROPERTY TAXES.....	12
<i>The Current Canadian Tax Mix.....</i>	<i>13</i>
<i>The International Perspective.....</i>	<i>14</i>
VAT vs. RST.....	16
<i>Canadian VATs vs. Provincial RSTs from a Tax Policy Perspective.....</i>	<i>17</i>
Tax Policy Principles.....	17
Neutrality.....	17
Simplicity.....	17
Equity.....	17
International Competitiveness.....	17
Avoidance of Double Taxation.....	18
<i>Canadian VATs vs. Provincial RSTs from Economic Perspective.....</i>	<i>21</i>
<i>Canadian VATs vs. Provincial RSTs from a Tax Administration Perspective.....</i>	<i>24</i>
VAT vs. RST Administrative Costs for Businesses.....	24
VAT vs. RST Administrative Costs and Considerations for Government.....	27
Other Tax Administration Considerations.....	28
SALES TAX HARMONIZATION – THE POLITICS	29
THE ‘TAX GRAB’ ISSUE.....	29
SALES TAXES ARE REGRESSIVE.....	32
“TAXPAYER PROTECTION LEGISLATION”.....	33
“LOOK WHAT HAPPENED TO BRIAN MULRONEY”.....	34
VAT OPTIONS FOR THE RST PROVINCES	35
HARMONIZATION WITH THE GST.....	35
PROVINCIAL VAT LEGISLATION – THE QUEBEC APPROACH.....	36
THE HYBRID APPROACH.....	37
CONCLUSION	37
BIBLIOGRAPHY	40

DATA & TABLES	43
DATA: FEDERAL & PROVINCIAL REVENUES AND SELECTED PROVINCES' TAX ADMINISTRATION COSTS (PLUS GDP, POPULATION, AND SALES TAX RATE INFORMATION).....	44
<i>Canada - Data</i>	45
<i>Canada - Analysis</i>	46
<i>British Columbia - Data</i>	47
<i>British Columbia - Analysis</i>	48
<i>Saskatchewan - Data</i>	49
<i>Saskatchewan - Analysis</i>	50
<i>Ontario - Data & Analysis</i>	51
<i>Quebec - Data</i>	52
<i>Quebec - Analysis</i>	53
<i>Newfoundland & Labrador - Data</i>	54
<i>Newfoundland & Labrador - Analysis</i>	55
<i>New Brunswick - Data</i>	56
<i>New Brunswick - Analysis</i>	58
<i>GDP (Expenditure Based) and Population Statistics</i>	59
<i>VAT and RST Tax Rates (Historical)</i>	59
FEDERAL & PROVINCIAL TAX REVENUES	60
SOURCES OF FEDERAL & PROVINCIAL REVENUES AS PERCENTAGE OF TOTAL REVENUES	64
INDIVIDUAL TAX REVENUES AS PERCENTAGE OF TOTAL FEDERAL & PROVINCIAL TAX REVENUES	68
PERCENTAGE CHANGE IN SALES TAX REVENUES COMPARED TO PERCENTAGE CHANGE IN GDP	72

Introduction

It has been 14 years since the Canadian federal government replaced its broad-based manufacturers' sales tax ("FST") with the national value-added tax ("VAT") – the Goods and Services Tax ("GST"). Since that time, four provinces – Quebec, Nova Scotia, New Brunswick, and Newfoundland & Labrador – have converted their provincial retail sales tax ("RST") systems into a form of value-added tax that is virtually identical in principles and scope to that of the GST. And yet, fourteen years along, five provinces – British Columbia, Ontario, Saskatchewan, Manitoba, and Prince Edward Island – still rely upon their older retail sales tax systems. This leaves Canada in a unique situation. It is one of only two member nations of the Organization for Economic Development and Cooperation ("OECD") that still utilizes the retail sales tax system to tax consumption (the other OECD member being the United States). Of greater significance, Canada, with its population of only 32 million, is the only OECD member country that imposes both a value-added tax and retail sales tax system on its citizens.

The purpose of the first part of this paper is to compare and contrast the VAT and RST systems of taxation from a tax policy, economic, and political perspective. As part of this process, we reviewed the public accounts of six provinces and the federal government since at least 1985. British Columbia, Saskatchewan, and Ontario were selected as a sample of three provinces which have long imposed a retail sales tax. Newfoundland & Labrador, and New Brunswick were chosen to examine the impact of converting from an RST system to a VAT. Quebec too was included amongst the provinces in order to examine the impact sales tax harmonization had on its government revenues. We have also reviewed both national and international literature regarding the benefits and drawbacks of each of the RST and VAT systems.

Ultimately, our conclusion is as follows. Value-added taxes ("VAT") and retail sales taxes ("RST") are both designed to tax the same thing – consumption. However, operating both systems within the same jurisdiction is an inefficient use of increasingly limited government resources and is an impediment to economic growth and provincial and national prosperity. As to the choice between which system is better, it is clear that the value-added tax system is superior as it (a) is more equitable, (b) less regressive, (c) minimizes cascading and double taxation, (d) promotes international competitiveness and domestic prosperity, and (e) is less susceptible to evasion. Finally, with respect to the issue of how these five remaining provinces should achieve harmonization, we have presented three options: (i) they may choose, as the three Atlantic provinces did, to completely harmonize their sales tax systems with the federal GST, leaving the cost of administration and enforcement to the federal government; (ii) they may follow Quebec's approach, and implement a provincial VAT based on the GST, but retaining responsibility for administration and enforcement; (iii) they may chose a hybrid approach whereby provincial VAT is implemented through provincial legislation, but administration and enforcement is contracted out to the Canada Revenue Agency.

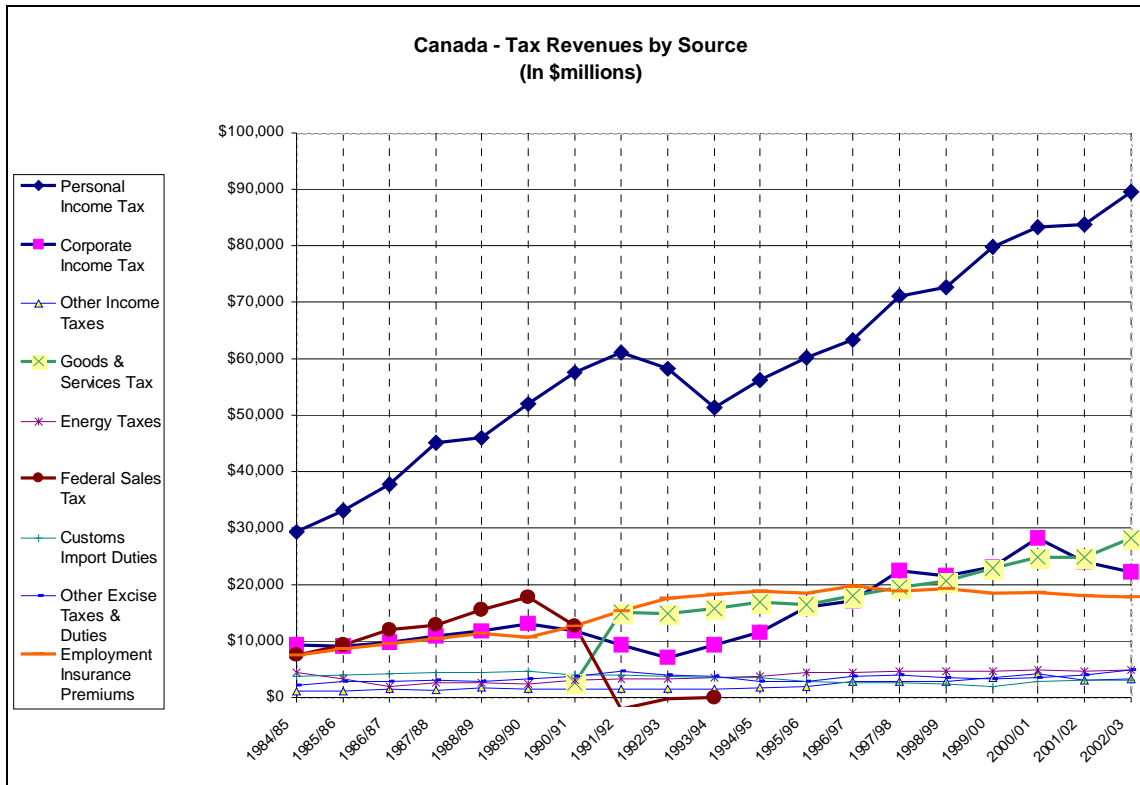
History & Background

Prior to 1991, Canada remained as one of the few OECD countries that did not rely on a national VAT to tax consumption. Rather, the federal government imposed a hidden manufacturers' sales tax and nine of the ten Canadian provinces each imposed their own retail sales tax of general application. In the late 1980s, the Canadian federal government looked towards replacing its manufacturers' sales tax with a more tax effective and economically efficient VAT. As part of its efforts, the federal government sought cooperation with the ten provinces to concurrently replace their RST systems with a single, national harmonized VAT with the same tax base and same tax rate. However, in 1989, the discussions and negotiations between the federal government and the provinces broke down with each heading their separate way. Eight of the nine provinces that levied an RST chose to retain their existing system. The ninth province, Quebec, chose to start the process of replacing its provincial RST with a provincial VAT, but did so over time and in its own distinct way. As for the federal government, they proceeded on their own, and on January 1, 1991, the GST made its debut.

The Federal Government

In 1993, the Liberal Party of Canada under the leadership of Jean Chretien was swept into power, in part, on a promise to replace the GST. On February 3, 1994, the Canadian House of Commons' Standing Committee on Finance began public hearings to examine the options to live up to the Liberal government's election promise to "replace the GST with a system that generates equivalent revenues, is fairer to consumers and to small business, minimizes disruption to small business, and promotes federal-provincial fiscal co-operation and harmonization."¹ However, both the GST and its predecessor the FST made up, on average, 14 to 16 per cent of the federal government's annual tax revenues.

¹ *Replacing the GST: Options for Canada*, Ninth Report of the Standing Committee on Finance, Ottawa, 1994, p.1.



With the exception of personal income taxes, the GST was in a three-way tie with employment insurance premiums and corporate income taxes as the second most important source of taxation revenues for the federal government. Replacing the GST would require Mr. Chretien's government to find another source of tax revenues to replace the GST's 14 per cent contribution.

The Committee considered a number of options, including:

- Revoking the GST and cutting transfer payments to the provinces;
- Abandoning the GST in exchange for provincial income tax revenue;
- Eliminate the GST but increase personal income taxes to make up the revenue;
- Reduce the GST rate but concurrently increase personal income taxes;
- Replace the GST with a personal expenditure tax;
- Replace the GST with a business transfer tax.

Ultimately, however, the Committee's recommendation was to repeal the GST and all provincial retail sales taxes and to replace them with "a nationally integrated, multi-stage value added tax on consumption".² In other words, the Committee recommended sales tax harmonization. However, that would require the cooperation of all of the RST provinces, which, in the true spirit of Canadian politics, was not forthcoming.

² *Replacing the GST: Options for Canada*, Ninth Report of the Standing Committee on Finance, Ottawa, 1994, p.5.

Therefore, by 1995, after much politicking, the federal government decided to live by the adage that there is no such thing as a good tax, only a bad tax and a worse tax, and the GST was the best of the options available to it.

Quebec

Despite the breakdown in the late 1980s of the discussions between the federal government and the provinces to create a single national VAT, Quebec made the decision to take advantage of the benefits of harmonization and to replace its provincial RST with a VAT similar to the GST. However, the province chose to do so gradually, over time.

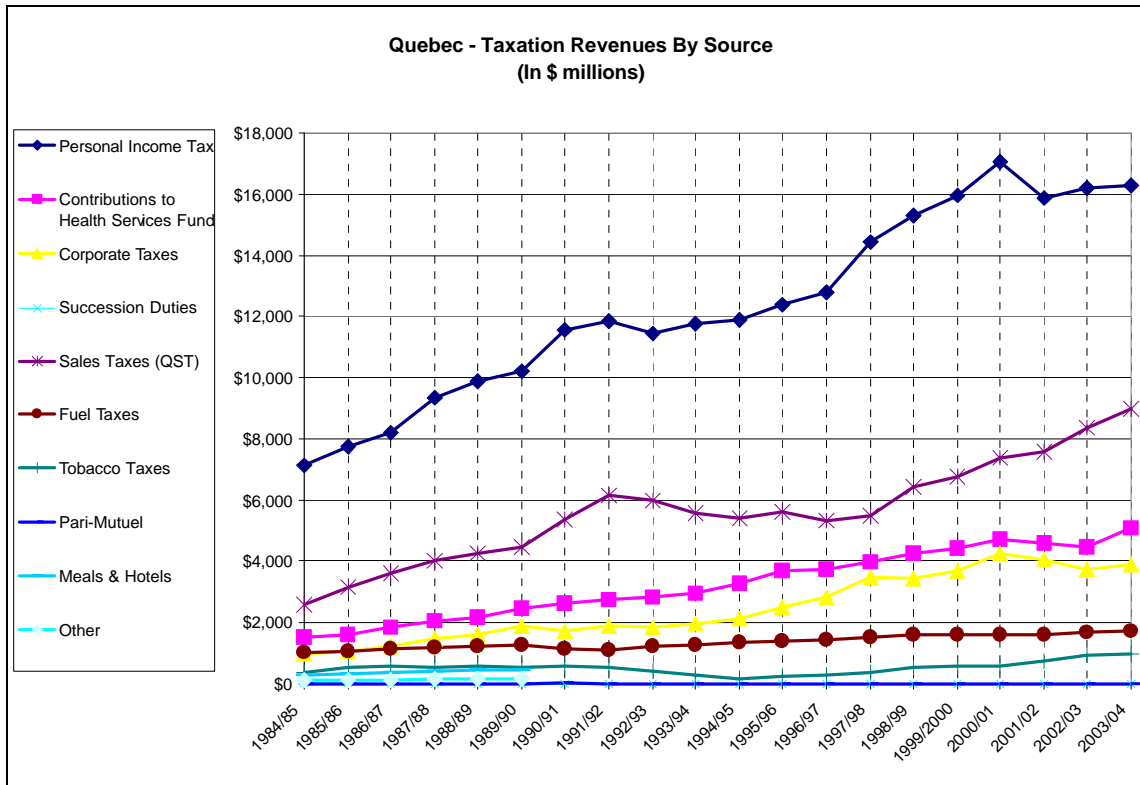
Phase I began on January 1, 1991 when the province expanded the tax base of its RST to apply to all moveable property (i.e. tangible personal property) to which the GST applied. Concurrently, the province reduced the nominal tax rate from 9 per cent to 8 per cent. (However, given that the newly introduced GST was included in the amount upon which the provincial RST was based, the effective tax rate was 8.56%.)

Phase II of the conversion commenced on July 1, 1992. At that time Quebec's sales tax base was expanded to include most services, immovable property (i.e. real property), and incorporeal movable property (i.e. intangible personal property). However, the tax rate for these added items was set at 4 per cent (effective rate 4.28%). Phase II also saw the introduction of input tax refunds for provincial sales tax paid on business inputs, similar to input tax credits under the federal GST. It was also at this time that Revenue Quebec assumed responsibility for administering the federal GST in Quebec. However, remnants of the RST system remain. Unlike the GST, the new Quebec Sales Tax ("QST") included the concept of a "non-taxable supply" which, in essence, was an exemption from QST on goods purchased for resale. In addition, the province restricted businesses' ability to claim input tax refunds in respect of road vehicles, fuel, electricity, gas, steam, and combustibles, as well as telephone and telecommunications.

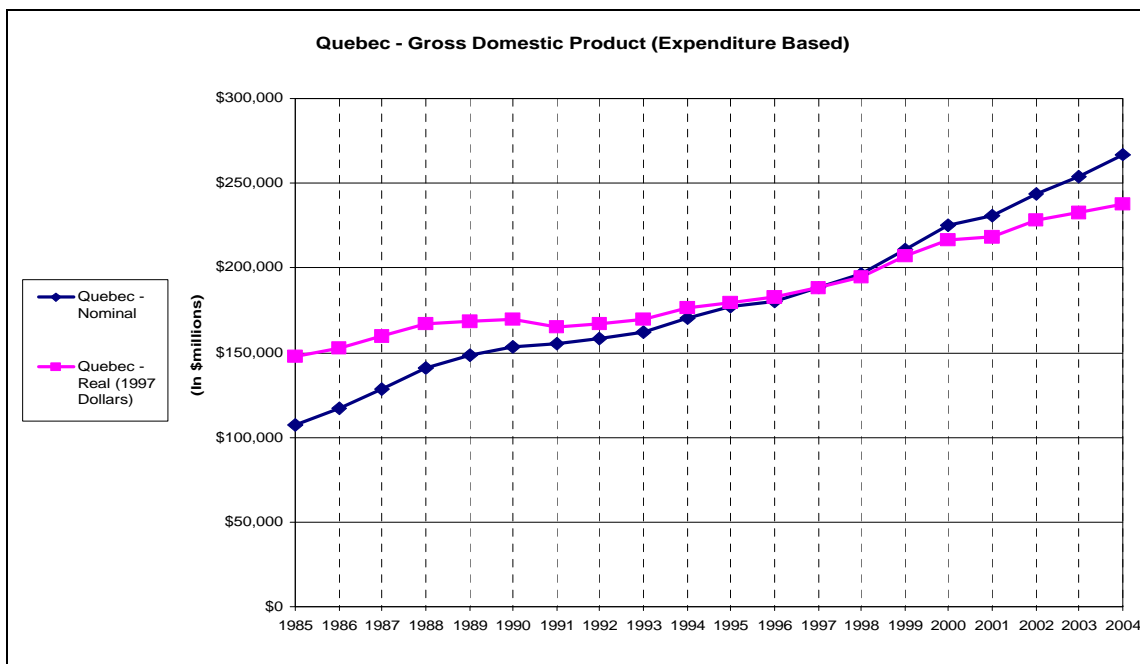
Next, in 1994, the Quebec government eliminated the dual tax rates of 8 per cent for movables and 4 per cent for services, immoveables, and intangibles and replaced it with a single nominal rate of 6.5% (effective rate 6.955%). In 1995, the province eliminated the restrictions on claiming input tax refunds for small and medium sized businesses and concurrently eliminated the concept of a "non-taxable supply". By this point in time, the QST was virtually identical to the federal GST in form and structure.

Finally, in the spring of 1997, to coincide with the introduction of the Harmonized Sales Tax ("HST") in three of the four Atlantic provinces, Quebec increased its tax rate to 7.5% (effective rate 8.025%). In addition, while the province had earlier promised to eliminate the restrictions on claiming input tax refunds for large businesses, it concurrently announced that it was suspending that promise indefinitely.

Financially, this process of gradually changing from an RST to a VAT clearly created some degree of uncertainty for the province in respect of its sales tax revenues. While the province's tax revenues from all other taxes either grew steadily or remained constant throughout this period, the province's sales tax revenues peaked in its 1991/92 fiscal year when it first moved to expand its tax base, but then decreased through to 1996/97 when the conversion was complete.



This decrease in Quebec's sales tax revenues during the period also coincided with a period of slightly slower economic growth in the province. However, it would appear that it was the province's choice to take a phased-in step-by-step approach to converting from an RST system to a VAT that resulted in the negative fluctuations in the province's sales tax revenues during this period of time.

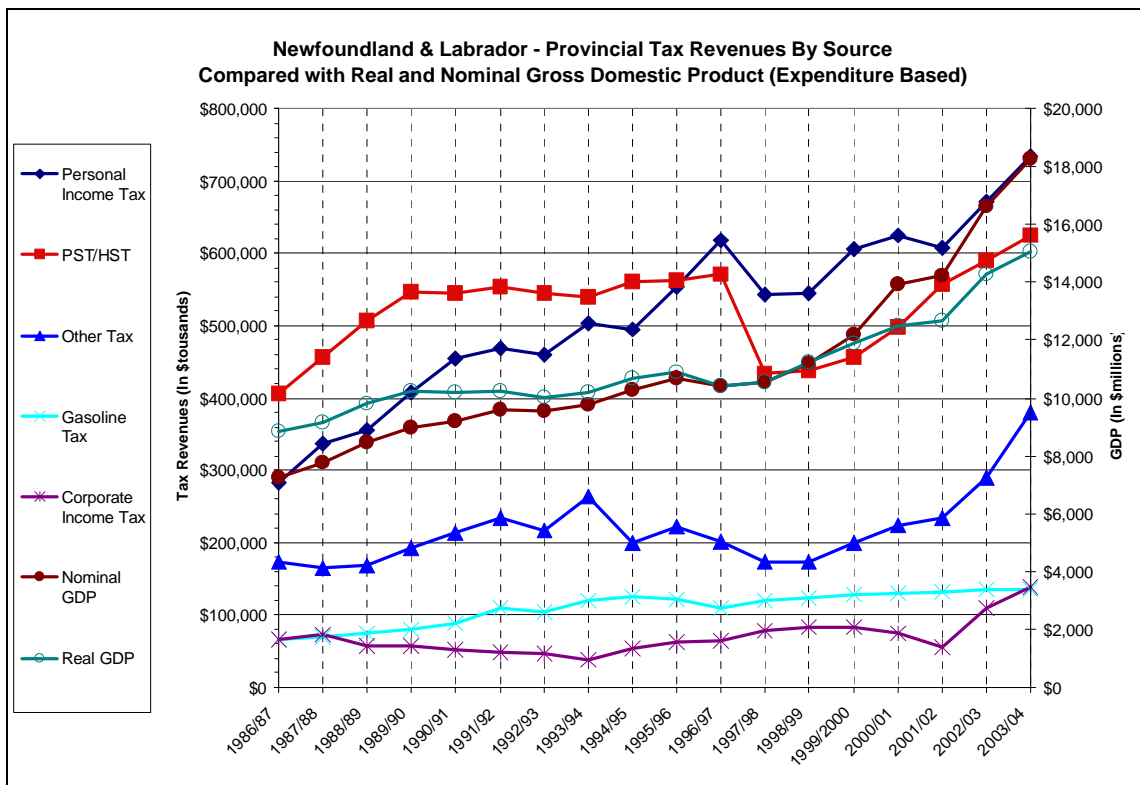


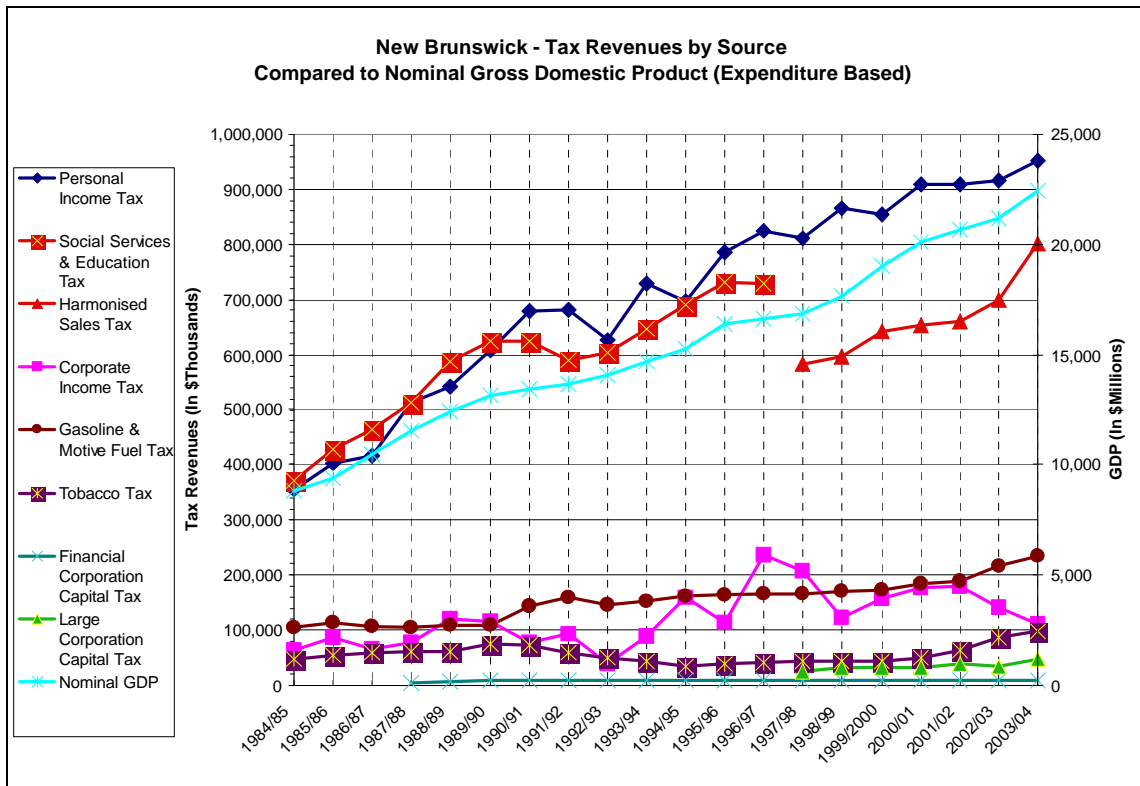
Note, however, that following completion of the harmonization process in 1997, the province's sales tax revenues returned to the pattern of steady growth from year to year that had occurred in the years prior to 1991 when Quebec began its process of converting from an RST to a VAT.

The HST Provinces

The next major Canadian sales tax event came in on October 18, 1996 when the federal government and three provinces – New Brunswick, Nova Scotia, and Newfoundland & Labrador – announced that they had reached an agreement on sales tax harmonization. The three provinces would, at the start of their next fiscal year commencing April 1, 1997, abolish their provincial RST systems and harmonize with the federal government's GST to create the "HST" or harmonized sales tax. In essence, the HST was the same as GST, except the rate was 15 per cent as opposed to 7 per cent. The federal government agreed to administer the HST at no charge to the three provinces. In addition, as the three provinces' retail sales tax rates had been substantially higher than the 8 per cent provincial component of the HST, the federal government agreed to provide \$1 billion of transitional assistance to each of the three provinces over four years to compensate for the sudden substantial loss in sales tax revenues each was anticipated to experience.

In this regard, it is important to remember that as a source of tax revenues, these three Atlantic provinces relied more heavily on sales taxes than the other Canadian provinces, including Quebec. In fact, unlike the other provinces, RST in these Atlantic provinces prior to harmonization frequently exceeded personal income taxes as the primary source of provincial tax revenues. In Newfoundland & Labrador, RST had consistently been the primary source of tax revenues for the province.





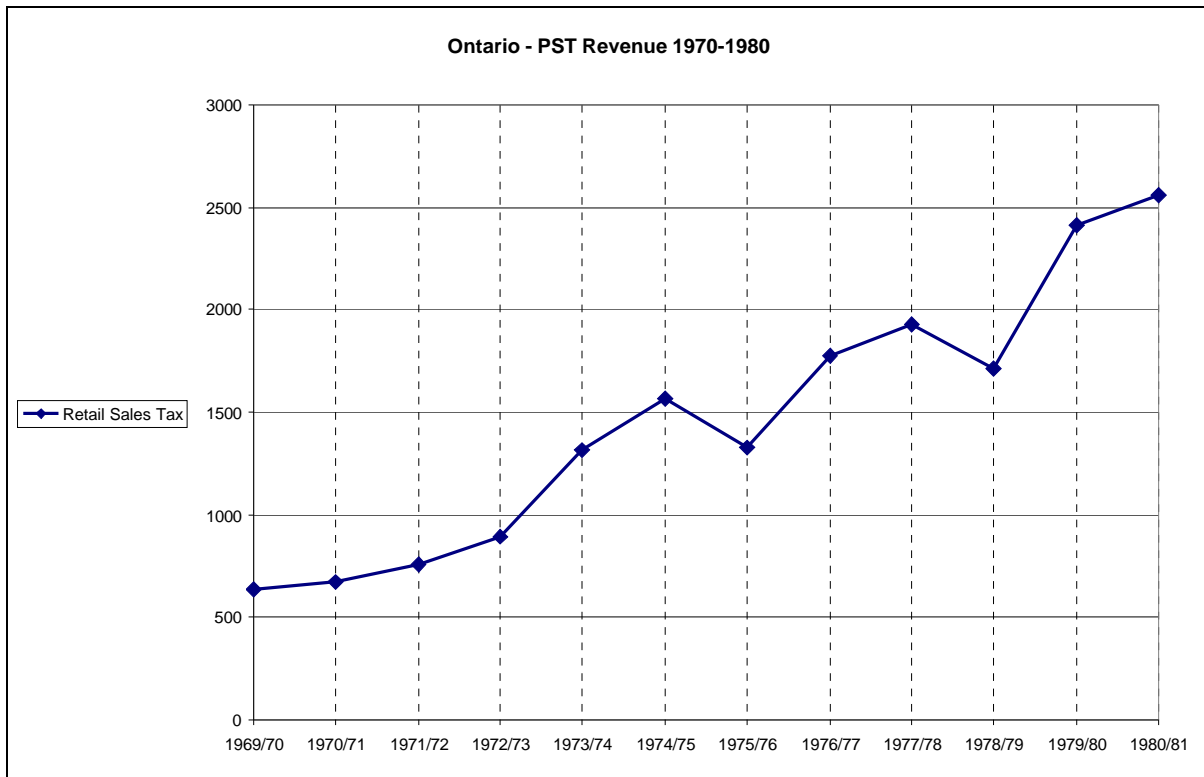
Keep in mind that in the decade leading up to the introduction of the HST, the RST rates in these provinces were in the double digits; in Newfoundland & Labrador, as high as 12%. Given that these provinces included the GST in calculating their provincial sales taxes, following the introduction of GST in 1991, those tax rates increased even more, up to an effective tax rate of 12.84% in Newfoundland & Labrador. Harmonization resulted in a sales tax rate cut in those provinces of upwards of five per cent. It is therefore not surprising that the provinces required the commitment from the federal government to provide each of them with \$1 billion in revenue support over the subsequent four years to ease the transition from their RST to HST.

The RST Provinces

Meanwhile, despite the federal government's offer to administer a national VAT at no charge, the five remaining RST provinces continued to administer and enforce their own provincial RST systems. However, over time, two noticeable trends have developed.

First, unlike the Canadian VATs (GST/HST & QST), the provincial RST systems historically taxed business inputs. Certainly, exemptions have always existed for goods purchased for resale or for further manufacturing and processing into other goods for resale. However, with respect to all other goods, regardless of whether they were purchased for business use or personal use, RST applied. Then, in 1975, as an effort to spur economic growth, the Ontario government introduced, as a temporary measure, an exemption from its provincial RST on production machinery and equipment used to produce goods for resale. After seeing the positive economic outcome of removing RST

from production machinery and equipment, the province made the exemption permanent effective January 1, 1977. Certainly the introduction of the exemption did temporarily reduce the province's RST revenues in the short term.



However, in his report to the Legislative Assembly of Ontario in March 1978 on this RST exemption, the province's treasurer at the time noted:

The benefit-cost ratio [of the exemption] is high: for every one million dollars of Government revenue foregone, more than two million dollars worth of economic activity is generated within the province of Ontario alone. For example, it is estimated that in 1979 the net cost of the tax incentive is \$149 million after allowing for positive revenue feedback effects which reduce the cost of the program. The resulting increase in Gross Domestic Product in the same year will be \$442 million, for a benefit-cost ratio of 2.97.³

Since that time, each of the four remaining RST provinces have moved to a limited extent either exempt production machinery and equipment from RST, or in the case of Saskatchewan and Manitoba, to provide a tax credit to reduce the RST cost on such equipment.

³ *Ontario's Retail Sales Tax Exemption for Production Machinery and Equipment: An Economic Assessment*, presented by The Honourable W. Darcy McKeough, Treasurer of Ontario in the Legislative Assembly of Ontario, March, 1978, p.7.

Therefore, the first trend that has been seen in the RST provinces has been the move, at least in part, to reduce the RST cost on business inputs.

The second trend has been the expansion of the RST tax base. Historically, provincial RST only applied to tangible personal property. It did not apply to real property, intangible personal property, or services. Gradually, each of the five RST provinces has expanded their tax base beyond simply tangible personal property.. For example, in 1982, Ontario expanded its tax base to include labour charges for services related to tangible personal property (i.e. installation, repair, and maintenance services). The four remaining provinces have done the same. In 1985, British Columbia moved to clarify its RST legislation to ensure computer software -- an intangible -- was subject to RST. The remaining four provinces also now tax computer software. British Columbia moved in 1992 to tax legal services. In 1993, PEI did one better adding legal, accounting, engineering, architectural, and consulting services to its tax base. In 2000, Saskatchewan followed suit and expanded its tax base to include a wide range of services, including legal, accounting, architectural, engineering, veterinary, telephone answering, real estate sales commission, dry cleaning & laundry, credit reporting, collection agency, security, advertising, and janitorial services. Manitoba did the same in 2004. Today, the RST tax base in the five remaining RST provinces has expanded well beyond the taxes' original design to tax only tangible personal property. Telecommunication services, parking, computer software, accommodations, professional services, labour charges, and a wide variety of other intangibles and services are found, to varying degrees, within these provinces' RST tax base.

Tax Policy & Economic Analysis

As noted above, the foregoing history has left Canada in a unique position amongst its OECD peers. It is the only nation out of the 30 member states to impose both a VAT at the national level and an RST at the provincial level. The inefficiencies are obvious. Because of the differences in the tax base between the federal VAT and the provincial RSTs, consumers in those provinces cannot be certain as to what rate of tax they will be paying on individual purchases. Furthermore, businesses in the five RST provinces face twice the compliance costs that their competitors do in those provinces where only VAT applies. For the two levels of government, it means twice the tax administration costs to essentially tax the same thing -- consumption. But given that it has been the status quo for some 14 years, one would expect that there is a reasonable tax policy or economic reason for the two types of taxes co-existing. As the discussion that follows demonstrates, there does not actually appear to be such an explanation.

Income vs. Consumption vs. Property Taxes

There are, essentially, only three bases upon which governments can raise tax revenues from their citizens. When money is earned, when money is spent, or on the value of the citizen's assets. Income, payroll, and profit taxes are examples of taxes imposed when money is earned; consumption taxes, sales taxes, and land and property transfer taxes are examples of taxes imposed when money is spent; property and estate taxes are examples of taxes imposed based on the value of a citizen's assets. The choice between which of these taxes to impose and when is generally driven by not only the need to raise revenues

for government purposes, but also the behaviours the particular government wishes to encourage or discourage. Amongst OECD member countries, the trend has been to place more emphasis on taxing consumption and to reduce taxes on business profits and investments.⁴ The policy reasons for this are clear. Taxation of income and profits provides a disincentive for citizens to earn more. By reducing income taxes, government place more after-tax dollars into taxpayers' hands, allowing them more flexibility to choose to invest that money in further income-earning activities or to use it for personal consumption. If the taxpayer chooses the former, no further taxation is imposed. If the taxpayer chooses the latter, a consumption tax applies. In this way, the tax system provides an incentive to taxpayers to invest in further income-earning activities with the added benefit of discouraging excess consumption.

The Current Canadian Tax Mix

Our review of the public accounts brought two points into focus. First, and not surprisingly, provincial tax revenues are the single most important source of funding for the provinces. Provincial governments have essentially four sources of revenue – their own provincial taxes, federal government transfers, income from investments (including government businesses such as liquor control boards), and other income (such as natural resource revenues and fines and permit fees). In the larger provinces – Quebec and Ontario – provincial taxes have historically constituted upwards of 70 per cent of the total revenues for the provinces. In the others, provincial tax revenues make up around 50 per cent of provincial tax revenues, with British Columbia being historically at the high end of this group at around 55 per cent of total provincial revenues and Newfoundland & Labrador at the low end around 40 to 45 per cent. The table below summarizes the source of provincial revenues for these six provinces as a percentage of their total revenue for the last fiscal year for which information was available for all six – 2003/04.

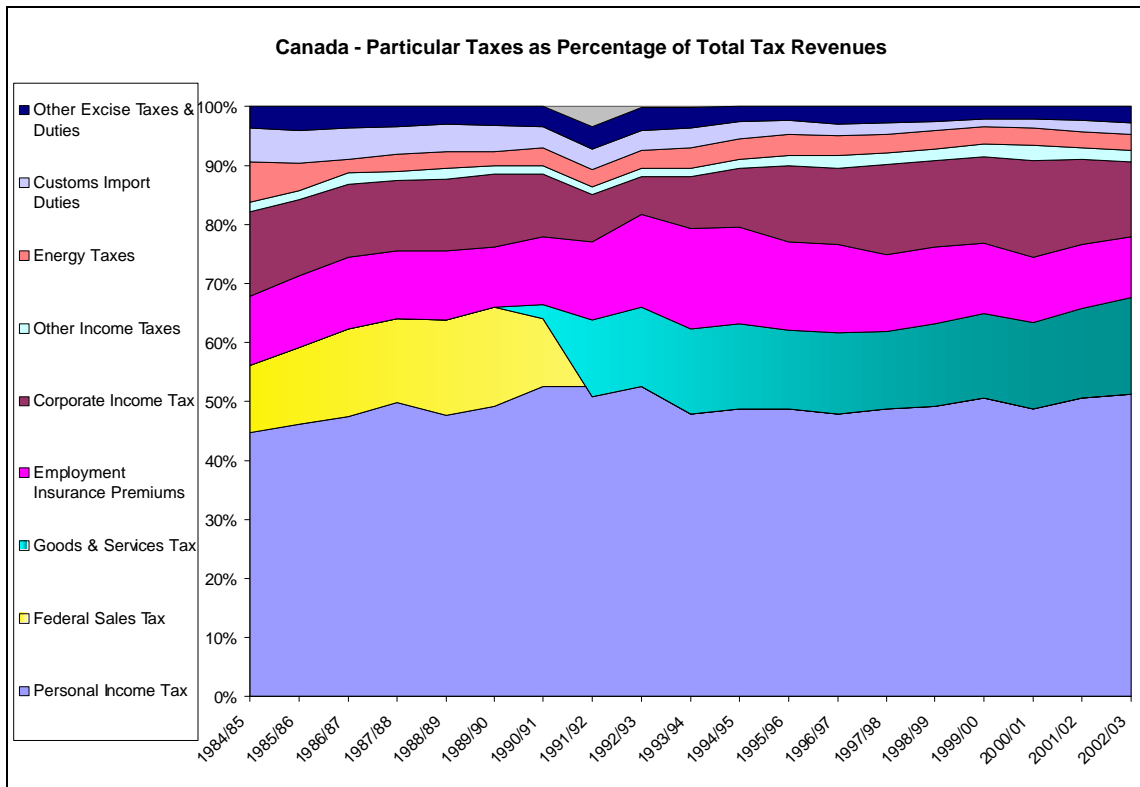
Sources of Provincial Revenues as Percentage of Total						
Fiscal 2003/04	BC	Sask	Ont	Que	NB	NL
Provincial Taxation	57.10%	48.90%	71.85%	67.11%	50.97%	48.03%
Federal Government	12.88%	18.56%	14.46%	18.37%	36.02%	36.79%
Other (Provincial Govt Enterprises, Fines & Fees, Etc.)	30.02%	32.54%	13.69%	14.52%	13.01%	15.18%

Second, for the six provinces we reviewed, sales tax revenues are currently their second most important source of tax revenues behind personal income taxes. Corporate income tax, interestingly, places a rather distant third in terms of significance to provincial tax revenues.

⁴ From 2000 to 2005, the average combined corporate income tax rates for OECD member nations dropped from 33.6% to 28.7%. Between 1998 and 2003, the average VAT of those OECD members who had VATs in 1998 increased from 17.9% to 18.1%. In addition, during the same period, one OECD member – Australia – introduced a new national VAT. Source: OECD Tax Database – http://www.oecd.org/document/60/0,2340,en_2649_34533_1942460_1_1_1_1,00.html

Specific Taxes as Percentage of Total Provincial Tax Revenues						
Fiscal 2003/04	BC	Sask	Ont	Que	NB	NL
Personal Income Tax	41.38%	36.65%	37.24%	44.05%	36.59%	36.41%
Sales Tax (PST/GST/QST/HST)	33.83%	25.14%	29.01%	24.27%	30.80%	31.03%
Corporate Income Tax	6.58%	9.14%	13.55%	10.53%	4.26%	6.93%
Other Provincial Taxes	18.21%	29.07%	20.20%	21.15%	28.35%	25.63%

With respect to the Canadian federal government, unlike the provinces, sales and consumption tax revenues do not and have not held such a dominant place within the federal government's tax mix. As the graph below demonstrates, unlike the provinces, personal income taxes have historically comprised around half of the federal government's annual tax revenues. The remaining half is comprised of roughly of about 15 per cent sales taxes (GST and prior to that, the manufacturers' sales tax), 15 per cent corporate income taxes, and between 10 to 15 per cent employment insurance premiums. The remaining 5 to 10 per cent is comprised of customs duties, excise taxes, and other income taxes (i.e. non-residents withholding taxes).

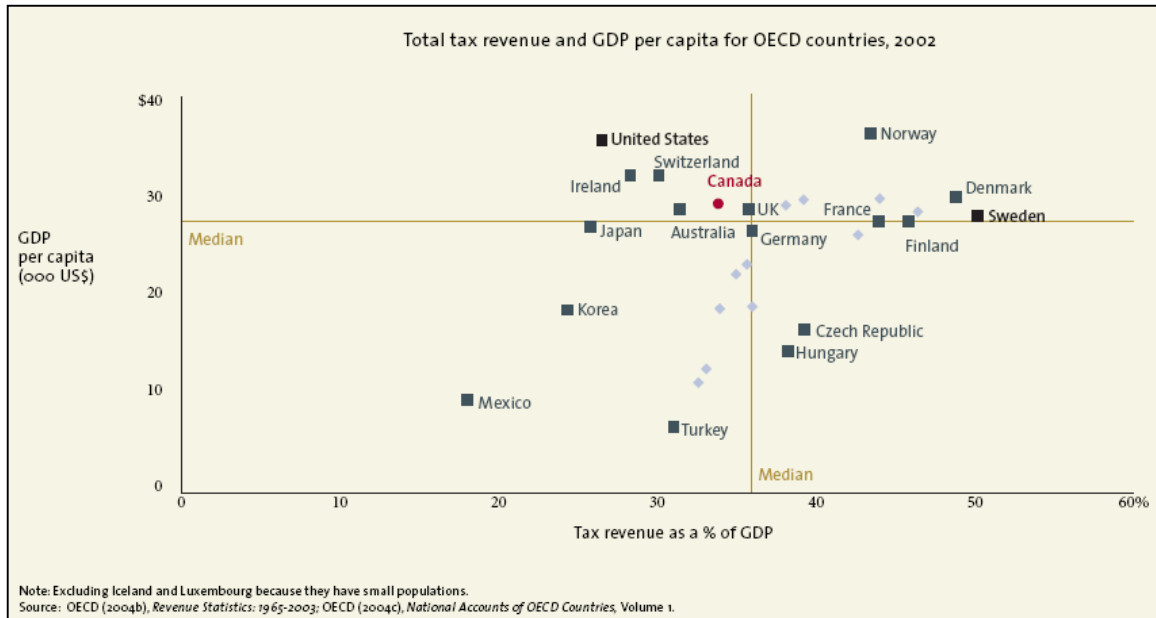


The International Perspective

Given their country's proximity to the United States, Canadians when asked about taxes routinely complain that they are too high and that they receive too few services or poor quality services for the amount of taxes that they pay. There is also a general perspective that lower taxes leads to greater prosperity. However, empirical data does not necessarily support this hypothesis – a point recently made by The Institute for Competitiveness and Prosperity (“ICP”). The ICP is a not-for-profit organization established in 2001 to

undertake research for the Ontario Government’s Task Force on Competitiveness, Productivity, and Economic Progress. The Task Force itself was created in 2001 by the Ontario government to “measure and monitor Ontario’s competitiveness, productivity, and economic progress compared to other provinces and US states.”⁵ In its seventh working paper released in March 2005, the ICP turned its attention to how taxation could be used as a means of promoting prosperity.

With regard to taxation and prosperity, the Institute concluded that lower tax burdens are not necessarily linked to greater prosperity.



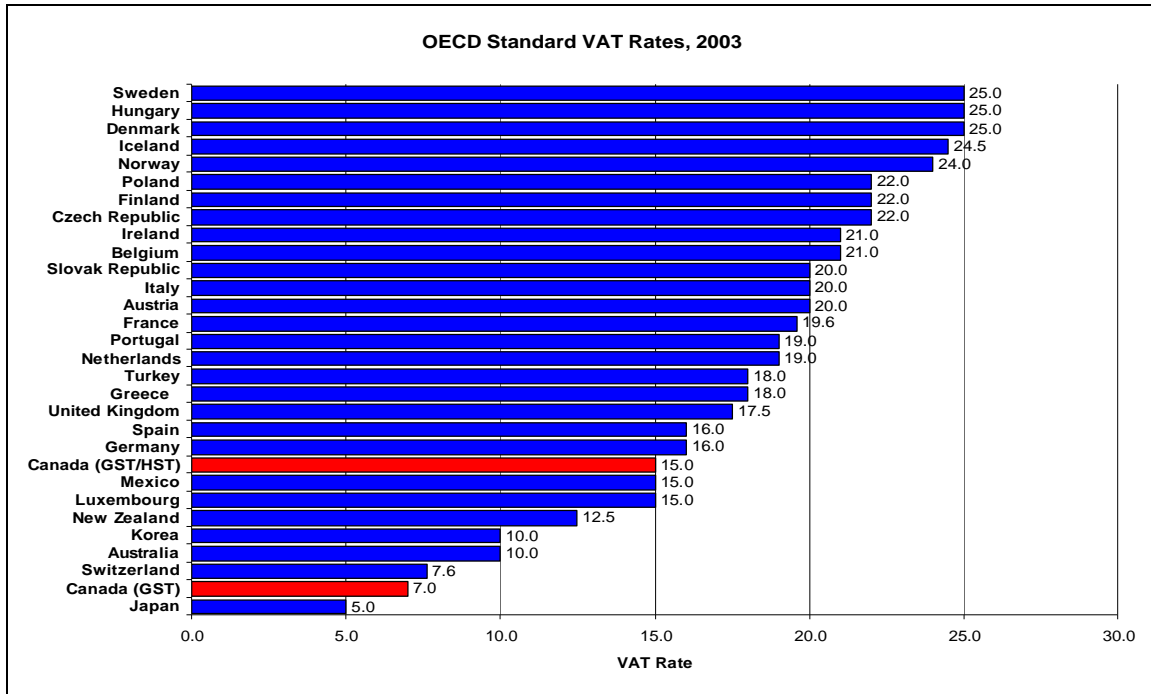
As the above graph from the ICP’s working paper demonstrates, if one compares tax revenues to GDP, one first realizes that Canada’s tax burden is below the median of most OECD countries. However, the second realization is that countries such as Denmark, Sweden, and Finland, which are equally if not more prosperous than Canada based on per capita GDP, have substantially higher tax burdens – up to 15 percentage points higher than Canada. Norway and the United States also offer a clear example of how tax burdens are not necessarily linked to prosperity. Norway’s tax burden, as a percentage of its GDP, is more than 10 percentage points greater than that of the United States. Yet at the same time, Norway’s per capita GDP is higher than that of the United States.

With respect to sales taxes, Canada also enjoys lower sales tax rates than most OECD countries. As of 2003, the average VAT rate in OECD countries (excluding the United States as it does not have a VAT) was 17.8 per cent.⁶ Even Prince Edward Island, the province with the highest effective combined GST/PST sales tax rate at 17.7 per cent,

⁵ *Taxing smarter for prosperity – Working Paper No.7*, The Institute for Competitiveness & Prosperity, March 2005, p.1.

⁶ OECD Tax Database, Table IV.1,
http://www.oecd.org/document/60/0,2340,en_2649_37427_1942460_1_1_1_37427,00.html

falls below the OECD's average VAT rate, with the average Canadian GST/PST rate being 15 per cent.



VAT vs. RST

Acknowledging that all three forms of taxation – income & payroll taxes, consumption taxes, and asset-value taxes – will always play a role in raising government tax revenues, the issue with respect to consumption taxes then becomes what form of tax should be used.

Both VAT and RST are consumption taxes. However, in their pure form – that is, without any exemptions – they differ in the type of consumption that they tax and the manner in which they tax it. VATs tax consumer spending, whereas RSTs tax both consumer and business spending. VATs are also multi-staged taxes whereas RSTs are single-stage taxes. Under a VAT system, every transaction is subject to VAT regardless of whether the purchaser or acquirer is acquiring the property or service in question for business or for personal use. However, under a VAT system, if the recipient of the property or service is acquiring for business purposes, they are entitled to a credit or refund of the VAT that they paid on such purchases. In this way, VAT is imposed at each point that value is added in the economic chain, but the ultimate tax burden is born by the person who is acquiring the final product or service for their own personal consumption or use and not for business purposes.

RSTs are single-stage taxes. Tax is only imposed when a purchaser is acquiring for their own consumption or use. If the acquirer is acquiring the property or service for resale, RST does not apply. Rather, the acquirer provides the supplier of the property or service with either a certificate (i.e. RST purchase exemption certificate) or RST identification number to certify that that he or she is not acquiring the property or service for consumption or use and therefore the supplier does not charge RST. The final major

difference, however, between a VAT and RST is that an RST generally does not discriminate between business use or personal use. If the recipient is acquiring the property or service for consumption or use, regardless of whether the consumption or use is for personal or business use, RST applies.

In the choice between either a VAT or an RST, a VAT is by far the more superior of the two. First, because it adheres more closely to generally accepted tax policy principles. Second, because economically, a VAT raises tax revenues while having the least impact on economic performance of the country or province, whereas an RST is a significant impediment to productivity and growth. Finally, from a tax administration perspective, while, theoretically, a VAT is marginally more expensive to administer than an RST, a VAT is less susceptible to evasion.

Canadian VATs vs. Provincial RSTs from a Tax Policy Perspective

Fundamentally, the main purpose behind any system of taxation is to raise revenues for government spending. However, there are certain tax policy principles to which modern governments and experts agree any system of taxation should aspire.⁷ Those principles are: neutrality, simplicity, equity, avoidance of double taxation, and international competitiveness.

Tax Policy Principles

Neutrality

The principle of neutrality states that a tax system should, to the extent possible, not affect people's behaviour. Individuals and business should make the same choices they would make if no taxes were imposed.

Simplicity

This principle states that a tax system should be as simple and understandable as possible, both to encourage compliance by taxpayers and to reduce the cost of administration, both for government and taxpayers.

Equity

The principle of equity requires that the tax burden imposed should be shared equally by all taxpayers.

International Competitiveness

This principle stipulates that given the mobility of capital and skilled labour, a tax system should avoid, to the extent possible, creating a disincentive to income-generating activities within a jurisdiction, particularly in comparison to neighbouring jurisdictions.

⁷ *Principles of Canadian Income Tax Law*, P.Hogg *et al.*, Carswell, 1999, p.39; *Electronic Commerce: Taxation Framework Conditions*, OECD Ministerial Conference, Ottawa, 1998; *2003/4 Ontario Pre-Budget Submissions*, Canadian Taxpayers Federation, p.10.

Avoidance of Double Taxation

Finally, a tax system should avoid the incidence of double taxation; that is, the imposing the same tax on the same dollar twice.

Measuring the Canadian VAT and provincial RST systems against these principles, one quickly sees that the Canadian federal GST/HST and Quebec's QST are superior to the provincial RSTs from a tax policy perspective.

Neutrality: As noted above, the key difference between the Canadian VATs and the provincial RSTs is the scope of their respective tax base. GST/HST and QST apply to all forms of property – real, tangible, and intangible – as well as to services. There is no discrimination in the application of these VATs based upon the type of property or service being provided or sold. Certainly there are exceptions – most notably financial services, medical and education services, as well as residential rental property. However, those exceptions exist for other tax policy reasons that are clear.

The provincial RSTs, on the other hand, violate the principle of neutrality and do so in two ways. First, because their tax bases are limited principally to tangible personal property and only selectively include other forms of property and services, the provincial RSTs inherently favour certain businesses and industries over others. Consider, for example, the information and entertainment industries. Currently, in the five RST provinces, information such as books, music, and movies sold on disk, CD, or DVD are subject to provincial RST because the disk, CD, or DVD constitutes tangible personal property. Those same items, if downloaded through the internet, are not subject to RST as they are not delivered in a tangible format. Because the tax base is limited to only tangible personal property, the provincial RST systems violate the principle of neutrality and favour certain sectors of the same industry over others by influencing consumer behaviour. Such discrimination is not present under the GST/HST and QST systems given that tangibles and intangibles are taxed equally.

Another frequently cited example is the taxation of professional services in British Columbia. In that province, RST applies to legal services but not to other professional services. Accordingly, if a business or consumer in British Columbia seeks tax advice from an attorney, the services is subject to that province's RST. However, the same advice, if provided by an accountant, is not subject to B.C.'s RST.

The provincial RST systems also violate the principle of neutrality as they impose different rates of tax on different products and services. For example, in Ontario, while the general RST rate is eight per cent, admissions to places of amusement such as theatres, concerts, and sporting events are taxed at 10 per cent, and hotel and other accommodations are taxed at five per cent. In British Columbia, the general RST rate is currently 7 per cent. However, hotel and other accommodations are taxed at 8 per cent. The varying tax rates and limited tax bases of the five Canadian RST provinces clearly violate the principle of neutrality, resulting in their tax systems favouring not only certain industries over others, but even certain sectors within a particular industry over others.

By comparison, such discrimination between industry and sectors is not prevalent under Canada's VAT systems. The GST/HST and QST apply to all types of property – real, tangible, and intangible – and all services and are taxed at the same rate. In this way, the Canadian VATs do not favour one industry over another or influence consumer behaviour.

Simplicity: Once again, this principle states that a tax system should be as simple and understandable as possible, both to encourage compliance by taxpayers and to reduce the cost of administration, both for government and taxpayers. It is difficult to assert that any tax system is simple and understandable. The key words within this principle, therefore are '*as possible*'. Taking this into consideration, the Canadian VAT systems are more understandable than the provincial RSTs.

Under the Canadian VAT systems, virtually all transactions are subject to VAT. However, if the acquirer is acquiring a particular property or service for business purposes and is registered for VAT purposes, the acquirer may claim a refund or credit of the VAT paid. Most certainly there are exceptions, as noted above with respect to financial services, residential rental property, as well as medical and educational services and basic groceries. Any complexity with respect to the Canadian VAT systems (as with any tax system) arises because of such exceptions. However, for most taxpayers, they are simply aware that with few exceptions, they will pay VAT on the property and services they acquire. The same cannot be said for the provincial RST systems.

The provincial RST systems are more complex because of their smaller tax base and greater number of exceptions. Whereas under the VAT systems it is relatively easy to identify policy reasons why financial services, residential rental property, medical and educational services, and basic groceries are not subject to VAT, one cannot say the same is true for the provincial RST systems. What legitimate tax policy is behind the taxing of music CDs under the provincial RST systems, but not downloaded music? Why are repairs to a built-in dishwasher not subject to RST where as the same repairs to a free-standing dishwasher are subject to RST? Why are home renovation projects charged on a time-and-materials basis subject to RST, whereas the same project undertaken for a lump-sum price not? Why is shrink-wrapped computer software subject to RST but custom computer software is not? For that matter, why are only certain services related to computer software taxable and others are not? Certainly, for the consumption tax specialists attending the 25th Annual Canadian Institute of Chartered Accountants' Commodity Tax Symposium for whom this paper was prepared, the analysis and explanation behind each of these questions is obvious. However, to the average taxpayer, there is no logical reason. More importantly, even for such experts, it would be difficult to enunciate a legitimate tax policy reason behind these distinctions in the application of tax under the provincial RST systems. The distinctions are, in fact, arbitrary and arise purely due to the design of the RST systems; none can be said to exist for any legitimate tax policy reasons. Accordingly, measured by the principle of "simplicity" the Canadian VAT systems are superior to the provincial RST systems.

Equity: Once again, this principle requires that the tax burden be shared equally by all taxpayers. In their present format, the Canadian VATs once again are more compliant with this tax policy than the provincial RSTs. First, as noted above, because RSTs apply only to transactions involving tangible personal property or related services, taxpayers

who consume more tangibles as opposed to other forms of property or services will bear a greater proportion of the tax. Second, the tax administration costs of RST are not shared equally amongst all businesses. Only those businesses that sell taxable property or services bear the cost of collecting the RST on behalf of the government. Businesses that sell other forms of property or services do not incur similar administrative costs. Third, taxpayers undertaking the same type of consumption also will not necessarily incur the same tax cost under the provincial RST systems. Once again, consider the taxpayer who undertakes a home renovation on a time-and-materials basis versus a taxpayer who contracts for the same renovation on a lump-sum basis. In that circumstance, the first taxpayer will pay RST based on the price of materials charged to him by his contractor. With respect to the lump sum contract, the taxpayer will not pay any RST at all, but rather, RST will be paid by his or her contractor based on his or her purchase price. Such inequities are not prevalent in the Canadian VAT systems.

Avoidance of Double Taxation: Unlike the Canadian VAT systems, double taxation is routine under the provincial RST systems. For example, consider a business that purchases a piece of equipment for its own use as well as for leasing purposes. That business will be required to pay RST on its purchase price, but in addition, will be required to charge and collect RST from those customers to whom it leases the equipment. In this way, RST is paid twice on the same piece of equipment. Certainly, the taxpayer can structure his affairs to avoid this double taxation by purchasing the piece of equipment in a separate legal entity that leases to both the taxpayer and to the taxpayer's lessees, but this merely further demonstrates how the provincial RST systems violate the principle of neutrality by influencing the behaviour of taxpayers. Absent this problem of doubling up of the RST, the taxpayer would purchase the equipment directly as opposed to going through the added cost of creating and maintaining a new separate legal entity.

Even more common in an RST system is tax cascading. As RSTs tax business consumption, RST becomes a cost which a business must take into consideration in determining their selling price. If they are selling RST-taxable goods, RST must also be paid by their customers. If their customers are other businesses selling RST-taxable goods, RST has now been paid at two stages of the economic chain, and will once again be paid at a third when that business sells their product. In this way, RST cascades from one transaction to another, such that the embedded RST cost on a particular good is generally substantially higher than the RST actually paid by the final consumer purchasing for their personal use.

Neither of these problems arise in a VAT system. At each transaction in the economic chain, businesses are provided either a credit or refund on inputs acquired for business use. In this way, both double taxation and tax cascading are avoided. It is only when the property or service is purchased for personal use that VAT both applies and is not recoverable by the acquirer.

International Competitiveness: One of the key advantages that a VAT has over an RST is that a VAT significantly increases the competitiveness of domestic businesses in the international marketplace. The reason RSTs reduce international competitiveness is because of tax cascading throughout the domestic production process. While both VATs and RSTs generally exempt sales made for export from tax, under an RST system, RST

has become a cost to domestic businesses and thereby increased their domestic selling price. This increases the cost of products and services sold for export, making it more difficult for domestic businesses to compete internationally, particularly when the prices of products or services they sell are set by an international market.

The same is not true in a VAT system. Once again, because a credit or refund is available for VAT paid on purchases made for business purposes, VAT does not become a cost for domestic businesses and therefore does not limit domestic businesses' international competitiveness. In fact, given the extent to which the Canadian economy relies on international exports to support its economic growth, one of the principle reasons that the federal government chose to replace the antiquated manufacturers' sales tax with a VAT was specifically to enhance the international competitiveness of Canadian businesses. It seems ironic that provinces such as Ontario and British Columbia, whose economies rely heavily on exports, still limit their domestic business' international competitiveness by imposing an RST.

Canadian VATs vs. Provincial RSTs from Economic Perspective

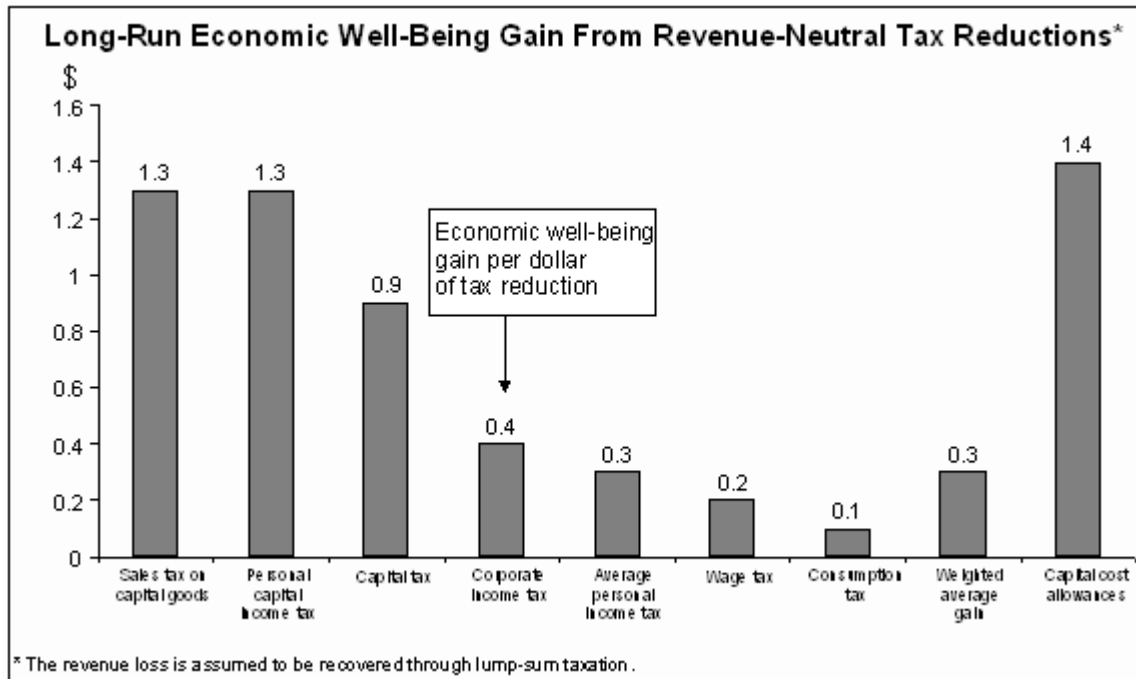
There is no doubt from an economic perspective, a VAT is superior to an RST. Economists consistently point out that VATs are of more benefit to provincial and national economies than RSTs because VATs reduce or remove the amount of sales taxes embodied in capital goods acquired for business purposes and remove taxes from goods sold for export.⁸ By removing the tax from capital purchases, the government encourages businesses, both large and small, to invest in infrastructure that leads to improved productivity. By removing the tax from export sales, the government increases the international competitiveness of their domestic businesses. Higher productivity and greater international competitiveness enhances economic growth within the province and country, and ultimately leads to a higher standard of living for all taxpayers.

In this regard, in 2004, the Federal Department of Finance included in its annual publication *Tax Expenditures and Evaluations* a study entitled *Taxation and Economic Efficiency: Results From a General Equilibrium Model*.⁹ The study examined the principle bases of taxation in Canada and estimated the impact a reduction in each type of tax would have on the economy in general. For example, if personal income taxes were reduced by one dollar, what impact would that have on the economy as a whole? The key conclusion of the study was that "in the current Canadian setting, taxes on saving and investment impose higher economic costs than taxes on wages and consumer spending. This is attributable to the impact on productivity and wages of capital accumulation effects that occur in response to changes in taxes on saving and investment. Taxes on wages and consumption also affect economic performance, but the effects are smaller

⁸ See *Ontario: The Land of Opportunity: Background Report for the Ontario Chamber of Commerce's CEO Economic Summit*, Derek Burleton, Senior Economist, TD Bank Financial Group, September 28, 2004; also *The Impact of Sales Tax Harmonization on the Alberta Economy and Its Taxpayers*, Karen Davis, Western Centre for Economic Research, Information Bulletin No. 43, December 1996, p.3.

⁹ http://www.fin.gc.ca/taxexp/2004/taxexp04_4e.html

because of the relatively low sensitivity of labour supply to changes in wages.”¹⁰ In other words, reducing taxes on business inputs and investments had a greater positive effect on economic prosperity as a whole as compared to reducing taxes on wages and consumer spending. The graph below sets out the results of the federal Department of Finance’s study.



With respect to sales taxes, the results of the Department of Finance’s study are clear: imposing a sales tax on capital goods and business inputs has one of the greatest negative effects on the economy as a whole. Conversely, reducing sales taxes on such business inputs has one of the most beneficial impacts on long term economic well-being. By comparison, increasing or decreasing consumption taxes on non-business consumption has the least impact on improving or reducing long-term economic well-being. The conclusions of the Department of Finance’s study are consistent with the results of other Canadian and international studies.¹¹

In this regard, the Canadian VATs are clearly superior to the RST regimes in Ontario, British Columbia, Saskatchewan, Manitoba, and Prince Edward Island. As with any VAT, the GST/HST provides businesses with a credit for any VAT paid on property and services acquired for business purposes. In this way, VAT is not imposed on business inputs.¹² The RST systems in the five unharmonized provinces routinely tax business inputs.

¹⁰ http://www.fin.gc.ca/taxexp/2004/taxexp04_4e.html

¹¹ http://www.fin.gc.ca/taxexp/2004/taxexp04_4e.html.

¹² The only major exceptions to this principle under the Canadian GST/HST system are financial services and leased residential property.

It is clear that the five RST provinces acknowledge, at least in part, that taxing business inputs limits economic growth. It was precisely for this reason that Ontario, PEI, and British Columbia introduced RST exemptions for production machinery and equipment and Saskatchewan and Manitoba introduced tax credits to reduce the RST cost on such goods. In July 2001 when British Columbia finally announced it would introduce an RST exemption for production machinery and equipment, the province stated the following.

For many years British Columbia was the only province to apply its sales tax to production machinery and equipment without providing some relief through an offsetting investment tax credit. *In a world where there is competition for every investment dollar, this has been a significant deterrent to economic growth and productivity gains.*¹³

As noted above, when Ontario introduced its production machinery and equipment exemption in 1975, the net tax cost to the province was \$149 million, but the measure resulted in an increase in the province's Gross Domestic Product of \$442 million, for a benefit-cost ratio of 2.97.

While it is absolutely clear, both from the federal Ministry of Finance's study and from Ontario's experience with its introduction of its RST production equipment exemption, that removing sales taxes on business inputs has a significant immediate and long run positive impact on a province's economic well-being, it is estimated that about half of the RST province's RST revenues are still earned from RST on business inputs.¹⁴

Even more disconcerting is the following. The RST provinces moved to relieve RST on production machinery and equipment with the expressed purpose of enhancing productivity and therefore economic growth. However, starting with BC in 1985 and in the last decade, these same provinces amended their RST legislation to expand their tax base to include computer software. If there was a single business input over the past decade that has contributed to productivity gains, it has been computer software. Yet the RST provinces not only moved to tax computer software and related services, the rules and procedures have proven to be extremely complex, thereby adding even further costs to businesses in their provinces in an attempt to sort out the application of RST to this essential business input. If the RST provinces' goal was to enhance productivity and growth, their decisions to tax computer software used for business purposes had the exact opposite effect.

By comparison, under the Canadian VATs systems, with few exceptions, capital goods are not subject to VAT. VATs do not limit productivity and economic growth, and given that they are designed to tax all forms of property and services, have not created the same level of administrative confusion regarding their application as the provincial RSTs have experience with products such as computer software.

¹³ British Columbia Ministry of Finance Economic & Fiscal Update, July 2001, http://www.fin.gov.bc.ca/archive/efu/update/update_p3.htm.

¹⁴ See Table 1 at http://www.fin.gc.ca/taxexp/2004/taxexp04_4e.html.

As Karen Davis of the Western Centre for Economic Research based out of the University of Alberta noted back in 1994 in a paper considering sales tax harmonization for the province of Alberta:

Not all provincial economies will be equally affected by [sales tax] harmonization. Direct benefits will be experienced by provinces with retail sales taxes. The most positive effects will be in those provinces where there is not much tax compounding, i.e. where a sales tax is levied on intermediate inputs used in the production of capital equipment or facilities.¹⁵

There is therefore no dispute that both from a tax policy perspective and an economic perspective, the Canadian VATs are superior to the provincial RSTs.

Canadian VATs vs. Provincial RSTs from a Tax Administration Perspective

The final issue to address in choosing between a VAT and an RST are their respective administrative costs, both from the perspective of the businesses who collect them as well as the government that imposes them. In this regard, RST advocates will frequently posit that RSTs are better because they are less expensive to administer. Theoretically, this would be reasonable given that under a VAT system, businesses are required to track the VAT payable on all transactions in order to recover VAT paid on business inputs, whereas RST systems do not. In addition, because of the VAT's substantially broader tax base, more businesses are involved in collecting VAT as opposed to the limited number involved in collecting RST. However, the empirical data suggests that VATs are not necessarily more expensive to administer, either for businesses or governments, and that if they are, any difference in administration costs is marginal.

VAT vs. RST Administrative Costs for Businesses

Qualitative information and data regarding the cost to businesses in administering each type of tax is not readily available. However, what data is available certainly does not suggest that there is a materially significant difference in the cost of collecting the two taxes.

In 1995, the Canadian Institute of Chartered Accountants estimated that businesses' administrative and compliance costs in respect of provincial sales taxes (excluding Quebec) was between \$400 to \$700 million.¹⁶ GST compliance costs were estimated to range between \$600 million to \$1.2 billion.¹⁷ One would have expected, given that the GST was still in its infancy at the time of the CICA's estimate, and that a substantially

¹⁵ *The Impact of Sales Tax Harmonization on the Alberta Economy and Its Taxpayers*, Karen Davis, Western Centre for Economic Research, Information Bulletin No. 43, December 1996, p.3.

¹⁶ *Do the Right Thing, A Submission on a National Sales Tax*, Robert E. Plamondon, C.A., prepared for The Canadian Institute of Chartered Accountants, December 1995, p.21.

¹⁷ *Do the Right Thing, A Submission on a National Sales Tax*, Robert E. Plamondon, C.A., prepared for The Canadian Institute of Chartered Accountants, December, 1995, p.20.

larger number of businesses were registered for GST purposes than for provincial RST purposes, that the GST compliance costs for businesses would have been substantially higher.

Other surveys also suggest that VAT collection costs for businesses are only marginally greater than for RSTs.

Surveys of Tax Compliance Costs for Businesses		
Country & Year	Tax	Findings
Canada (1986)	RST	Costs of collecting and remitting retail sales taxes in Canada -- 2.1% of tax collected, based on a 1986 survey of 1467 businesses. ¹⁸
Canada (1993)	GST	Costs of collecting and remitting GST for businesses with \$100,000 or less in revenues -- 16.97% of GST collected; for businesses with revenues between \$100,000 and \$200,000 -- 15.69%; for businesses with revenues in excess of \$1 million, 2.65%. ¹⁹
United States (1998)	RST	Costs of collecting and remitting sales state and local sales tax over total state and local sales tax revenues in Washington State: 6.5% for small retailers, 3.4% for medium retailers, and 1.0% for large retailers. ²⁰
Europe (2004)	VAT	Costs of collecting and remitting VAT in Europe -- 30.9% of VAT collected for small & medium businesses, 1.9% of VAT collected for large businesses. ²¹

It is also important to note that with respect to the Canada GST survey set out below, the survey was done in 1993, only two years after the introduction of the tax. It is reasonable to assume that these collection costs have been reduced as businesses and taxpayers alike have, over time, become more familiar and experienced with the GST.

¹⁸ Canadian Tax Foundation Paper No. 89, *The administrative and Compliance Costs of the Personal Income Tax And Payroll Tax System in Canada*, Francois Vaillancourt, Toronto, 1989.

¹⁹ *GST Compliance Costs for Small Business*, prepared for the Department of Finance by Plamondon and Associates, 1993, as cited in *Replacing the GST: Options for Canada*, Ninth Report of the Standing Committee on Finance, House of Commons (Canada), June 1994, p.17.

²⁰ Washington State Department of Revenue (1998), *Retailers' cost of collecting and remitting sales tax*, as cited in European Commission: Directorate-General, Taxation & Customs Union. *Taxation Papers, European Tax Survey, Working Paper No. 3/2004*, http://europa.eu.int/comm/taxation_customs/resources/documents/tax_survey.pdf, Box 2-3, p.25.

²¹ European Commission: Directorate-General, Taxation & Customs Union. *Taxation Papers, European Tax Survey, Working Paper No. 3/2004*, http://europa.eu.int/comm/taxation_customs/resources/documents/tax_survey.pdf, Table 2-1, p.23.

Two findings were consistently reported in all of the surveys. First, regardless of whether RST or VAT, total aggregate sales tax compliance costs increase with company size with large corporations incurring higher total compliance costs compared to small and medium-size enterprises. Second, however, the relative compliance cost burden was always significantly higher on small business.²²

In this regard, greater measures have been implemented into the Canadian VATs to reduce the compliance costs for small- and medium-size businesses that exist under the provincial RST systems. First, each of the Canadian VATs – GST/HST and QST – contain small supplier thresholds so that very small businesses are not required to register for VAT purposes. Specifically, businesses with less than \$30,000 in annual revenues and not-for-profits with less than \$50,000 in annual taxable revenues are not required to be registered for VAT purposes. Under the provincial RST systems, any person who, in the ordinary course of business, provides RST taxable goods or services is required to register as an RST collector, regardless of their size.

Second, the Canadian VATs allow small businesses (i.e. those with less than \$500,000 in annual revenues) to elect to file their VAT returns using special accounting methods that eliminate the requirement for them to track VAT on individual transactions.

Third, small businesses -- those with revenues of less than \$500,000 -- are only required to file VAT returns annually, medium-sized businesses -- those with revenues of less than \$6 million -- are only required to file quarterly, and it is only the remaining large businesses that are required to file VAT returns on a monthly basis. The provincial RST systems generally require all businesses, regardless of size, to file RST returns on a monthly basis (although certain provinces permit quarterly and semi-annual filing).

While the data does suggest that an RST system may be marginally less expensive for businesses than a VAT system, what is intolerable in the current Canadian context is that in the five RST provinces, most businesses are bearing the cost of collecting both forms of tax. Eliminating the provincial RSTs and replacing them with a VAT – particularly one harmonized with the federal GST – would dramatically reduce this cost-to-tax-revenue ratio because it would more than double the tax revenues earned for every dollar spent on collection. Based on the Canadian survey data set out in the table above for large businesses, instead of businesses in British Columbia, Saskatchewan, Manitoba, Ontario, and PEI paying \$2.10 to collect \$100 in RST revenue and \$2.65 to collect \$100 in GST revenue, the business in these provinces would be incurring costs in the range of \$2.65 to collect more than \$200 in tax revenues. In other words, the tax compliance costs for businesses in these provinces – as measured by this cost-to-tax-revenues earned ratio – would drop by half. Businesses in these provinces are disadvantaged compared to their counterparts in the HST and QST provinces in that they incur double the sales tax compliance costs. This duplication and waste could be eliminated if these provinces converted to a VAT, particularly one harmonized with the federal GST.

²² European Commission: Directorate-General, Taxation & Customs Union. *Taxation Papers, European Tax Survey, Working Paper No. 3/2004*, http://europa.eu.int/comm/taxation_customs/resources/documents/tax_survey.pdf, p.5.

VAT vs. RST Administrative Costs and Considerations for Government

At first glance, it would appear that from a government's perspective, administering a VAT system is more expensive than administering an RST. Again, this would appear to be a reasonable assumption given that the number of VAT registrants is significantly larger than under an RST system. However, once again, the data available suggests that if such a difference exists, it is marginal.

Before examining the data, one thing should be noted. Relying on actual administration costs incurred by governments in undertaking such a comparison is inherently inaccurate. First, for businesses, sales tax compliance costs are a legal obligation imposed upon them. For governments, tax administration costs are more discretionary. Certain governments may choose to hire more auditors and undertake more compliance reviews than others, with the result that those governments will incur higher overall tax administration costs. Accordingly, comparisons will often be done on the basis of a tax-revenues-collected-to-tax-administration-costs-incurred ratio. However, such ratios are also inherently inaccurate given that revenues collected are a function of tax rates. Accordingly, unless the jurisdictions being compared have equal tax rates, the comparison is not wholly accurate.

In 1992-93, Revenue Canada estimated that the cost to administer and collect the GST was 3% of collections.²³ Note, however, that these figures are based on the second full fiscal year following implementation of the GST. In 1996, the Canadian Institute of Chartered Accountants estimated that the federal governments' costs for collecting the GST in its 1994/95 fiscal year was \$250 million.²⁴ In that fiscal year, the federal government collected \$16,786 million in GST. Accordingly, the cost to administer and collect the GST had, based on the CICA's figures, fallen to 1.5% of collections.

In the same 1996 report, the CICA calculated the RST provinces' costs of administering their respective RSTs in their 1993/94 fiscal years to be around \$100 million, with each province's percentage of administrative costs to RST collected as follows.²⁵

Province (1993/94)	Effective RST Rate	RST Administration Costs as Percentage of RST Revenues
Newfoundland & Labrador	12.84%	1.0%
Prince Edward Island	10.7%	1.7%
New Brunswick	11.77%	1.2%
Nova Scotia	11.77%	0.9%
Ontario	8%	0.5%

²³ Revenue Canada Submission to the Standing Committee on Finance, February 10, 1994, (Ref. Finance Committee (Canada), p.17) as cited in Western Centre for Economic Research Information Bulletin No. 43, *The Impact of Sales Tax Harmonization on the Alberta Economy and Its Taxpayers*, by Karen Davis (December 96) at p.12.

²⁴ *Do the Right Thing, A Submission on a National Sales Tax*, Robert E. Plamondon, C.A., prepared for The Canadian Institute of Chartered Accountants, December 1995, p.13.

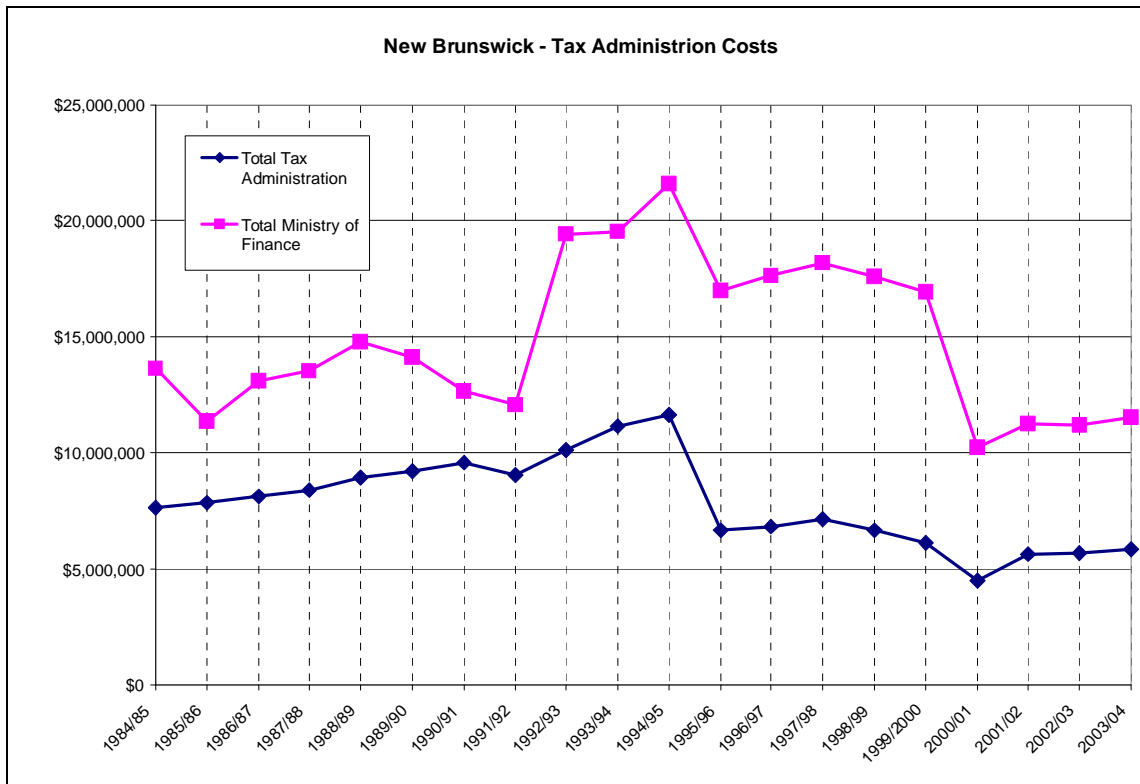
²⁵ *Do the Right Thing, A Submission on a National Sales Tax*, Robert E. Plamondon, C.A., prepared for The Canadian Institute of Chartered Accountants, December 1995, p.16.

Province (1993/94)	Effective RST Rate	RST Administration Costs as Percentage of RST Revenues
Manitoba	7%	1.3%
Saskatchewan	9%	0.7%
British Columbia	7%	0.9%

However, in comparing these percentages to the federal government's GST percentage of 1.5%, it is important to remember that during this period of time, the GST was 7% whereas the provincial RST rates ranged from 7% in British Columbia to 12.84% in Newfoundland & Labrador, with the average being around 10%. Had the GST been 10% in 1994/95, the federal government's revenues from the tax would have been around \$23,400 million, and on this basis, its GST administration costs to tax revenues percentage would have been around 1.1%.

The figures do suggest that in the aggregate, it does appear that government administration costs for a VAT are higher than an RST. However, in comparison to tax revenues collected for costs spent on administration, there is little difference.

What is clear from the data available, however, is that when the three Atlantic provinces chose to replace their provincial RSTs with the federal GST/HST, they were able to significantly reduce their tax administration costs.



Other Tax Administration Considerations

There is from a tax administration perspective one clear advantage that a VAT has over an RST and that is with respect to revenue loss from evasion. John L. Mikesell,

Professor of Public Finance and Policy Analysis, Indiana University, Bloomington, Indiana, USA, in his article *Retail Sales Taxes* prepared for the International Bank for Reconstruction and Development (The World Bank) explains this VAT advantage as follows.²⁶

The two taxes differ in the extent to which evasion puts revenue at risk. Under the retail sales tax, all revenue is presumably collected at one point in the stream of production and distribution, the point of sale to the final consumer. This is the transaction with fewest controls, least business concentration, and, generally, with businesses having least business experience. Furthermore, in any chain of production and distribution, this will be the largest single transaction, involving the largest amount of tax. Evasion here will cost all revenue, assuming that the suspension certificate scheme has successfully removed all business inputs from the tax.

Under the value added tax, collections are received from several levels of production and distribution. Any revenue lost from evasion involves only that lost at the stage where evasion occurs. Indeed, if the evasion is before retail, the purchaser will have no credit to use against its tax payments, unless a fraudulent invoice is presented, and revenue will be captured in later transactions. If the evasion is at retail, only the tax involved on the value added at that transaction will be at risk, thus providing somewhat greater protection in hostile compliance environments.

Sales Tax Harmonization – The Politics

Based on the foregoing, it is clear that the Canadian VATs are vastly superior to the provincial RSTs. Not only that, but the five remaining RST provinces are, in fact, substantially limiting their own economic well-being by insisting on continuing to impose an RST. So why do they continue to do so? One simple reason – politics. For the remainder of this paper, we will focus on the political elephant this is always in the room when the topic of sales tax harmonization is discussed.

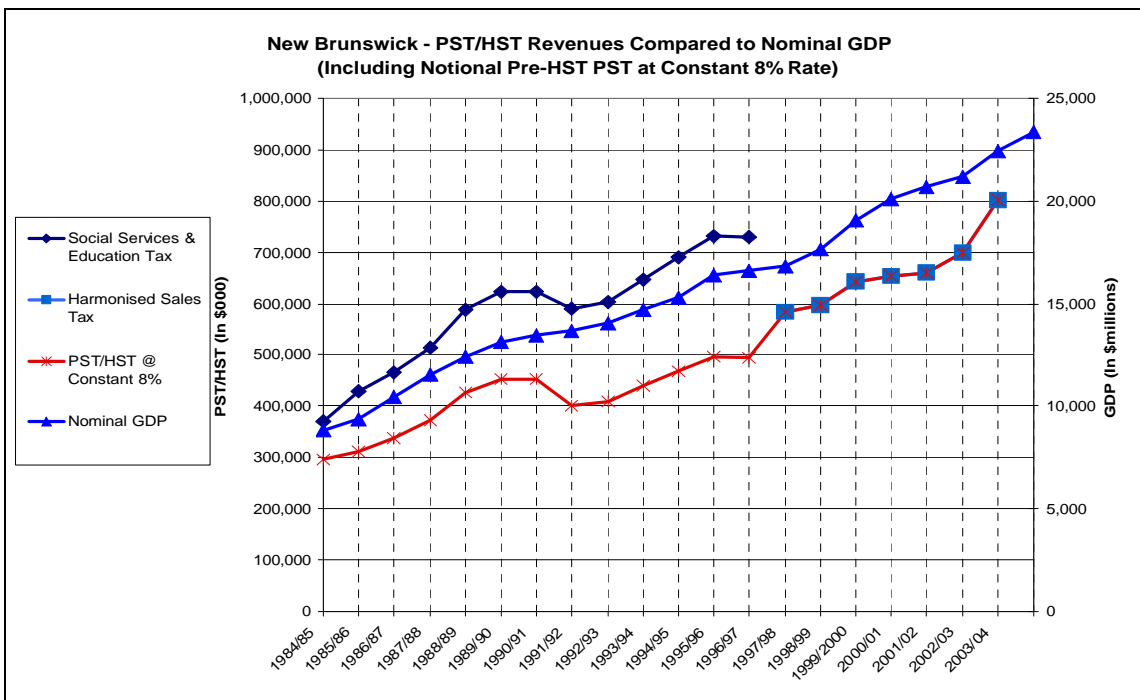
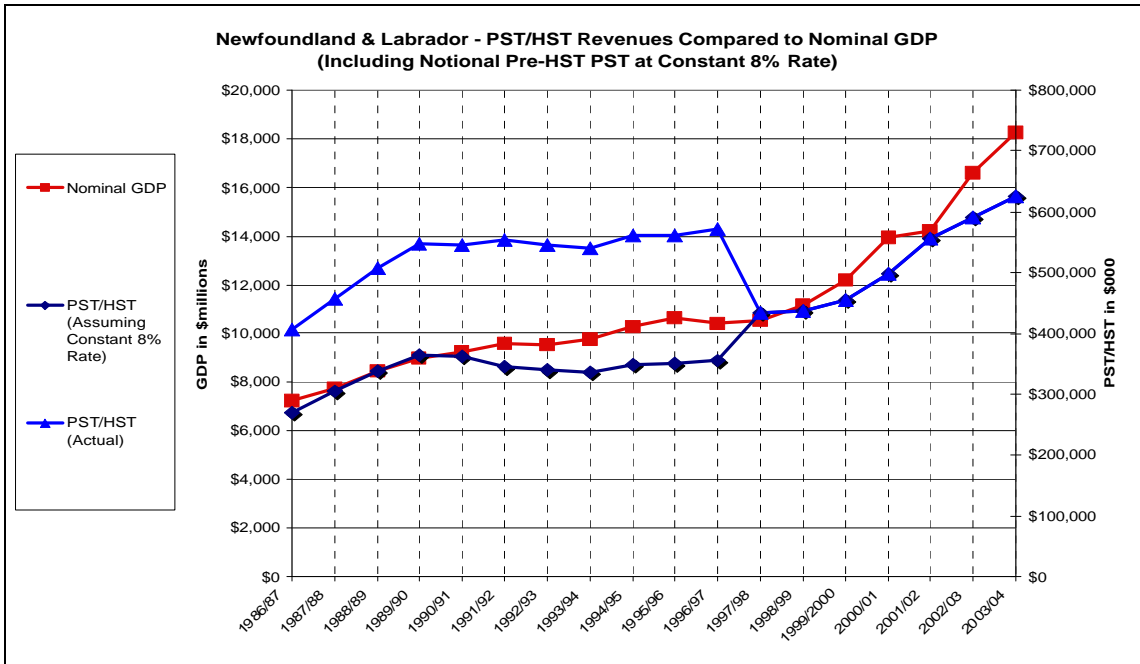
The ‘Tax Grab’ Issue

Tax cuts and spending restraints have for the past decade-and-a-half been the focus of a number of provincial elections. Switching from an RST to a VAT substantially broadens the sales tax base, and without any other change, would increase provincial government revenues. It is not surprising then, that the four provinces who have made the switch were all provinces whose provincial RST rates were higher prior to converting to a VAT than afterward. Quebec, the first province to make the move, announced a one per cent rate cut in its RST rate concurrently with introduction of Phase I of its conversion to a VAT which involved expanding the tax base on tangible goods to match that of the GST. For the three Atlantic Canadian provinces that joined the federal GST/HST system in 1997, each saw their provincial sales tax revenues fall substantially in the years following

²⁶ <http://www1.worldbank.org/publicsector/tax/retailtax.htm>

harmonization because their nominal RST rates had been 11 and 12 per cent, whereas the provincial component of the HST was only 8 per cent. In fact, the Newfoundland & Labrador government trumpeted the announcement of the HST as the largest tax cut in the province since it joined Canada in 1949.

What would have happened, however, if these provinces' RST rates had, in fact, been the same as the VAT rate following harmonization? In other words, what would have been the impact on these provinces' sales tax revenues if their RST rates prior to harmonization had been a constant 8 per cent? The next graphs estimate exactly that.



In both cases, not surprisingly, we find that both provinces would have experienced an increase in overall sales tax revenues as a result of harmonization. This is logical given that an RST generally taxes only tangible personal property and services related to tangible personal property, whereas a VAT taxes all forms of property – real, tangible, and intangible – as well as services. However, what is also interesting is that the increase is not as significant as one might have expected. In these two examples, had Newfoundland & Labrador's RST rate been 8 per cent in 1996/97 immediately prior to harmonization, its sales tax revenues would have only increased by about 21.7 per cent as a consequence of harmonization, and had New Brunswick's RST rate in its final fiscal year prior to harmonization been only 8 per cent, its sales tax revenues would have only increased by about 17.7 per cent. Also note that this does not take into account the growth in each of these provinces' economies during the same period of time, so therefore, the real increase in sales tax revenues as a consequence of switching from an RST to a VAT would be somewhat smaller. (From 1996 to 1997, Newfoundland & Labrador's nominal gross domestic product increased by 1.1 per cent and New Brunswick's nominal GDP increased by 1.3 per cent.)

So yes, all things being equal, converting from an RST to a VAT at the same rate without any other change in the tax mix by the province would be viewed politically as a 'tax grab'. However, the political cost any such 'tax grab' could easily be minimized by a concurrent 'tax give'. The most logical choice would be to offset any increase from sales tax revenues with a corresponding cut in personal income taxes. There are two reasons that this would be the most appropriate solution.

First, the conversion from an RST to a VAT raises a second political problem. A VAT taxes only consumer spending, not business inputs. As made clear above, this is one of the substantial advantages of a VAT over an RST, as it has an enormous positive impact on the province's productivity and international competitiveness. However, politically, businesses do not vote; consumers do, and it is generally assumed by politicians that the electorate, given the choice between taxing corporations or taxing individuals, will favour taxing corporations. Therefore, politically, announcing a personal income tax rate cut to offset any increase in sales tax revenues neutralizes the political impact of this business verses individual dichotomy.

Second, it would allow the governing provincial party to play on the position "If you've gotta tax me, don't tax me when I earn it, tax me when I spend it." Cutting personal income taxes to offset the increase in sales tax revenues is clearly consistent with this view.

Finally, as the federal Department of Finance's 2004 study on *Taxation and Economic Efficiency* demonstrates, cutting personal income taxes while at the same time increasing sales tax revenues by an equal offsetting amount will, in-and-of itself, have a positive effect on the long-run economic well-being of a province. Based on the outcome of the Department of Finance's study, cutting personal income taxes by \$1 results in a net \$0.30 gain in economic well-being; increasing sales taxes on personal consumption by \$1 results in only a \$0.10 loss in economic well-being, leaving a net positive gain of \$0.20. Note that this does not even take into consideration the enormous economic benefit that would result as a consequence of sales taxes no longer applying to business inputs.

There, the loss of \$1 in sales tax revenues on business inputs results in a \$1.40 gain in economic well-being for the province.

So while it is true that if the five remaining RST provinces switched from an RST to a VAT with the same rate, the result being an increase in sales tax revenue for the province, any such increase could be offset by a corresponding tax cut in personal income taxes in order to minimize the political ramification of the change, while at the same time having a positive impact on the province's growth and prosperity.

Sales Taxes are Regressive

Critics of sales tax harmonization frequently argue against harmonization on the basis that sales taxes are regressive. For example, in the early 1990s, the Ontario government created a Fair Tax Commission to review the province's tax policies. As part of the Commission's work, a RST/GST working group was formed to consider, in part, the idea of harmonizing the provincial RST with, at that time, the recently introduced GST.²⁷ In its report to the commission, one of the principle arguments made by a portion of the working group's members against harmonization was that sales taxes, because they apply at a single tax rate, are inherently regressive.

With respect, the argument that sales taxes are regressive as a basis for an RST province not moving to convert from an RST to a VAT or to pursue sales tax harmonization, to a great extent, misses the point. Certainly, it is true that generally speaking, sales taxes are regressive because the tax rate does not generally take into consideration the personal income or wealth of the purchaser at the time a product or service is sold. That tax applies at the same rate regardless of whether the purchaser is rich or poor. However, this is equally true for a VAT as it is for an RST. The argument that a sales tax is regressive is only a basis for asserting that governments should rely more heavily on other forms of taxes (income and wealth taxes) in which progressive tax rates can be implemented as opposed to sales taxes.

However, it should also be recognized that both the provincial RST and Canadian VATs have implemented measures to alleviate the inherent regressiveness of these taxes, and in this regard, the measures implemented under the VATs are arguably more progressive than the provincial RSTs.

Under the Canadian VAT and RST systems, basic groceries, residential rental property, and education and medical services have all been either zero-rated or exempted from VAT or RST, in part, on the basis that lower income individuals and families will spend a greater percentage of their income on these basic needs than will the wealthy, thereby alleviating, in part, the regressiveness of each of these taxes.

In addition, both the Canadian VAT systems and the RST provinces provide low and moderate income earners with refundable sales tax credits in order to reduce the sales tax burden borne by such individuals and their families. Quantitatively, the VAT rebates are more generous than the provincial RSTs. In Ontario, the annual sales tax credits are \$125

²⁷ *Retail sales tax, goods and services tax*, Ontario. Fair Tax Commission. RST/GST Working Group, Fair Tax Commission, 1992.

for low income seniors, \$100 for adults, and \$50 for each dependent child. In British Columbia, the refundable sales tax credit is \$75 for adults and \$75 for their spouse. However, for single individuals, the amount of the credit is progressively reduced to the extent their annual income exceeds \$15,000, or if they have a spouse, their family income exceeds \$18,000. Under the federal GST system, the GST rebate for low income earners currently starts at \$227 for adults, \$227 for their spouse, and \$120 for each dependent child. In addition, as compared to Ontario and BC's RST credits, the federal GST rebate is paid in full to anyone whose net income is less than \$29,618 and is then reduced by 5% of the person's net income in excess of that amount.²⁸ Furthermore, the GST rebates are paid and adjusted quarterly by the federal government, unlike the provincial sales tax credits which are paid annually.

It should be noted, however, that while members of the Ontario Fair Tax Commission's RST/GST working group expressed concerns regarding the regressiveness of sales taxes, the Fair Tax Commission, in its report to the province in 1993, made the following recommendations to the province regarding Ontario's RST:²⁹

- Ontario should broaden the base of the retail sales tax to include all goods and services, with limited exemptions.
- Ontario should exempt all business inputs from the retail sales tax.
- Ontario should replace its current single-stage sales tax, levied only at the final point of sale at the retail level, with a multi-stage sales tax levied on all transactions with full credit for tax paid on business inputs.
- Given the existence of a comprehensive sales tax at the federal level, Ontario should harmonize its retail sales tax with a national sales tax modeled on the federal GST.

“Taxpayer Protection Legislation”

The past decade has seen a number of governing parties introduce so-called “taxpayer protection legislation” to purportedly protect the province's taxpayers from the tax and spend-thrift ways of future administrations. For example, in 1996, the New Democratic Party government in British Columbia introduced the *Tax and Consumer Rate Freeze Act*. Ontario's Conservative government introduced the *Taxpayer Protection Act, 1999*, (the “TPA”) which ostensibly prohibits any member of the Ontario cabinet from introducing any bill in the legislative assembly of Ontario that would increase the rate of tax under existing Ontario tax statutes, introduce a new tax, or repeal a tax cut unless such a measure has either been approved through a province-wide referendum or is fulfilling an election campaign promise. Similar legislation has also been passed in the Yukon as well as New Brunswick. Such legislation is more of a political tool, rather than

²⁸ See GST/HST Guideline Table (effective July 2005 to June 2006) at http://www.cra-arc.gc.ca/benefits/gsthst/gstc_payment04-e.html.

²⁹ *Fair Taxation in a Changing World: Highlights*, Report of the Ontario Fair Tax Commission, Queen's Printer for Ontario 1993, p. 123.

a legal one, given that subsequent administrations can circumvent the legislation by enacting exceptions to it. However, doing so allows the former ruling party to use any such exceptions as political fodder against the current governing party. Accordingly, governments are politically reluctant to take any step that might be viewed as breaching such legislation.

The issue of these TPAs does raise an interesting point regarding sales tax harmonization. Let us use Ontario as the example. Subsection 2(1) of Ontario's TPA provides: "A member of the Executive Council shall not include in a bill a provision that increases, or permits the increase of, a tax rate under a designated tax statute or that establishes a new tax unless,

(a) a referendum concerning the increase or the new tax is held under this Act before the bill is introduced in the Assembly; and

(b) the referendum authorizes the increase or the new tax."

A "designated tax statute" includes Ontario's *Retail Sales Tax Act*.

If Ontario chose, as Quebec did, to introduce its own VAT by way of provincial legislation, then arguably this would constitute a "new tax" introduced by the province. However, if Ontario proceeded to harmonize with the federal GST/HST as the three Atlantic Canadian provinces did, then *prima facie*, there would be no violation of subsection 2(1) of the TPA. The GST/HST is federal legislation, not provincial legislation. It would be the federal government that would be required to introduce the legislation and regulations to implement HST in Ontario, not the provincial legislature. All the provincial legislature would need to do, as the HST provinces did, would be introduce legislation to ratify and confirm the tax sharing agreement between the federal government. Even this ratification legislation could not be viewed as introducing a "new tax" given that HST is neither a new tax, nor is it even a provincial tax. Therefore, the political issues associated with taxpayer protection legislation and the RST provinces converting from an RST to a VAT may simply be a matter of the form of sales tax harmonization they chose to pursue.

"Look What Happened To Brian Mulroney"

The final political reason frequently heard why the five remaining RST provinces are reluctant to replace their RST systems with a VAT is because of the perceived impact the introduction of the federal GST had on the then-ruling Progressive Conservative government of Brian Mulroney. Two years following the implementation of the GST, in the first federal election after the tax was introduced, the Progressive Conservative party was reduced to only two seats in the Canadian House of Commons. The GST was a very controversial measure taken by an unpopular Progressive Conservative government. Indeed, the unpopularity of the tax and the Liberal Party's promise to scrap the GST certainly contributed to the ousting of the Progressive Conservative Party in that election campaign. However, comparing the implementation of the GST with replacing an existing RST with a VAT fails to take into consideration is the fact that the GST was a very new, very visible tax replacing an invisible (yet antiquated) manufacturers' sales tax.

The provincial RSTs are, like the GST, taxes that are visible to consumers on a day-to-day basis. There are very few individual consumer transactions to which GST applies but RST does not. RST applies to virtually all consumer goods, services in respect of those goods, telecommunication services, meals and entertainment, travel accommodations and parking. The move to a VAT would add very few additional sectors to the tax base at the consumer level. The only examples of routine consumer transactions where a VAT would apply but provincial RST does not is on personal hygiene services (i.e. barbers & beauty salons), children's clothing, and energy utilities such as electricity and natural gas. The expansion of the tax base to include such items would most certainly not be the equivalent of the shock Canadians had on January 1, 1991 when the GST appeared as a brand-new tax.

VAT Options for the RST Provinces

There are, in essence, three ways by which the RST provinces could go about replacing their RST with a VAT. The first is by harmonizing with the federal goods and services tax as the three Atlantic Canadian provinces did in 1997. The second is by repelling their provincial RST legislation and replacing it with a VAT substantially similar to the legislation imposing the GST, as Quebec did between 1991 and 1997. The third would be to create a hybrid of the two, with the provinces enacting their own VAT legislation, but outsourcing administration and enforcement to the Canada Revenue Agency.

Harmonization with the GST

By far, this would be the easiest and most efficient means by which the five RST provinces could replace their existing RSTs with a VAT. Given that the GST is already operating in all provinces and businesses are already registered, the only change that would occur would be for businesses to stop collecting RST and to commencing charging HST. Given that their accounting systems are already set up to charge and collect GST, the transition from an RST to HST would essentially simply amount to changing the rate at which they collect GST.

For the provincial governments, as occurred in New Brunswick and Newfoundland & Labrador, they could substantially reduce the resources currently allocated to tax administration and shift those resources to other, higher priority areas, particularly if the federal government agrees, as it did for the three Atlantic provinces, to administer the HST at not charge to the provinces.

Harmonization with the federal GST also has the added advantage of overcoming existing jurisdictional constraints currently faced by the RST provinces. As RST is provincial legislation, the RST provinces *prima facie* do not have the legal authority or ability to require out-of-province vendors to charge and collect RST on sales made to residents in their province. Rather, the RST provinces must rely on their residents to self-assess and self-report RST on purchases which they have made from out-of-province vendors. Both British Columbia and Manitoba have attempted to overcome this issue by amending their RST legislation to require out-of-province vendors who sell goods to residents of their province and deliver the goods via post or courier to register for RST

purposes in their provinces, but the constitutionality of these provisions have yet to be tested.

One of the benefits of the GST/HST system is that it is enacted through federal legislation and therefore applies throughout Canada. Accordingly, if the RST provinces choose to replace their RSTs with the federal GST/HST system, businesses located outside of their territorial jurisdiction would be obligated to charge and collect the provincial component of the HST on sales made to residents of their province. In addition, because the HST is federal legislation, the provincial component of the HST would also be collected by Canada Customs on imports into Canada. In the late 1990s, each of the RST provinces signed collection agreements with the federal government whereby Canada Customs agreed to collect the provincial RST on casual imports (i.e. consumer imports) coming into Canada. However, this has not completely solved the RST collection issues for the RST provinces. For example, if an Ontario resident shops in New York but returns to Canada through a border crossing in Quebec, Canada Customs will not collect Ontario RST on the goods being imported because the collection point is not in Ontario's territorial jurisdiction. Only if the Ontario resident crosses at an Ontario port-of-entry is Ontario RST collected. Because the HST is federal legislation, the same tax collection issue does not arise for the three Atlantic Canadian provinces. HST is collected on all casual imports destined for a resident of the HST provinces regardless of the port-of-entry.

One of the arguments provincial bureaucrats raise against sales tax harmonization, particularly through the federal GST/HST system, is that in doing so, the province is giving up control over its own tax policies and in particular, over a tax which is their second most important source of tax revenues. However, the past experiences of both the HST provinces and even the RST provinces indicates that this truly is not an issue. First, the HST provinces have still demonstrated that they have control over sales tax policy in their province. For example, while GST applies to books and publications, the HST provinces insisted that the provincial component of the HST not apply to these items. Accordingly, the federal legislation provides for a point-of-sale rebate of the 8 per cent HST component on such publications. In another example, the HST provinces have also continued to impose a non-recoverable sales tax on vehicles, boats, and aircraft acquired for personal use. Simply because the dominant sales tax provisions of the provincial VAT are contained in the federal GST/HST legislation does not mean that the provinces are in any way limited from introducing exemptions and provisions to meet their own policy objectives. Second, the five RST provinces have already delegated administration and enforcement of their principle source of provincial tax revenues – personal income tax – to the Canada Revenue Agency, but this has not in any way restricted their ability to introduce personal income tax measures that differ from the federal Income Tax Act.

Provincial VAT Legislation – The Quebec Approach

A second option for the five remaining provinces would be to follow Quebec's example and convert their RST legislation into VAT legislation modeled on the federal GST. Certainly, the one advantage of this option is that it allows the RST provinces to maintain full control over both sales tax policy and its implementation. However, this benefit would be significantly offset by the continuing inefficiencies of businesses having to still

prepare and file two sets of sales tax returns (the federal GST and the provincial VAT) and the transition costs for the province in converting its RST administration into a VAT administration.

If one looks at the evolution of Quebec's VAT from 1991 to present, one has to question whether the issue of a province's control over its own tax policy – particularly with respect to a VAT – is truly a concern. Certainly, between 1991 and 1995, Quebec's sales tax system varied greatly from the federal GST. However, since 1995, Quebec's QST legislation has been virtually identical to the federal GST, with the only notable exceptions being the restriction on large business in Quebec claiming refunds or credits in respect of the QST they pay on certain business inputs and the collection method used to collect QST on vehicles.³⁰ With very few exceptions, since 1997, every major change that the federal government has made to its GST legislation has been subsequently implemented by Quebec in respect of its QST legislation. Therefore, it is highly doubtful that the benefit of this option of the RST provinces retaining direct control over their VAT policies outweigh the inefficiencies of for both the provincial governments and businesses in their provinces in having to still administer two taxes.

The Hybrid Approach

A third option for the RST provinces to consider in replacing their RST with a VAT is to seek a hybrid of the two approaches outlined above. In particular, an RST province could enact its own provincial legislation replacing its RST with a VAT that is substantially similar to the federal GST. To improve efficiencies, however, the province could look to outsourcing all or part of the administration and enforcement of its provincial VAT legislation to the Canada Revenue Agency, thereby allowing the province to reduce its own staffing requirements while concurrently reducing transition costs, given that the CRA already has in place the infrastructure to administer a VAT. This is, essentially, the model that the five RST provinces, as well as all other provinces (other than Quebec), have implemented with respect to personal income taxes – both the provinces' and federal government's primary source of tax revenues.

Once again, this approach allows the provinces to retain direct control over their sales tax policies without having to directly involve the federal government, and has the added advantage of overcoming at least some of the administrative inefficiencies of the Quebec model. However, this approach would not necessarily solve the jurisdictional collection issues given that the enacting legislation would be provincial, and not federal.

Conclusion

In the late 1980s, in its efforts to replace its antiquated manufacturers' sales tax, the Canadian federal government sought the cooperation of the ten provinces to implement a

³⁰ As a result of a series of GST and QST evasion cases, Quebec amended its VAT legislation to provide that motor vehicle dealers would no longer, as a general rule, collect QST on vehicle sales. Rather, the QST would be collected directly by the Quebec government at the time the vehicle was registered. In this respect, one would think it would be beneficial for the federal government to cooperate with the provinces to have all the provinces do the same with respect to the federal GST.

single national VAT to replace both the manufacturers' sales tax and the equally antiquated provincial RSTs.

In 1993, after extensive consultations and consideration, the Ontario government's own Fair Tax Commission recommended that the province "harmonize its retail sales tax with a national sales tax modeled on the federal Goods and Services Tax."

In June 1994, the federal House of Commons Standing Committee on Finance, once again, after a lengthy series of public consultations, concluded that the best replacement for the GST was "a nationally integrated, multi-stage value added tax on consumption – the National VAT." In other words, sales tax harmonization.

In December 1995, the Canadian Institute of Chartered Accountants issued a detailed report recommending that the federal and provincial governments "Do the Right Thing" and create a single, federal-provincial harmonized sales tax, noting "There are many governments and a plethora of tax systems in Canada – but at the end of the day there is only one taxpayer. This fact evokes a powerful argument in favour of a simple and coordinated system of taxation across Canada."

By April 1, 1997, four of the ten provinces had gotten the message.

Since that time, year-after-year, major public organizations have, as part of the pre-budget consultation process in each of the five remaining RST provinces, urged these provinces to replace their discriminatory and antiquated RST systems with, at a minimum, a provincial VAT substantially similar to the federal GST. These groups have included the British Columbia and Ontario Chambers of Commerce, the Retail Council of Canada, the Tax Executives' Institute, the Canadian Institute of Chartered Accountants, the Chartered Accountants of British Columbia, the British Columbia Construction Association, the Ontario Trucking Association, the Canadian Association of Petroleum Producers, etc., etc. Even the Canadian Taxpayers Federation has suggested that they would support harmonization, provided it does not result in an increase in aggregate tax revenues.

Instead of following this advice, the RST provinces have, instead, chosen to slowly expand their RST tax base to include selected services and intangibles with the net effect of increasing, rather than decreasing, the complexities, inefficiencies, and inequalities of their RST systems. It is important for these provinces to realize that it is their citizens who stand to gain the most from the switch from an RST to a VAT system: the government would be able to divert the resources currently spent on RST administration to other higher priority areas such as education and health care; businesses – and in particular, small business – would see their sales tax compliance costs in half; and eliminating sales tax on business inputs would spur investment and productivity within the province, while at the same time increasing provincial exports by making the province's goods and services more competitive in the international marketplace.

The evidence is clear, a VAT is a vastly superior form of consumption tax compared to an RST. A VAT is more equitable, less regressive, less susceptible to evasion and does not limit international competitiveness and domestic prosperity in the dramatic way that RSTs do. A decade ago, there was momentum within political spheres to move to a single, federal/provincial VAT. That momentum was impeded and eventually lost, in

part as a result of the federal government at the time promising to ‘scrap the GST’. However, it would appear that the momentum is building once again. The Ontario Chamber of Commerce has once again placed sales tax harmonization as a priority on its agenda. The Retail Council of Canada continues to do the same. So have others.

Perhaps of even greater significance, in March 2005, the Ontario government’s Task Force on Competitiveness, Productivity, and Economic Progress’ research institute published its seventh working paper. Echoing the province’s Fair Tax Commission’s recommendations from more than a decade earlier, one of the Institute’s key recommendations was that “the province allow businesses to recover the sale tax paid on investments by claiming input tax credits. Converting the PST into a broad-based value-added tax covering goods and services would be even better.”³¹

In 1995, the CICA encouraged the federal and provincial government’s to “Do The Right Thing.” Ten years later, the residents of British Columbia, Saskatchewan, Manitoba, Ontario, and Prince Edward Island find themselves as the only jurisdictions in the OECD that bear the costs and inefficiencies of two sales tax systems. Perhaps 1995, with the federal government still dealing with its promise to ‘scrap the GST’, was not the time for these provinces to switch to a VAT system. But we now have ten more years of experience, ten more years of data, three HST provinces, Quebec’s provincial VAT, and the certainty that Canadian federal GST is not going anywhere. If there was uncertainty in 1995, there certainly is not any now. It is time for these provinces to accelerate their economic growth and prosperity and to move to a harmonized VAT system.

³¹ *Taxing smarter for prosperity – Working Paper No.7*, The Institute for Competitiveness & Prosperity, March 2005, p.9.

Bibliography

British Columbia. Ministry of Finance. *Economic & Fiscal Update*, July 2001.

British Columbia. *Public Accounts*. 1974/75 to 2004/05.

Burleton, Derek. *Ontario: The Land of Opportunity: Background Report for the Ontario Chamber of Commerce's CEO Economic Summit*, TD Bank Financial Group Special Report. (September 28, 2004).

Canada. Department of Finance. *Tax Expenditures and Evaluations (2004): Taxation and Economic Efficiency: Results From a General Equilibrium Model* (Ottawa: 2004), http://www.fin.gc.ca/taxexp/2004/taxexp04_4e.html.

Canada. House of Commons. *Replacing the GST: Options for Canada*, Ninth Report of the Standing Committee on Finance (Ottawa: June 1994).

Canada. *Public Accounts*. 1984/85 to 2002/03.

Canada. Statistics Canada. *Table 051-0001: Estimates of population, by age, group and sex, Canada, provinces and territories: Canada: Both sexes; All ages (Persons)*.

Canada. Statistics Canada. *Table 384-0002: Gross Domestic Product, expenditure-based, PEA: Current prices: Gross Domestic Product (GDP)*.

Canada. Statistics Canada. *Table 384-0002: Gross Domestic Product, expenditure-based, PEA: 1997 constant prices: Gross Domestic Product (GDP)*.

Canadian Federation of Independent Business. *Retail Sales Tax Compliance Costs in Canada*. Author: Pierre Cleroux. (Toronto: November 1989).

Canadian Federation of Independent Business. *The GST: A National Tragedy*. (Toronto: November 1991).

Canadian Institute of Chartered Accountants. *CICA Virtual Professional Library: Provincial Electronic Reference Library*, Knotia, 2005.

Davis, Karen. *The Impact of Sales Tax Harmonization on the Alberta Economy and Its Taxpayers*. Western Centre for Economic Research, Information Bulletin No. 43, (Edmonton: December 1996).

European commission. Directorate-General: Taxation & Customs Union. *European Tax Survey, Working Paper No. 3/2004*. (Luxembourg: 2004).

Hogg, Peter, *et al. Principles of Canadian Income Tax Law*, Carswell, 1999.

Institute of Chartered Accountants of British Columbia. *Pre-Budget Submission*. (November, 2004).

International Bank for Reconstruction and Development (The World Bank). *Retail Sales Taxes*. Author: John L. Mikesell, Professor of Public Finance and Policy Analysis, Indiana University, Bloomington, Indiana, USA.

Manitoba. *Public Accounts*. 1999/2000 to 2002/03.

Mintz, Jack M. and Thomas A. Wilson. *Assessing Expenditure and Tax Reform Measures: A Review*. University of Toronto Joseph L. Rotman School of Management. International Tax Program Paper No.0408 (April 2004).

New Brunswick. *Public Accounts*. 1984/85 to 2003/04.

Newfoundland & Labrador. *Public Accounts*. 1986/87 to 2003/04.

Nova Scotia. *Public Accounts*. 1988/89 to 2003/04.

Ontario Chamber of Commerce. *2005 Provincial Pre-Budget Submission*. (Toronto: January 20, 2005).

Ontario Fair Tax Commission. *Fair Taxation in a Changing World: Report of the Ontario Fair Tax Commission*. University of Toronto Press, Queen's Printer for Ontario (Toronto: December 1993).

Ontario Fair Tax Commission. *Fair Taxation in a Changing World: Report of the Ontario Fair Tax Commission: Highlights*. University of Toronto Press, Queen's Printer for Ontario (Toronto: December 1993).

Ontario Fair Tax Commission. RST/GST Working Group. *Retail sales tax, goods and services tax*. (Toronto: 1992).

Ontario. Ministry of Treasury, Economics and Intergovernmental Affairs, Taxation and Fiscal Policy Branch. *Ontario's Retail Sales Tax Exemption Program for Production Machinery and Equipment: An Economic Assessment*. Presented by The Honourable W. Darcy McKeough, Treasurer of Ontario in the Legislative Assembly of Ontario. (Toronto: March 1978).

Ontario. *Public Accounts*. 1969/70 to 2003/04.

Organization for Economic Cooperation and Development. *Electronic Commerce: Taxation Framework Conditions*, OECD Ministerial Conference. (Ottawa: 1998).

Organization for Economic Cooperation and Development. *OECD Tax Database* – http://www.oecd.org/document/60/0,2340,en_2649_34533_1942460_1_1_1_1.00.html.

Organization for Economic Cooperation and Development. *Tax Administration in OECD Countries: Comparative Information Series* (2004).

Plamondon, Robert, and David Zussman. *Cutting the Costs of Tax Collection Down to Size: Estimating the Magnitude of Compliance and Administrative Costs of Canada's Tax Systems — and the Impact of Single Administration*. Public Policy Forum.

Quebec. *Public Accounts*. 1984/85 to 2003/04.

Saskatchewan. *Public Accounts*. 1984/85 to 2004/05.

The Canadian Institute of Chartered Accountants. *Do the Right Thing: A Submission on a National Sales Tax*. Author: Robert E. Plamondon, C.A. (Toronto: December 1995).

The Institute for Competitiveness & Prosperity. *Taxing Smarter for Prosperity*, Working Paper No. 7 (Toronto: March 2005).

Vaillancourt, Francois. *The Administrative and Compliance Costs of the Personal Income Tax And Payroll Tax System in Canada*, Canadian Tax Foundation Paper No. 89. (Toronto: 1989).

Vanasse, Pierre. *Sales Tax Reform and the Canadian Financial Services Industry: Exploring the Options*. Conference Board of Canada Report from the Financial Services Research Program. (March 1989).

DATA & TABLES

The following data and tables were compiled from the Public Accounts published by the Canadian federal government as well as the provinces of British Columbia, Saskatchewan, Ontario, Quebec, New Brunswick, and Newfoundland & Labrador. We attempted to remain consistent year-to-year in compiling the information contained herein. For example, for most provinces, the data for a particular fiscal year is generally based on the information published in the public accounts for the subsequent fiscal year on the basis that the data would be more accurate over time. (i.e. Revenues published herein for the 2002/03 fiscal year are the comparative figures as published in the Public Accounts for the 2003/04 fiscal year.) However, the data does not necessarily take into consideration changes in each of the government's accounting procedures from year-to-year.

Appreciation and thanks are extended to Ms. Simone Lehmann – the “Excel Wizard” – for her assistance (and patience) in compiling the data.

Data:
Federal & Provincial Revenues and Selected Provinces' Tax
Administration Costs
(Plus GDP, Population, and Sales Tax Rate Information)

Canada - Data

Canada (Ending March 31) in \$millions	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Revenues																			
Tax Revenues																			
Income Tax																			
Personal Income Tax	29254	33008	37878	45125	46026	51895	57601	61222	58283	51427	56329	60167	63282	71126	72716	79793	83305	83790	89530
Corporate Income Tax	9379	9210	9885	10878	11730	13021	11726	9359	7206	9444	11604	15955	17020	22496	21575	23170	28212	24013	22222
Other - Non-resident Taxes	1021	1053	1355	1162	1578	1361	1372	1261	1191	1272									
Other - Income Tax Revenues	107	126	144	207	265	226	279	273	271	321	1769	2105	2847	2974	2901	3499	4312	3035	3291
Other Income Taxes	1128	1179	1499	1369	1843	1587	1651	1534	1462	1593	1769	2105	2847	2974	2901	3499	4312	3035	3291
Other Taxes & Duties																			
Goods & Services Tax							2574	15168	14868	15696	16786	16375	18079	19461	20684	22790	24990	24909	28248
Energy Taxes	4479	3348	1965	2603	2646	2471	3192	3441	3437	3640	3824	4404	4467	4638	4716	4757	4805	4758	4992
Federal Sales Tax	7592	9345	11972	12927	15645	17672	12635	-1969	-139	-75									
Customs Import Duties	3794	3971	4187	4385	4521	4587	4001	3999	3811	3652	3575	2969	2676	2766	2359	2105	2807	3018	3221
Other Excise Taxes & Duties	2312	2827	2925	3026	2959	3425	3711	4557	4103	3722	2904	2856	3876	3995	3640	3234	3514	3953	4896
Employment Insurance Premiums	7553	8719	9558	10425	11268	10738	12707	15394	17535	18233	18928	18510	19816	18802	19363	18512	18731	17980	17870
Total Tax Revenues	65491	71607	79869	90738	96638	105396	109798	112705	110566	107332	115719	123341	132063	146258	147954	157860	170676	165456	174270
Non-tax Revenues																			
Return on Investment	4298	3661	4255	4737	5547	5850	6807	6521	6838	6142	5021	4475	4210	4427	4991	5251	6144	5892	
Other Non-tax Revenue	1267	1665	1807	2137	1882	2461	2748	2806	2976	2510	2583	2485	4623	2816	2954	3012	2770	1967	15962
Total Other Revenues	5565	5326	6062	6874	7429	8311	9555	9327	9814	8652	7604	6960	8833	7243	7945	8263	8914	7859	15962
Total Revenues	71056	76933	85931	97612	104067	113707	119353	122032	120380	115984	123323	130301	140896	153501	155899	166123	179590	173315	190232

Income Taxes	39761	43397	49262	57372	59599	66503	70978	72115	66951	62464	69702	78227	83149	96596	97192	106462	115829	110838	115043
Consumption Taxes	18177	19491	21049	22941	25771	28155	26113	25196	26080	26635	27089	26604	29098	30860	31399	32886	36116	36638	41357
Employment Insurance Premiums	7553	8719	9558	10425	11268	10738	12707	15394	17535	18233	18928	18510	19816	18802	19363	18512	18731	17980	17870

OTHER DATA

GDP (Annual in \$millions)	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Nominal GDP	449582	485714	512541	558949	613094	657728	679921	685367	700480	727184	770873	810426	836864	882733	914973	982441	1076577	1108200	1157968	1218772	1293289
% Change - Nominal GDP		8.04%	5.52%	9.05%	9.69%	7.28%	3.37%	0.80%	2.21%	3.81%	6.01%	5.13%	3.26%	5.48%	3.65%	7.37%	9.58%	2.94%	4.49%	5.25%	6.11%
Real GDP	626378	660318	677802	705701	740592	759821	762381	747857	754835	772498	810016	832138	845157	882734	919000	969242	1020258	1036017	1071815	1096437	1130960
% Change - Real GDP		5.42%	2.65%	4.12%	4.94%	2.60%	0.34%	-1.91%	0.93%	2.34%	4.86%	2.73%	1.56%	4.45%	4.11%	5.47%	5.26%	1.54%	3.46%	2.30%	3.15%

Canada - Analysis

ANALYSIS																							
% Change from Prior Year	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03				
Personal Income Tax		12.83%	14.75%	19.13%	2.00%	12.75%	11.00%	6.29%	-4.80%	-11.76%	9.53%	6.81%	5.18%	12.40%	2.24%	9.73%	4.40%	0.58%	6.85%				
Corporate Income Tax		-1.80%	7.33%	10.05%	7.83%	11.01%	-9.95%	-20.19%	-23.00%	31.06%	22.87%	37.50%	6.68%	32.17%	-4.09%	7.39%	21.76%	-14.88%	-7.46%				
Other Income Taxes		4.52%	27.14%	-8.67%	34.62%	-13.89%	4.03%	-7.09%	-4.69%	8.96%	11.05%	18.99%	35.25%	4.46%	-2.45%	20.61%	23.24%	-29.62%	8.43%				
Goods & Services Tax									-1.98%	5.57%	6.94%	-2.45%	10.41%	7.64%	6.28%	10.18%	9.65%	-0.32%	13.40%				
Energy Taxes		-25.25%	-41.31%	32.47%	1.65%	-6.61%	29.18%	7.80%	-0.12%	5.91%	5.05%	15.17%	1.43%	3.83%	1.68%	0.87%	1.01%	-0.98%	4.92%				
Federal Sales Tax		23.09%	28.11%	7.98%	21.03%	12.96%	-28.50%	-115.58%															
Customs Import Duties		4.67%	5.44%	4.73%	3.10%	1.46%	-12.78%	-0.05%	-4.70%	-4.17%	-2.11%	-16.95%	-9.87%	3.36%	-14.71%	-10.77%	33.35%	7.52%	6.73%				
Other Excise Taxes & Duties		22.28%	3.47%	3.45%	-2.21%	15.75%	8.35%	22.80%	-9.96%	-9.29%	-21.98%	-1.65%	35.71%	3.07%	-8.89%	-11.15%	8.66%	12.49%	23.86%				
Employment Insurance Premiums		15.44%	9.62%	9.07%	8.09%	-4.70%	18.34%	21.15%	13.91%	3.98%	3.81%	-2.21%	7.06%	-5.12%	2.98%	-4.39%	1.18%	-4.01%	-0.61%				
Income Taxes		9.14%	13.51%	16.46%	3.88%	11.58%	6.73%	1.60%	-7.16%	-6.70%	11.59%	12.23%	6.29%	16.17%	0.62%	9.54%	8.80%	-4.31%	3.79%				
Consumption Taxes		7.23%	7.99%	8.99%	12.34%	9.25%	-7.25%	-3.51%	3.51%	2.13%	1.70%	-1.79%	9.37%	6.06%	1.75%	4.74%	9.82%	1.45%	12.88%				
Employment Insurance Premiums		15.44%	9.62%	9.07%	8.09%	-4.70%	18.34%	21.15%	13.91%	3.98%	3.81%	-2.21%	7.06%	-5.12%	2.98%	-4.39%	1.18%	-4.01%	-0.61%				
Sources of Federal Revenues as % of Total Revenues																			Average	Minimum	Maximum		
Income Taxes		55.96%	56.41%	57.33%	58.78%	57.27%	58.49%	59.47%	59.10%	55.62%	53.86%	56.52%	60.04%	59.01%	62.93%	62.34%	64.09%	64.50%	63.95%	60.48%	59.27%	53.86%	64.50%
Consumption Taxes		25.58%	25.34%	24.50%	23.50%	24.76%	24.76%	21.88%	20.65%	21.66%	22.96%	21.97%	20.42%	20.65%	20.10%	20.14%	19.80%	20.11%	21.14%	21.74%	22.19%	19.80%	25.58%
Employment Insurance Premiums		10.63%	11.33%	11.12%	10.68%	10.83%	9.44%	10.65%	12.61%	14.57%	15.72%	15.35%	14.21%	14.06%	12.25%	12.42%	11.14%	10.43%	10.37%	9.39%	11.96%	9.39%	15.72%
Return on Investments		6.05%	4.76%	4.95%	4.85%	5.33%	5.14%	5.70%	5.34%	5.68%	5.30%	4.07%	3.43%	2.99%	2.88%	3.20%	3.16%	3.42%	3.40%		4.43%	2.88%	6.05%
Other Non-Tax Revenues		1.78%	2.16%	2.10%	2.19%	1.81%	2.16%	2.30%	2.30%	2.47%	2.16%	2.09%	1.91%	3.28%	1.83%	1.89%	1.81%	1.54%	1.13%	8.39%	2.05%	1.13%	3.28%
Specific Taxes as % of Total Tax Revenues (Including EI Premiums)																				Average	Minimum	Maximum	
Personal Income Tax		44.67%	46.10%	47.43%	49.73%	47.63%	49.24%	52.46%	54.32%	52.71%	47.91%	48.68%	48.78%	47.92%	48.63%	49.15%	50.55%	48.81%	50.64%	51.37%	49.30%	44.67%	54.32%
Corporate Income Tax		14.32%	12.86%	12.38%	11.99%	12.14%	12.35%	10.68%	8.30%	6.52%	8.80%	10.03%	12.94%	12.89%	15.38%	14.58%	14.68%	16.53%	14.51%	12.75%	12.35%	6.52%	16.53%
Other Income Taxes		1.72%	1.65%	1.88%	1.51%	1.91%	1.51%	1.50%	1.36%	1.32%	1.48%	1.53%	1.71%	2.16%	2.03%	1.96%	2.22%	2.53%	1.83%	1.89%	1.77%	1.32%	2.53%
Goods & Services Tax		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.34%	13.46%	13.45%	14.62%	14.51%	13.28%	13.69%	13.31%	13.98%	14.44%	14.64%	15.05%	16.21%	14.22%	13.28%	16.21%
Energy Taxes		6.84%	4.68%	2.46%	2.87%	2.74%	2.34%	2.91%	3.05%	3.11%	3.39%	3.30%	3.57%	3.38%	3.17%	3.19%	3.01%	2.82%	2.88%	2.86%	3.29%	2.34%	6.84%
Federal Sales Tax		11.59%	13.05%	14.99%	14.25%	16.19%	16.77%	11.51%	-1.75%	-0.13%	-0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	14.05%	11.51%	16.77%
Customs Import Duties		5.79%	5.55%	5.24%	4.83%	4.68%	4.35%	3.64%	3.55%	3.45%	3.40%	3.09%	2.41%	2.03%	1.89%	1.59%	1.33%	1.64%	1.82%	1.85%	3.27%	1.33%	5.79%
Other Excise Taxes & Duties		3.53%	3.95%	3.66%	3.33%	3.06%	3.25%	3.38%	4.04%	3.71%	3.47%	2.51%	2.32%	2.93%	2.73%	2.46%	2.05%	2.06%	2.39%	2.81%	3.03%	2.05%	4.04%
Employment Insurance Premiums		11.53%	12.18%	11.97%	11.49%	11.66%	10.19%	11.57%	13.66%	15.86%	16.99%	16.36%	15.01%	15.00%	12.86%	13.09%	11.73%	10.97%	10.87%	10.25%	12.80%	10.19%	16.99%
Income Taxes		60.71%	60.60%	61.68%	63.23%	61.67%	63.10%	64.64%	63.99%	60.55%	58.20%	60.23%	63.42%	62.96%	66.04%	65.69%	67.44%	67.86%	66.99%	66.01%	63.42%	58.20%	67.86%
Consumption Taxes		27.75%	27.22%	26.35%	25.28%	26.67%	26.71%	23.78%	22.36%	23.59%	24.82%	23.41%	21.57%	22.03%	21.10%	21.22%	20.83%	21.16%	22.14%	23.73%	23.78%	20.83%	27.75%
Employment Insurance Premiums		11.53%	12.18%	11.97%	11.49%	11.66%	10.19%	11.57%	13.66%	15.86%	16.99%	16.36%	15.01%	15.00%	12.86%	13.09%	11.73%	10.97%	10.87%	10.25%	12.80%	10.19%	16.99%
Specific Taxes as % of Total Tax Revenues (Excluding EI Premiums)																				Average	Minimum	Maximum	
Personal Income Tax		50.49%	52.49%	53.87%	56.19%	53.91%	54.82%	59.33%	62.91%	62.65%	57.72%	58.20%	57.39%	56.38%	55.80%	56.55%	57.26%	54.83%	56.82%	57.24%	56.57%	50.49%	62.91%
Corporate Income Tax		16.19%	14.65%	14.06%	13.54%	13.74%	13.76%	12.08%	9.62%	7.75%	10.60%	11.99%	15.22%	15.16%	17.65%	16.78%	16.63%	18.57%	16.28%	14.21%	14.13%	7.75%	18.57%
Other Income Taxes		1.95%	1.87%	2.13%	1.70%	2.16%	1.68%	1.70%	1.58%	1.57%	1.79%	1.83%	2.01%	2.54%	2.33%	2.26%	2.51%	2.84%	2.06%	2.10%	2.03%	1.57%	2.84%
Goods & Services Tax		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.65%	15.59%	15.98%	17.62%	17.34%	15.62%	16.11%	15.27%	16.09%	16.35%	16.45%	16.89%	18.06%	16.45%	15.27%	18.06%
Energy Taxes		7.73%	5.32%	2.79%	3.24%	3.10%	2.61%	3.29%	3.54%	3.69%	4.09%	3.95%	4.20%	3.98%	3.64%	3.67%	3.41%	3.16%	3.23%	3.19%	3.78%	2.61%	7.73%
Federal Sales Tax		13.10%	14.86%	17.03%	16.10%	18.33%	18.67%	13.01%	-2.02%	-0.15%	-0.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.87%	13.01%	18.67%
Customs Import Duties		6.55%	6.31%	5.95%	5.46%	5.30%	4.85%	4.12%	4.11%	4.10%	4.10%	3.69%	2.83%	2.38%	2.17%	1.83%	1.51%	1.85%	2.05%	2.06%	3.75%	1.51%	6.55%
Other Excise Taxes & Duties		3.99%	4.50%	4.16%	3.77%	3.47%	3.62%	3.82%	4.68%	4.41%	4.18%	3.00%	2.72%	3.45%	3.13%	2.83%	2.32%	2.31%	2.68%	3.13%	3.48%	2.31%	4.68%
Income Taxes		68.63%	69.01%	70.06%	71.44%	69.81%	70.26%	73.10%	74.11%	71.97%	70.11%	72.01%	74.62%	74.08%	75.79%	75.58%	76.40%	76.23%	75.16%	73.56%	72.73%	68.63%	76.40%
Consumption Taxes		31.37%	30.99%	29.94%	28.56%	30.19%	29.74%	26.90%	25.89%	28.03%	29.89%	27.99%	25.38%	25.92%	24.21%	24.42%	23.60%	23.77%	24.84%	26.44%	27.27%	23.60%	31.37%

British Columbia - Data

British Columbia (Ending March 31) in 000s	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05		
Personal Income Tax	521817	674166	810578	985991	1220088	1215964	1369212	1848153	2008152	1818815	1853297	2073088	2248096	2789965	2995339	3577270	3901069	4013108	4212137	4477856	4707250	4993133	5289853	5362000	5423000	5824468	5962653	5375000	4154000	4877917	5051238		
Corporation Tax	250497	206635	236894	245699	301470	434676	456609	579998	188550	309470	366164	323481	280647	473407	600270	666300	607512	577385	545039	719449	997802	1225249	1347278	1137663	1097722	939120	1054558	1522356	612424	775743	1255514		
Social Service Tax	399164	443685	663027	748383	652408	630280	757975	1129542	999449	1201338	1331343	1451761	1540776	1463087	1716709	1989636	2009632	1990541	2085253	2670966	2892516	2999498	3085401	3243216	3209211	3337720	3616568	3535275	3770163	3988775	4099460		
Fuel Taxes	149233	173356	179719	189281	200167	219789	231536	371387	388973	421067	468327	420020	373397	449484	468867	502326	555044	538803	591070	731587	798167	678330	823323	641613	653511	469874	442823	398231	393343	461641	480200		
Property -- Residential (school purpose)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	284812	332107	416154	441610	469624	480526	493074	511250	529173								
Property -- Business (school purpose)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	449330	490968	522466	554460	579361	638848	685655	689973	701636	701812	734370	763742	757947				
Property -- Rural Area	0	0	0	0	0	0	0	0	0	0	36789	41008	38204	35799	42741	44666	53799	52428	54468	54969	57652	51981	63315	62270	61955	60961	63520						
Total Property Tax	21025	20629	23499	23315	19845	22182	25961	43438	40745	36789	41008	38204	35799	42071	535634	576265	891700	965936	1109971	1184917	1211578	1245477	1257156	1298410	1335953	1350640	1371175	1401353	1457283	1491285	1577923		
Tobacco Tax	20904	21192	32043	33256	63579	66837	74655	102884	109109	138451	159315	188271	212015	227795	259191	307996	346482	433030	483207	482588	516642	482275	487937	485945	505111	497587							
Property Transfer Tax	0	0	0	0	0	0	0	0	0	0	0	0	669	140130	248559	317366	211429	282384	353108	372557	339159	266122	313262	310339	222627	244708							
Corporation Capital Tax	16678	21365	37628	41452	45335	46802	52677	89779	83834	85782	86999	94340	87205	56761	13614	4034	10159	13364	320327	359109	399587	380213	402925	406243	455153	459742							
Insurance Premium Tax	7396	8595	10937	12357	13522	15795	17485	20210	21141	20920	22040	25295	34681	54215	82323	95040	104148	115364	128717	151672	156654	175722	168625	175984	195145	199424							
Hotel Room Tax	6448	6832	7363	8251	9772	12307	15488	23673	22550	23216	25100	27657	41484	40028	45392	53283	569612	2197936	2415398	2269034	2462462	2394126	1954925	1836501	2149591	2734539	2797302	2787245	3322527	2986755	4561650		
Horse Racing	4558	5856	7043	8003	8749	8444	6036	7618	7164	7701	6802	7184	6720	6682	5748	6122	6145	5861	6032	5545	6670	6171	5138	4414	3843	3352							
Succession & Gift Tax	24905	28365	39081	14051	1933	1465	937	14	0	-100	159	100	16	10	2																		
Total Other Tax	80889	92205	134095	117370	142890	151650	167278	244178	243798	275970	300415	342847	382790	525621	654829	783831	735323	908597	1350105	1434803	1494755	1392213	1465519	1457280	1461308	1490794	1470642	1492764	1531619	1683643	1866302		
Total Gross Taxation Revenue	1422625	1610676	2047812	2310039	2536868	2674541	3008571	4216696	3869667	4063449	4360554	4649401	4861505	6193635	6971648	8095628	8700280	8994370	9893575	11219578	12102068	12533900	13268530	13140182	13180705	13412616	13918419	13724979	11918832	13279004	14330637		
Commissions on Collection of Public Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-19633	-25563	-24337	-24943	-24121	-23825	-24266	-23590	-36314	-31869	-29413	-31190		
Valuation Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-5477	-12810	-23308	-24976	-14358	-36427	-40866	-8407	-15698			
Total Net Taxation Revenue	1422625	1610676	2047812	2310039	2536868	2674541	3008571	4216696	3869667	4063449	4360554	4649401	4861505	6193635	6971648	8095628	8700280	8994370	9893575	11199945	12076505	12509563	13238110	13103251	13133572	13363374	13880471	13652238	11845997	13241184	14283749		
Natural Resource Revenue	364534	419486	419698	627921	722651	1299858	861938	597603	542551	677267	289522	699553	657591	1222958	1261327	1249256	1170261	1101167	1260328	1771558	2698659	2025879	2670859	2197166	1829528	2516802	3975357	3107644	3255105	3272758	3937575		
Other Revenue	273212	255963	355889	313785	336698	410580	532953	647475	544925	377445	437519	606829	589526	1051542	1712461	1516938	1485502	1625964	1658069	1804944	1871072	1800608	1826583	1799321	1831469	1887726	1859810	1910368	2206439	2318854	2426157		
Contributions from Government Enterprises	118357	147055	159144	188542	229237	244311	293116	326520	337855	351544	360303	398375	447605	469795	439017	726791	834538	700563	1015658	1048288	1027897	967606	1148062	1279691	1361939	1454354	1500368	1436694	1516992	1371449	2099447		
Contributions from Federal Government (& Other)	501435	597878	671731	787271	818336	976164	1106147	1115155	1234091	1772681	1790968	1825640	1993257	2019931	2109881	2073363	2049612	2197936	2415398	2269034	2462462	2394126	1954925	1836501	2149591	2734539	2797302	2787245	3322527	2986755	4561650		
Total Non-Taxation Revenue	1257538	1420382	1606462	1917519	2106922	2930913	2794154	2686753	2659422	3178937	2878312	3530397	3687979	4764226	5522686	5566348	5539913	5625630	6349453	6893824	8060090	7188219	7600429	7112679	7172527	8593421	10132837	9241951	10301063	9949816	13024829		
TOTAL Consolidated Revenue Fund Revenue	2680163	3031058	3654274	4227558	4643790	5605454	5802725	6903449	6529089	7242386	7238866	8179798	8549484	10957861	12494334	13661976	14240193	14620000	16243028	18093769	20136595	19697782	20838539	20215930	20306099	21956795	24013308	22894189	22147060	23191000	27308578		
Revenue Collected For & Transferred to Crown Corporations, Agencies, & Other Entities																					-600967	-629617	-708492	-569949	-919413	-842462	-838452	-790221	-911550	-942886			
Expenses																																	
Consumer Taxation Branch					3315541	3592416	4532756	5218431																									
Ministry of Finance - Revenue Operations																																	
Total Expenses					4609227	5039661	6069395	19139330	20856415	12399775	14106852	16001404	14912536	14996847	17768328																		
OTHER DATA																																	
GDP (Annual in \$millions)																																	
Nominal GDP (BC)					44869	45024	47477	49840	53540	56547	62515	69408	75582	79350	81849																		

British Columbia – Analysis

ANALYSIS (British Columbia)	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05		
ANNUAL % CHANGE IN TAX REVENUES FROM PRIOR YEAR																																	
Personal Income Tax Revenues	29.20%	20.23%	21.64%	23.74%	-0.34%	12.60%	34.98%	8.66%	-9.43%	1.90%	11.86%	8.44%	24.10%	7.36%	19.43%	9.05%	2.87%	4.96%	6.31%	5.12%	6.07%	5.94%	1.36%	1.14%	7.40%	2.37%	-9.86%	-22.72%	17.43%	3.55%			
Corporate Income Tax Revenues	-17.51%	14.64%	3.72%	22.70%	44.19%	5.05%	27.02%	-67.49%	64.13%	18.32%	-11.66%	-13.24%	68.68%	26.80%	11.00%	-8.82%	-4.96%	-5.60%	32.00%	38.69%	22.79%	9.96%	-15.56%	-3.51%	-14.45%	12.29%	44.36%	-59.77%	26.67%	61.85%			
PST Revenues	11.15%	49.44%	12.87%	-12.82%	-3.39%	20.26%	49.02%	-11.52%	20.20%	10.82%	9.04%	6.13%	-5.04%	17.33%	15.90%	1.01%	-0.95%	4.76%	28.09%	8.29%	3.70%	2.86%	5.11%	-1.05%	4.00%	8.35%	-2.25%	6.64%	5.80%	2.77%			
Fuel Tax Revenues	16.16%	3.67%	5.32%	5.75%	9.80%	5.34%	60.40%	4.74%	8.25%	11.22%	-10.31%	-11.10%	20.38%	4.31%	7.14%	10.49%	-2.93%	9.70%	23.77%	9.10%	-15.01%	21.37%	-22.07%	1.85%	-28.10%	-5.76%	-10.07%	-1.23%	17.36%	4.02%			
Other Tax Revenues	13.99%	45.43%	-12.47%	21.74%	6.13%	10.31%	45.97%	-0.16%	13.20%	8.86%	14.12%	11.65%	37.31%	24.58%	19.70%	-6.19%	23.56%	48.59%	6.27%	4.18%	-6.86%	5.27%	-0.56%	0.28%	2.02%	-1.35%	1.50%	2.60%	9.93%	10.85%			
Sources of Provincial Revenues as % of Total Revenues																																	
Net Taxation Revenue	53.08%	53.14%	56.04%	54.64%	54.63%	47.71%	51.85%	61.08%	59.27%	56.11%	60.24%	56.84%	56.86%	56.52%	55.80%	59.26%	61.10%	61.52%	60.91%	61.90%	59.97%	63.51%	63.53%	64.82%	64.68%	60.86%	57.80%	59.63%	53.49%	57.10%	52.30%		
Natural Resource Revenue	13.60%	13.84%	11.49%	14.85%	15.56%	23.19%	14.85%	8.66%	8.31%	9.35%	4.00%	8.55%	7.69%	11.16%	10.10%	9.14%	8.22%	7.53%	7.76%	9.79%	13.40%	10.28%	12.82%	10.87%	9.01%	11.46%	16.55%	13.57%	14.70%	14.11%	14.42%		
Gvt Enterprise Revenue	4.42%	4.85%	4.36%	4.46%	4.94%	4.36%	5.05%	4.73%	5.17%	4.85%	4.98%	4.87%	5.24%	4.29%	3.51%	5.32%	5.86%	4.79%	6.25%	5.79%	5.10%	4.91%	5.51%	6.33%	6.71%	6.62%	6.25%	6.28%	6.85%	5.91%	7.69%		
Federal Government	18.71%	19.73%	18.38%	18.62%	17.62%	17.41%	19.06%	16.15%	18.90%	24.48%	24.74%	22.32%	23.31%	18.43%	16.89%	15.18%	14.39%	15.03%	14.87%	12.54%	12.23%	12.15%	9.38%	9.08%	10.59%	12.45%	11.65%	12.17%	15.00%	12.88%	16.70%		
Other Revenue	10.19%	8.44%	9.74%	7.42%	7.25%	7.32%	9.18%	9.38%	8.35%	5.21%	6.04%	7.42%	6.90%	9.60%	13.71%	11.10%	10.43%	11.12%	10.21%	9.98%	9.29%	9.14%	8.77%	8.90%	9.02%	8.60%	7.74%	8.34%	9.96%	10.00%	8.88%		
Specific Taxes as % of Gross Provincial Tax Revenues (Including Property Taxes)																																	
Personal Income Tax	36.68%	41.86%	39.58%	42.68%	48.09%	45.46%	45.51%	43.83%	51.89%	44.76%	42.50%	44.59%	46.24%	45.05%	42.96%	44.19%	44.84%	44.62%	42.57%	39.91%	38.90%	39.84%	39.87%	40.81%	41.14%	43.43%	42.84%	39.16%	34.85%	36.73%	35.25%		
Corporate Income Tax	17.61%	12.83%	11.57%	10.64%	11.88%	16.25%	15.18%	13.75%	4.87%	7.62%	8.40%	6.96%	5.77%	7.64%	8.61%	8.23%	6.98%	6.42%	5.51%	6.41%	8.24%	9.78%	10.15%	8.66%	8.33%	7.00%	7.58%	11.09%	5.14%	5.84%	8.76%		
PST	28.06%	27.55%	32.38%	32.40%	25.72%	23.57%	25.19%	26.79%	25.83%	29.56%	30.53%	31.22%	31.69%	23.62%	24.62%	24.58%	23.10%	22.13%	21.08%	23.81%	23.90%	23.93%	23.25%	24.68%	24.35%	24.88%	25.98%	25.76%	31.63%	30.04%	28.61%		
Fuel Tax	10.49%	10.76%	8.78%	8.19%	7.89%	8.22%	7.70%	8.81%	10.05%	10.36%	10.74%	9.03%	7.68%	7.26%	6.73%	6.20%	6.38%	5.99%	5.97%	6.52%	6.60%	5.41%	6.21%	4.88%	4.96%	3.50%	3.18%	2.90%	3.30%	3.48%	3.35%		
Other Taxes	5.69%	5.72%	6.55%	5.08%	5.63%	5.67%	5.56%	5.79%	6.30%	6.79%	6.89%	7.37%	7.87%	8.49%	9.39%	9.68%	8.45%	10.10%	13.65%	12.79%	12.35%	11.11%	11.05%	11.09%	11.09%	11.11%	10.57%	10.88%	12.85%	12.68%	13.02%		
Specific Taxes as % of Gross Provincial Tax Revenues (Excluding Property Taxes)																																	
Personal Income Tax	37.23%	42.40%	40.04%	43.12%	48.47%	45.84%	45.91%	44.29%	52.45%	45.17%	42.90%	44.96%	46.59%	48.93%	46.54%	47.57%	49.96%	49.99%	47.95%	44.62%	43.22%	44.23%	44.04%	45.28%	45.78%	48.29%	47.52%	43.62%	39.71%	41.38%	39.61%		
Corporate Income Tax	17.87%	13.00%	11.70%	10.74%	11.98%	16.39%	15.31%	13.90%	4.92%	7.69%	8.48%	7.02%	5.82%	8.30%	9.33%	8.86%	7.78%	7.19%	6.21%	7.17%	9.16%	10.85%	11.22%	9.61%	9.27%	7.79%	8.40%	12.35%	5.85%	6.58%	9.85%		
PST	28.48%	27.90%	32.75%	32.73%	25.92%	23.76%	25.41%	27.07%	26.10%	29.83%	30.82%	31.48%	31.93%	25.66%	26.67%	26.46%	25.74%	24.79%	23.74%	26.62%	26.56%	26.57%	25.69%	27.39%	27.09%	27.67%	28.82%	28.69%	36.04%	33.84%	32.15%		
Fuel Tax	10.65%	10.90%	8.88%	8.28%	7.95%	8.29%	7.76%	8.90%	10.16%	10.46%	10.84%	9.11%	7.74%	7.88%	7.29%	6.68%	7.11%	6.71%	6.73%	7.29%	7.33%	6.01%	6.85%	5.42%	5.52%	3.90%	3.53%	3.23%	3.76%	3.92%	3.77%		
Other Taxes	5.77%	5.80%	6.62%	5.13%	5.68%	5.72%	5.61%	5.85%	6.37%	6.85%	6.95%	7.44%	7.93%	9.22%	10.17%	10.42%	9.42%	11.32%	15.37%	14.30%	13.73%	12.33%	12.20%	12.31%	12.34%	12.36%	11.72%	12.11%	14.64%	14.28%	14.63%		
Tax Administration Cost Analysis																																	
Consumption Tax Revenues Collected per \$1.00 Administration Cost					\$282	\$261	\$240	\$313																									
Administrative Costs as % of Consumption Taxes Collected					0.36%	0.39%	0.42%	0.32%																									-7.927939
Net Tax Revenues per \$1.00 Ministry of Finance Expenditures					\$550	\$531	\$496	\$220	\$186	\$328	\$309	\$291	\$326	\$413	\$392				\$400	\$411				\$392	\$364								
Ministry of Finance Costs as % of Net Tax Revenue					0.18%	0.19%	0.20%	0.45%	0.54%	0.31%	0.32%	0.34%	0.31%	0.24%	0.25%				0.25%	0.24%				0.26%	0.27%								

Saskatchewan - Data

Saskatchewan (Ending March 31) in 000s	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
Personal Income Tax	554260	627870	692079	768555	847838	898555	980203	1022560	1075066	1069585	1057489	1111444	1277191	1327582	1448043	1446169	1255409	1196410	1429757	1245763	1329081
Sales Tax	345014	374296	356597	455302	498634	502304	516995	577729	538371	666055	728804	778970	840962	753043	742846	660314	736563	770984	813932	854480	985079
Corporation Capital Tax	27885	30530	48256	55218	86946	97138	114327	117296	132560	171179	196633	221169	242304	267792	232618	293351	342242	363204	379093	371479	381289
Fuel Tax	32108	30723	31541	161168	144442	173101	174074	225685	302822	330020	331628	340729	365452	376933	354597	369010	345136	353765	331512	356773	361039
Corporation Income Tax	121454	129400	118801	123726	128294	108358	65848	75487	91509	145616	161866	237830	231620	217116	200079	277226	333299	145338	178267	310573	257679
Tobacco Tax	59967	70392	78584	89810	99066	102497	100238	104478	115350	110813	115587	114181	116869	123631	122681	123866	122012	120049	158472	176747	187029
Other - Insurance Tax	17472	17318	19543	20089	20752	21885	22239														
Other - Mineral Acreage Tax	3762	3353	3367	5917	5629	5639	5639														
Other	6033	5753	6387	7150	7046	15349	8252	40170	48575	45121	50257	49564	50970	49477	54296	53848	68595	73578	78208	83019	89156
Total Other Taxes	27267	26424	29297	33156	33427	42873	36130	40170	48575	45121	50257	49564	50970	49477	54296	53848	68595	73578	78208	83019	89156
Total Taxation Revenue	1167955	1289635	1355155	1686935	1838647	1924826	1987815	2163405	2304253	2538389	2642264	2853887	3125368	3115574	3155160	3223784	3203256	3023328	3369241	3398834	3590352
Natural Resource Revenue	0	0	0	0	0	0	423128	322047	392904	468705	733150	691850	927114	781460	622216	943150	1292714	903044	1243649	1140962	1474191
Other Revenue	151782	185499	166468	185199	177178	204913	741431	698114	625384	768632	892411	1240684	770843	982533	783525	908981	923743	1070147	996337	1120898	1317272
Contributions from Government Enterprises	875448	820200	346680	375905	519013	679767	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions from Federal Government	598028	651962	799465	922781	1074367	1230984	1547055	1302317	1139493	1488011	1511754	1045693	852635	675425	1087441	1553575	1028823	1517880	1413854	1290437	1995201
Total Non-Taxation Revenue	1625258	1657661	1312613	1483885	1770558	2115664	2711614	2322478	2157781	2725348	3137315	2978227	2550592	2439418	2493182	3405706	3245280	3491071	3653840	3552297	4786664
TOTAL Consolidated Revenue Fund Revenue	2793213	2947296	2667768	3170820	3609205	4040490	4699429	4485883	4462034	5263737	5779579	5832114	5675960	5554992	5648342	6629490	6448536	6514399	7023081	6951131	8377016
Expenses																					
Revenue Division				5875	6512	6715	6839	6037	6303	6626	7023	6997	7788	7088	7681	8265	9411	9328	10413	10742	
Pensions & Benefits										121832	130427	144181	135578	143431	155195	159812	168138	174893	184823	197440	
Total Ministry of Finance Budget				133958	153861	187898	186871	158601	141077	146154	155112	169034	160432	167159	180206	186139	197911	211501	222470	235598	
OTHER DATA																					
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
PST Rate	5%	5%	5%	7%	7%	7%	7%	7%	8%	9%	9%	9%	9%	7%	7%	6%	6%	6%	6%	6%	7%
Sales Tax Revenues at 1%	69002.8	74859.2	71319.4	65043.14	71233.43	71757.71	73856.43	82532.71	67296.38	74006.11	80978.22	86552.22	93440.22	107577.6	106120.9	110052.3	122760.5	128497.3	135655.3	142413.3	140725.6
% Change in Sales Tax Revenues at 1%		8.49%	-4.73%	-8.80%	9.52%	0.74%	2.92%	11.75%	-18.46%	9.97%	9.42%	6.88%	7.96%	15.13%	-1.35%	3.70%	11.55%	4.67%	5.57%	4.98%	-1.19%
Sales Tax Revenues at Constant 8%	552022	598874	570555	520345	569867	574062	590851	660262	538371	592049	647826	692418	747522	860621	848967	880419	982084	1027979	1085243	1139307	1125805
Saskatchewan GDP - Annual (in \$millions)																					
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	
GDP - Nominal	17926	17772	18195	18850	19977	21227	21393	21220	22928	24480	26425	28944	29157	29550	30778	33828	33267	34419	36544	40456	
% Chg - Nominal GDP		-0.86%	2.38%	3.60%	5.98%	6.26%	0.78%	-0.81%	8.05%	6.77%	7.95%	9.53%	0.74%	1.35%	4.16%	9.91%	-1.66%	3.46%	6.17%	10.70%	
GDP - Real (1997\$)	21089	22980	22907	21999	22874	24681	25334	24004	25563	26742	27136	27610	29157	30549	30668	31282	30401	30298	31809	33347	
% Chg - Real GDP		8.97%	-0.32%	-3.96%	3.98%	7.90%	2.65%	-5.25%	6.49%	4.61%	1.47%	1.75%	5.60%	4.77%	0.39%	2.00%	-2.82%	-0.34%	4.99%	4.84%	
GDP - Nominal (in \$10 millions)	179260	177720	181950	188500	199770	212270	213930	212200	229280	244800	264250	289440	291570	295500	307780	338280	332670	344190	365440	404560	

Saskatchewan - Analysis

ANALYSIS (Saskatchewan)

	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
Particular Revenue Source as % of Total Provincial Revenue																					
Provincial Taxation	41.81%	43.76%	50.80%	53.20%	50.94%	47.64%	42.30%	48.23%	51.64%	48.22%	45.72%	48.93%	55.06%	56.09%	55.86%	48.63%	49.67%	46.41%	47.97%	48.90%	42.86%
Other Sources of Provincial Revenues	36.78%	34.12%	19.24%	17.70%	19.29%	21.90%	24.78%	22.74%	22.82%	23.51%	28.13%	33.14%	29.91%	31.76%	24.89%	27.94%	34.37%	30.29%	31.89%	32.54%	33.32%
Federal Government Transfers & Payments	21.41%	22.12%	29.97%	29.10%	29.77%	30.47%	32.92%	29.03%	25.54%	28.27%	26.16%	17.93%	15.02%	12.16%	19.25%	23.43%	15.95%	23.30%	20.13%	18.56%	23.82%
Particular Tax as % of Total Provincial Tax Revenues																					
Personal Income Tax	47.46%	48.69%	51.07%	45.56%	46.11%	46.68%	49.31%	47.27%	46.66%	42.14%	40.02%	38.94%	40.87%	42.61%	45.89%	44.86%	39.19%	39.57%	42.44%	36.65%	37.02%
Sales Tax	29.54%	29.02%	26.31%	26.99%	27.12%	26.10%	26.01%	26.70%	23.36%	26.24%	27.58%	27.30%	26.91%	24.17%	23.54%	20.48%	22.99%	25.50%	24.16%	25.14%	27.44%
Corporation Capital Tax	2.39%	2.37%	3.56%	3.27%	4.73%	5.05%	5.75%	5.42%	5.75%	6.74%	7.44%	7.75%	7.75%	8.60%	7.37%	9.10%	10.68%	12.01%	11.25%	10.93%	10.62%
Fuel Tax	2.75%	2.38%	2.33%	9.55%	7.86%	8.99%	8.76%	10.43%	13.14%	13.00%	12.55%	11.94%	11.69%	12.10%	11.24%	11.45%	10.77%	11.70%	9.84%	10.50%	10.06%
Corporation Income Tax	10.40%	10.03%	8.77%	7.33%	6.98%	5.63%	3.31%	3.49%	3.97%	5.74%	6.13%	8.33%	7.41%	6.97%	6.34%	8.60%	10.41%	4.81%	5.29%	9.14%	7.18%
Tobacco Tax	5.13%	5.46%	5.80%	5.32%	5.39%	5.33%	5.04%	4.83%	5.01%	4.37%	4.37%	4.00%	3.74%	3.97%	3.89%	3.84%	3.81%	3.97%	4.70%	5.20%	5.21%
Other Taxes	2.33%	2.05%	2.16%	1.97%	1.82%	2.23%	1.82%	1.86%	2.11%	1.78%	1.90%	1.74%	1.63%	1.59%	1.72%	1.67%	2.14%	2.43%	2.32%	2.44%	2.48%
% Change in Taxation Revenue from Previous Year																					
Personal Income Tax		13.28%	10.23%	11.05%	10.32%	5.98%	9.09%	4.32%	5.13%	-0.51%	-1.13%	5.10%	14.91%	3.95%	9.07%	-0.13%	-13.19%	-4.70%	19.50%	-12.87%	6.69%
Sales Tax		8.49%	-4.73%	27.68%	9.52%	0.74%	2.92%	11.75%	-6.81%	23.72%	9.42%	6.88%	7.96%	-10.45%	-1.35%	-11.11%	11.55%	4.67%	5.57%	4.98%	15.28%
Corporation Capital Tax		9.49%	58.06%	14.43%	57.46%	11.72%	17.70%	2.60%	13.01%	29.13%	14.87%	12.48%	9.56%	10.52%	-13.13%	26.11%	16.67%	6.12%	4.37%	-2.01%	2.64%
Fuel Tax		-4.31%	2.66%	410.98%	-10.38%	19.84%	0.56%	29.65%	34.18%	8.98%	0.49%	2.74%	7.26%	3.14%	-5.93%	4.06%	-6.47%	2.50%	-6.29%	7.62%	1.20%
Corporation Income Tax		6.54%	-8.19%	4.15%	3.69%	-15.54%	-39.23%	14.64%	21.22%	59.13%	11.16%	46.93%	-2.61%	-6.26%	-7.85%	38.56%	20.23%	-56.39%	22.66%	74.22%	-17.03%
Tobacco Tax		17.38%	11.64%	14.29%	10.31%	3.46%	-2.20%	4.23%	10.41%	-3.93%	4.31%	-1.22%	2.35%	5.79%	-0.77%	0.97%	-1.50%	-1.61%	32.01%	11.53%	5.82%
Other Taxes		-3.09%	10.87%	13.17%	0.82%	28.26%	-15.73%	11.18%	20.92%	-7.11%	11.38%	-1.38%	2.84%	-2.93%	9.74%	-0.83%	27.39%	7.26%	6.29%	6.15%	7.39%
Tax Administration Cost Analysis																					
Net Tax Revenues per \$1.00 Revenue Division				\$287	\$282	\$287	\$291	\$358	\$366	\$383	\$376	\$408	\$401	\$440	\$411	\$390	\$340	\$324	\$324	\$316	
Revenue Division Costs as % of Net Tax Revenue				0.35%	0.35%	0.35%	0.34%	0.28%	0.27%	0.26%	0.27%	0.25%	0.25%	0.23%	0.24%	0.26%	0.29%	0.31%	0.31%	0.32%	

Ontario – Data & Analysis

Ontario (Ending March 31) in \$Millions	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	
Personal Income Tax	762	972	1022	1205	1236	1446	1571	1782	2447	2735	3184	3578	4928	5858	5994	6253	7249	8618	9859	11687	13518	15440	13712	13643	14723	14758	15633	16357	16293	17190	17617	18624	19097	18195	18301	
Retail Sales Tax	637	674	759	895	1315	1569	1328	1775	1926	1717	2414	2562	2853	3420	3876	4426	5025	5604	6305	7775	8549	9175	7487	7316	8124	9090	9424	9964	10943	11651	12679	13735	13803	14183	14258	
Corporations Tax	477	414	433	527	636	892	1140	1002	1014	1278	1616	1792	1769	1361	1583	2248	3205	3800	4223	4720	3800	3184	2713	3447	4557	5174	5852	7456	7447	8095	9200	6646	7459	6658		
Employer Health Tax																																				
Gasoline Tax	362	376	396	426	477	493	505	508	523	539	610	618	759	848	932	961	977	989	1035	1230	1356	1424	1618	1834	1907	1939	1944	1951	2028	2068	2154	2172	2502	2306	2264	
Fuel Tax	30	33	40	60	0	0	0	79	85	94	128	133	172	184	212	225	242	266	291	309	348	340	379	439	460	495	500	540	563	592	665	648	659	682	681	
Gasoline & Fuel Taxes	392	409	436	486	477	493	505	587	608	633	738	751	931	1032	1144	1186	1219	1255	1326	1539	1704	1764	1997	2273	2367	2434	2444	2491	2591	2660	2819	2820	2851	2988	2945	
Other - Land Transfer Tax	15	11	16	29	0	0	52	62	67	95	101	129	100	132	139	205	353	471	634	701	432	421	356	321	372	335	444	565	470	565	642	665	814	909		
Other - Tobacco Tax	72	75	80	96	100	101	104	157	206	258	274	284	345	448	542	583	603	611	639	750	770	875	1028	969	724	322	337	356	425	447	481	504	703	1183	1350	
Other - Miscellaneous Taxes	138	148	136	176	302	452	557	651	367	218	201	329	133	93	92	188	186	217	280	389	576	466	261	279	288	286	274	230	177	330	307	333	371	423	347	
Other - Electricity Payments in Lieu of Taxes																																				
Total Other Taxes	225	234	232	301	402	553	661	860	635	543	570	714	807	641	768	910	934	1181	1300	1773	2047	1773	1710	1604	1333	980	946	1030	1167	1247	1353	1476	2128	3137	3233	
Total Taxation Revenue	2493	2723	2882	3414	4068	4953	5205	6006	6630	6906	8522	9397	11088	12312	13363	15023	17062	19863	22480	26997	31015	33614	30738	30041	32659	34459	36316	38466	41201	43077	45881	49282	48025	49551	49148	
Other Revenue							2451	2616	2628	2935	3127	3488	3665	3789	4164	4496	4811	4989	5146	5313	2396	2561	3059	3179	2905	3131	3247	3898	5647	7457	5271	7125	6222	6289		
Contributions from Government Enterprises																																				
Contributions from Federal Government					1267	1517	1930	2235	2062	2788	2757	3025	3308	3345	4161	4578	4682	4870	4984	5113	5364	5762	6324	7554	7071	7607	7645	5778	5098	4515	5885	6129	7754	8994	9893	
Total Non-Taxation Revenue	0	0	0	0	1267	1517	1930	4686	4678	5416	5692	6152	6796	7010	7950	8742	9178	9681	9973	10259	10677	9278	10015	11766	11015	11580	12043	10984	11287	12709	17050	15400	18224	19058	19252	
TOTAL Consolidated Revenue Fund Revenues	3770	4420	4704	6115	6922	8275	9152	10692	11308	12322	14214	15549	17884	19322	21313	23765	26240	29544	32453	37256	41692	42892	40753	41807	43674	46039	48359	49450	52488	55786	62931	64682	66249	68609	68400	
Expenses (in \$)																																				
RST & Miscellaneous Taxes		5457206	6232739	7031970	7939389	8396623	9189286	10554078	11913825	14228959	16635517	16581801	19478178	19917426	22886165	23435436	26786422	25229043	25899105	30874682	31219209															
All Taxes	8462884	9480291	10945825	12605106	13375740	16113287	17464229	20476104	24226693	29971520	33634786	52291864	68774195	79291374	77719478	80906615	83257560	79897502	91947993	97753543	91170881															
OTHER DATA																																				
PST Rate	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	
Sales Tax Revenues at 1%	91.00	96.29	108.43	127.86	187.86	224.14	189.71	253.57	275.14	245.29	344.86	366.00	407.57	488.57	553.71	632.29	717.86	800.57	900.71	971.88	1068.63	1021.88	936.88	914.50	1015.50	1136.25	1178.00	1245.50	1355.38	1456.38	1609.88	1716.88	1725.38	1772.88	1872.25	
% Change in Sales Tax Revenues at 1%		5.81%	12.61%	17.92%	46.93%	19.32%	-15.36%	33.66%	8.51%	-10.85%	40.59%	6.13%	11.36%	19.87%	13.33%	14.19%	13.53%	11.52%	12.51%	7.90%	9.95%	-4.37%	-8.42%	-2.28%	11.04%	11.89%	3.67%	5.73%	8.82%	7.45%	10.54%	6.65%	0.50%	2.75%	0.53%	
Ontario GDP - Annual (in \$Millions)																																				
GDP - Nominal																																				
% Chg - Nominal GDP																																				
GDP - Real (1997\$)																																				
% Chg - Real GDP																																				
ANALYSIS (Ontario)																																				
Particular Revenue Source as % of Total Provincial Revenue																																				
Provincial Taxation	66.13%	61.61%	61.27%	55.83%	58.77%	59.85%	56.87%	56.17%	58.63%	56.05%	59.95%	60.43%	62.00%	63.72%	62.70%	63.21%	65.02%	67.23%	69.27%	72.46%	74.39%	78.37%	75.43%	71.86%	74.78%	74.85%	75.10%	77.79%	78.50%	77.22%	72.91%	76.19%	72.49%	72.22%	71.85%	
Other Sources of Provincial Revenues	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	22.92%	23.13%	21.33%	20.65%	20.11%	19.50%	18.97%	17.78%	17.52%	17.13%	16.28%	15.37%	13.81%	12.74%	8.20%	9.06%	10.07%	9.03%	8.63%	9.09%	10.53%	11.79%	14.69%	17.74%	14.33%	15.80%	14.81%	13.68%	
Federal Government Transfers & Payments	0.00%	0.00%	0.00%	0.00%	18.30%	18.33%	21.09%	20.90%	18.23%	22.63%	19.40%	19.45%	18.50%	17.31%	19.52%	19.26%	17.84%	16.48%	15.36%	13.72%	12.87%	13.43%	15.52%	18.07%	16.19%	16.52%	15.81%	11.68%	9.71%	8.09%	9.35%	9.48%	11.70%	12.96%	14.46%	
Particular Tax as % of Total Provincial Tax Revenues (Including EHT)																																				
Personal Income Tax	30.57%	36.43%	35.46%	35.30%	30.38%	29.19%	30.18%	29.67%	36.91%	39.60%	37.36%	38																								

Quebec - Data

Quebec (Ending March 31) in 000,000s	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	
Personal Income Tax	7126.9	7764.5	8217.5	9342.8	9895.5	10228.6	11578.6	11839.2	11434	11766	11903	12367	12784	14420	15281	15944	17077	15882	16183	16282	
Contributions to Health Services Fund	1509.5	1600.8	1828.9	2049.2	2159.5	2468.9	2641.4	2754.1	2816	2932	3299	3694	3732	3966	4260	4429	4719	4599	4461	5096	
Corporate Taxes	996.4	1082	1216.9	1472	1580.9	1890.4	1711.8	1867.3	1848	1954	2124	2518	2830	3505	3464	3680	4257	4065	3729	3892	
Succession Duties	45.1	30.5	9.2	-1	2.3	-1.3	0.9	-0.7	0	-2	-1	0	0	0	0	0	0	0	0	0	
Sales Taxes (QST)	2575.1	3175.7	3624.3	4016.3	4281.2	4471.2	5353.2	6158.2	6001	5579	5432	5617	5311	5505	6444	6780	7392	7579	8358	8971	
Fuel Taxes	1030.4	1084.1	1144.7	1183.9	1224.3	1256.8	1150.1	1117.1	1222	1264	1340	1407	1439	1532	1604	1605	1581	1579	1691	1736	
Tobacco Taxes	373.5	534.8	569.3	531.8	554.5	515.3	585.8	513.1	411	288	181	265	289	371	523	555	554	741	935	973	
Pari-Mutuel	0	0	0	0	0	0	21.1	20.2	10	4	5	2	0	13	14	14	14	14	14	13	
Meals & Hotels	303.4	327.7	361.3	402.7	433	470.3															
Other	112.4	126.9	138.8	149.1	156.4	171.3															
Total Taxation Revenue	14072.7	15727	17110.9	19146.8	20287.6	21471.5	23042.9	24268.5	23742	23785	24283	25870	26385	29312	31590	33007	35594	34459	35371	36963	
Duties & Permits	537.3	558	602.2	665.5	674.1	706.8	766.7	846.3	909	919	936	1018	1004	1447	1362	1490	1406	1346	1416	1358	
Miscellaneous Government Revenues	587.9	538.9	669	689.9	763.3	813.1	996.3	1058.2	1432	1874	1507	1285	1166	2191	2399	2487	2360	2421	2800	2826	
Revenue from Government Enterprises	806.7	938.7	1105.3	1451.7	1619.3	1341.6	1175.4	1493.9	1529	1677	2181	1927	2112	2734	3131	3943	3496	2731	3764	3815	
Contributions from Federal Government	6260.7	6221	5872.1	6175.9	6450.5	6740.9	6998.6	6772	7794	7791	7520	8146	6610	5989	8090	6352	8145	9305	9457	10120	
Total Non-Taxation Revenue	8192.6	8256.6	8248.6	8983	9507.2	9602.4	9937	10170.4	11664	12261	12144	12376	10892	12361	14982	14272	15407	15803	17437	18119	
TOTAL Consolidated Revenue Fund Revenue	22265.3	23983.6	25359.5	28129.8	29794.8	31073.9	32979.9	34438.9	35406	36046	36427	38246	37277	41673	46572	47279	51001	50262	52808	55082	
OTHER DATA																					
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	
Nominal QST Rate	9%	9%	9%	9%	9%	9%	9%	8%/4%	8%/4%	8%/4%	6.5%	6.5%	6.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	
Average Real QST Rate	9%	9%	9%	9%	9%	9.000%	8.890%	9.63%	10.70%	6.42%	6.955%	6.955%	6.955%	8.025%	8.025%	8.025%	8.025%	8.025%	8.025%	8.025%	
Sales Tax Revenues at 1%	286.12	352.86	402.70	446.26	475.69	496.80	602.16	639.48	560.84	869.00	781.02	807.62	763.62	685.98	802.99	844.86	921.12	944.42	1041.50	1117.88	
% Change in Sales Tax Revenues at 1%		23.32%	14.13%	10.82%	6.60%	4.44%	21.21%	6.20%	-12.30%	54.95%	-10.12%	3.41%	-5.45%	-10.17%	17.06%	5.21%	9.03%	2.53%	10.28%	7.33%	
Quebec GDP - Annual (in \$millions)	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
GDP - Nominal	100292	107391	117156	128438	140845	148431	153330	155156	158362	162229	170478	177331	180526	188424	196258	210809	224928	230734	243763	253657	267032
% Chg - Nominal GDP		7.08%	9.09%	9.63%	9.66%	5.39%	3.30%	1.19%	2.07%	2.44%	5.08%	4.02%	1.80%	4.37%	4.16%	7.41%	6.70%	2.58%	5.65%	4.06%	5.27%
GDP - Real (1997\$)	143797	148109	153115	159701	166943	168549	169369	165565	166870	169683	176607	179770	182506	188423	194672	207100	216210	218524	228137	232381	237770
% Chg - Real GDP		3.00%	3.38%	4.30%	4.53%	0.96%	0.49%	-2.25%	0.79%	1.69%	4.08%	1.79%	1.52%	3.24%	3.32%	6.38%	4.40%	1.07%	4.40%	1.86%	2.32%

Newfoundland & Labrador - Data

Newfoundland (Ending March 31) in 000s	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
Personal Income Tax	283259	336276	356090	406992	454676	467731	460276	503459	494574	553632	617814	543464	545057	604971	624675	607164	671419	733217
PST/HST	406057	456854	506755	546957	544934	554020	545552	539634	560424	562030	571710	433427	437676	455534	497852	556368	589998	625148
Other Tax	172796	164517	169077	193019	214084	233422	217084	263554	198736	221973	201165	173386	172846	200098	224415	234281	290230	380125
Gasoline Tax	66617	69231	73989	79331	88154	109088	104254	119204	124492	121379	109330	120417	122513	129222	130393	131624	135926	135937
Corporate Income Tax	65398	72629	57168	56574	52585	49038	46093	38484	53812	62745	64119	78069	83128	83626	75434	54906	108645	139575
Total Taxation Revenue	994127	1099507	1163079	1282873	1354433	1413299	1373259	1464335	1432038	1521759	1564138	1348763	1361220	1473451	1552769	1584343	1796218	2014002
Other - Investment	0	0	0	0	0	0	303473	0	327679	344095	0	281528	307245	341639	264407	332724	167415	243219
Other - Fees & Fines	0	0	0	0	0	0	63222	0	89409	100400	0	122439	123812	99407	127905	105987	142956	141122
Other - Miscellaneous	303566	420026	383053	448033	475582	626799	51701	619479	37517	108598	559968	227822	132250	219685	198628	220263	253576	252389
<i>Total Other Revenues</i>	<i>303566</i>	<i>420026</i>	<i>383053</i>	<i>448033</i>	<i>475582</i>	<i>626799</i>	<i>418396</i>	<i>619479</i>	<i>454605</i>	<i>553093</i>	<i>559968</i>	<i>631789</i>	<i>563307</i>	<i>660731</i>	<i>590940</i>	<i>658974</i>	<i>563947</i>	<i>636730</i>
Government of Canada	985535	1026024	1118265	1200395	1136991	1135433	1554938	1177781	1710329	1572266	1383552	2019439	1860122	1620461	1757240	1656795	1589411	1542768
Total Non-Taxation Revenue	1289101	1446050	1501318	1648428	1612573	1762232	1973334	1797260	2164934	2125359	1943520	2651228	2423429	2281192	2348180	2315769	2153358	2179498
TOTAL Consolidated Revenue Fund Revenue	2283228	2545557	2664397	2931301	2967006	3175531	3346593	3261595	3596972	3647118	3507658	3999991	3784649	3754643	3900949	3900112	3949576	4193500

Expenses

Tax Administration	4118922	5199018	6955159	7078211		6895873		7786548		7372119	5873291							
--------------------	---------	---------	---------	---------	--	---------	--	---------	--	---------	---------	--	--	--	--	--	--	--

OTHER DATA

GDP (Annual in \$millions)	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Nominal GDP	7244	7763	8467	8995	9219	9587	9549	9771	10264	10652	10417	10533	11176	12184	13922	14221	16615	18268	19563
% Change - Nominal GDP		7.16%	9.07%	6.24%	2.49%	3.99%	-0.40%	2.32%	5.05%	3.78%	-2.21%	1.11%	6.10%	9.02%	14.26%	2.15%	16.83%	9.95%	7.09%
Real GDP	8853	9162	9800	10245	10213	10222	10029	10186	10654	10897	10424	10533	11253	11895	12504	12655	14278	15040	15069
% Change - Real GDP		3.49%	6.96%	4.54%	-0.31%	0.09%	-1.89%	1.57%	4.59%	2.28%	-4.34%	1.05%	6.84%	5.71%	5.12%	1.21%	12.82%	5.34%	0.19%
	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	
PST/HST - General Rate (Real)	12%	12%	12%	12%	12%	12.84%	12.84%	12.84%	12.84%	12.84%	12.84%	8%	8%	8%	8%	8%	8%	8%	8%
PST/HST @ 1%	33838.08	38071.17	42229.58	45579.75	45411.17	43147.98	42488.47	42027.57	43646.73	43771.81	44525.7	54178.38	54709.5	56941.75	62231.5	69546	73749.75	78143.5	
PST/HST at 1% - % Change		12.51%	10.92%	7.93%	-0.37%	-4.98%	-1.53%	-1.08%	3.85%	0.29%	1.72%	21.68%	0.98%	4.08%	9.29%	11.75%	6.04%	5.96%	
PST/HST @ Constant 8%	270704.7	304569.3	337836.7	364638	363289.3	345183.8	339907.8	336220.6	349173.8	350174.5	356205.6	433427	437676	455534	497852	556368	589998	625148	

Newfoundland & Labrador - Analysis

ANALYSIS (Newfoundland & Labrador)	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
<u>% CHANGE IN TAX REVENUES FROM PRIOR YEAR</u>																		
Personal Income Tax		18.72%	5.89%	14.29%	11.72%	2.87%	-1.59%	9.38%	-1.76%	11.94%	11.59%	-12.03%	0.29%	10.99%	3.26%	-2.80%	10.58%	9.20%
PST/HST		12.51%	10.92%	7.93%	-0.37%	1.67%	-1.53%	-1.08%	3.85%	0.29%	1.72%	-24.19%	0.98%	4.08%	9.29%	11.75%	6.04%	5.96%
Other Tax		-4.79%	2.77%	14.16%	10.91%	9.03%	-7.00%	21.41%	-24.59%	11.69%	-9.37%	-13.81%	-0.31%	15.77%	12.15%	4.40%	23.88%	30.97%
Gasoline Tax		3.92%	6.87%	7.22%	11.12%	23.75%	-4.43%	14.34%	4.44%	-2.50%	-9.93%	10.14%	1.74%	5.48%	0.91%	0.94%	3.27%	0.01%
Corporate Income Tax		11.06%	-21.29%	-1.04%	-7.05%	-6.75%	-6.01%	-16.51%	39.83%	16.60%	2.19%	21.76%	6.48%	0.60%	-9.80%	-27.21%	97.87%	28.47%
<u>Sources of Provincial Revenues as % of Total Revenues</u>																		
Net Taxation Revenue	43.54%	43.19%	43.65%	43.76%	45.65%	44.51%	41.03%	44.90%	39.81%	41.72%	44.59%	33.72%	35.97%	39.24%	39.80%	40.62%	45.48%	48.03%
Other Provincial Sources	13.30%	16.50%	14.38%	15.28%	16.03%	19.74%	12.50%	18.99%	12.64%	15.17%	15.96%	15.79%	14.88%	17.60%	15.15%	16.90%	14.28%	15.18%
Federal Government	43.16%	40.31%	41.97%	40.95%	38.32%	35.76%	46.46%	36.11%	47.55%	43.11%	39.44%	50.49%	49.15%	43.16%	45.05%	42.48%	40.24%	36.79%
<u>Specific Taxes as % of Gross Provincial Tax Revenues</u>																		
Personal Income Tax	28.49%	30.58%	30.62%	31.73%	33.57%	33.09%	33.52%	34.38%	34.54%	36.38%	39.50%	40.29%	40.04%	41.06%	40.23%	38.32%	37.38%	36.41%
PST/HST	40.85%	41.55%	43.57%	42.64%	40.23%	39.20%	39.73%	36.85%	39.13%	36.93%	36.55%	32.14%	32.15%	30.92%	32.06%	35.12%	32.85%	31.04%
Other Tax	17.38%	14.96%	14.54%	15.05%	15.81%	16.52%	15.81%	18.00%	13.88%	14.59%	12.86%	12.86%	12.70%	13.58%	14.45%	14.79%	16.16%	18.87%
Gasoline Tax	6.70%	6.30%	6.36%	6.18%	6.51%	7.72%	7.59%	8.14%	8.69%	7.98%	6.99%	8.93%	9.00%	8.77%	8.40%	8.31%	7.57%	6.75%
Corporate Income Tax	6.58%	6.61%	4.92%	4.41%	3.88%	3.47%	3.36%	2.63%	3.76%	4.12%	4.10%	5.79%	6.11%	5.68%	4.86%	3.47%	6.05%	6.93%
<u>Tax Administration Cost Analysis</u>																		
Net Tax Revenues per \$1.00 Tax Admin Cost	\$554	\$490	\$383	\$414		\$460		\$419		\$495	\$597							
Tax Admin Costs as % of Tax Revenue	0.41%	0.47%	0.60%	0.55%		0.49%		0.53%		0.48%	0.38%							

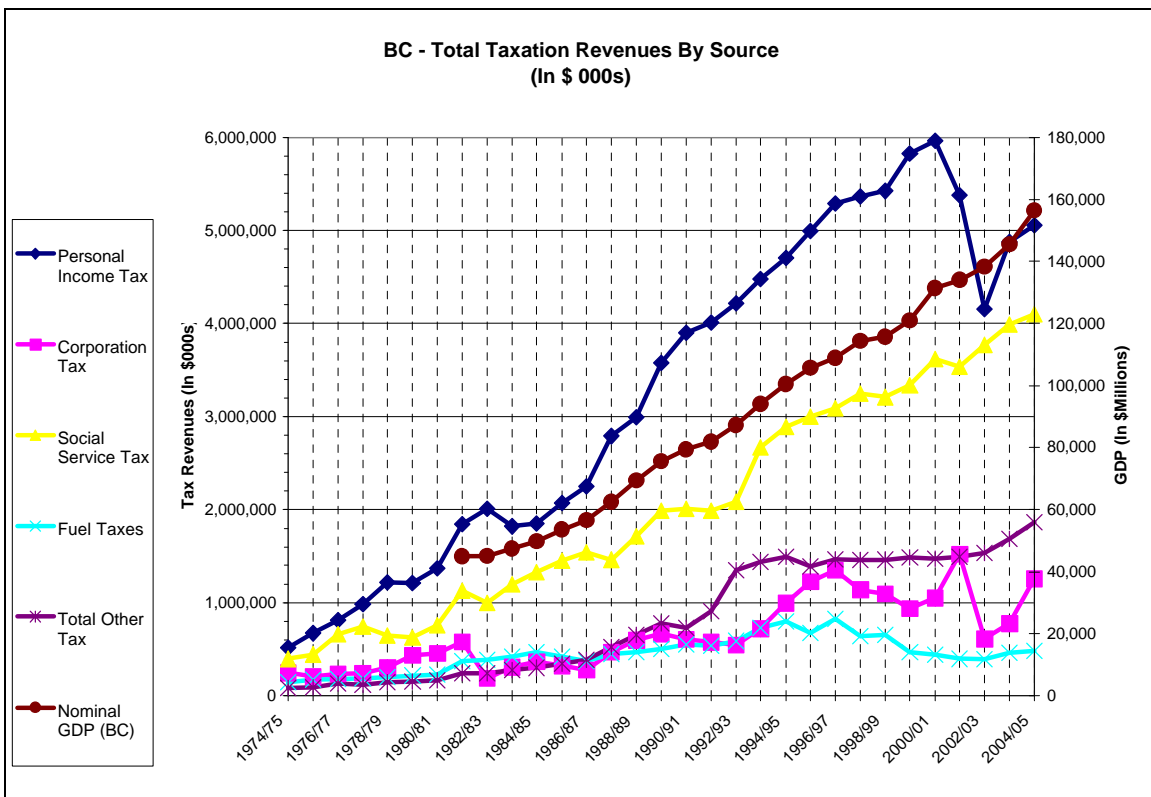
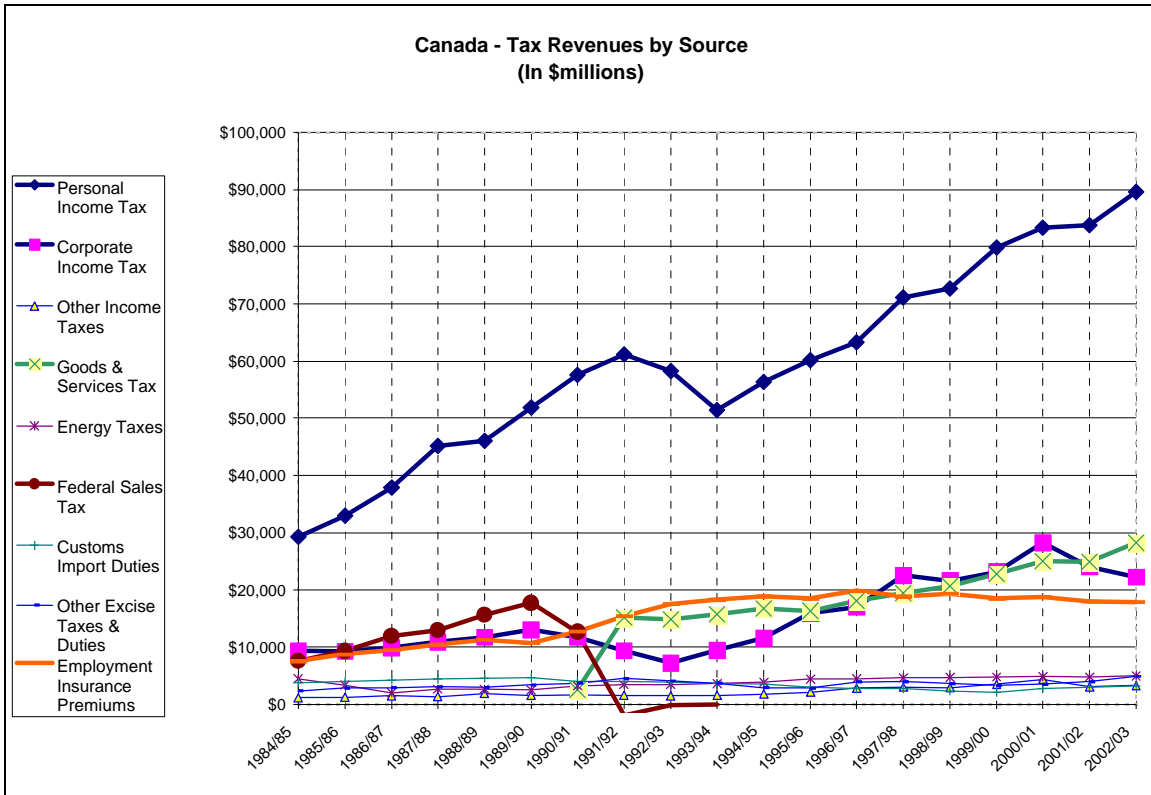
New Brunswick - Data

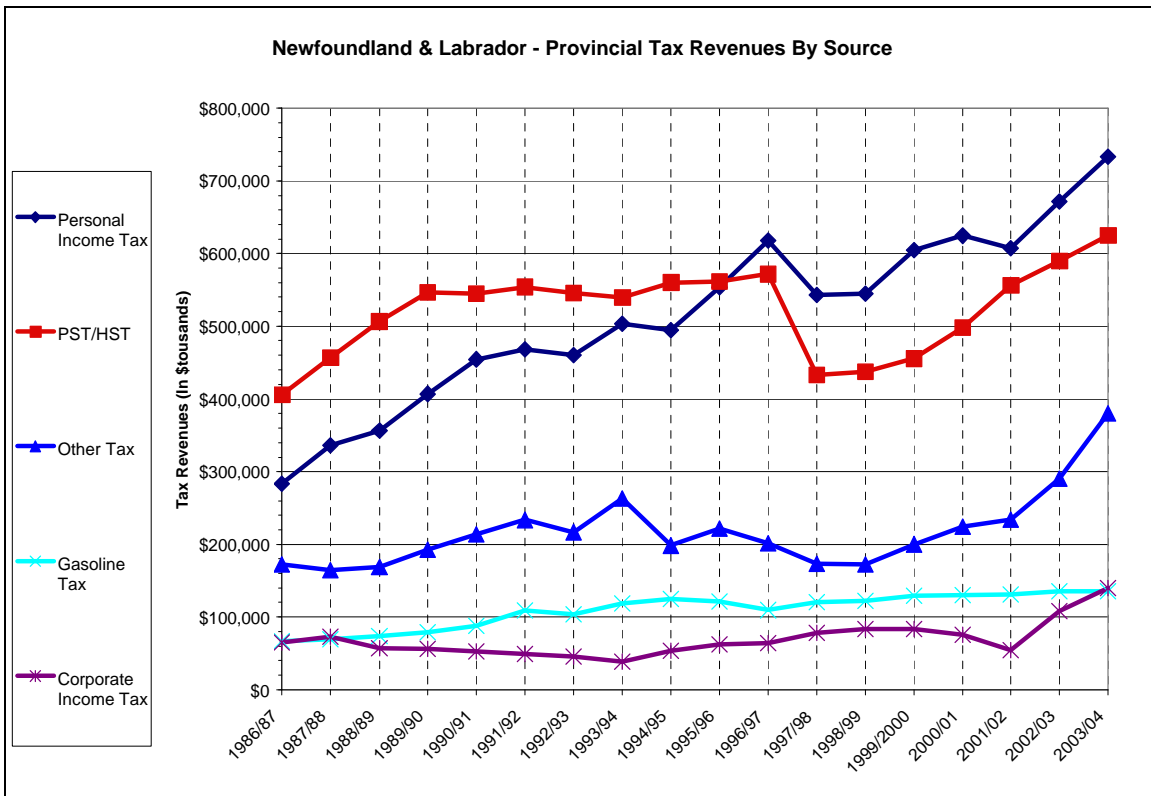
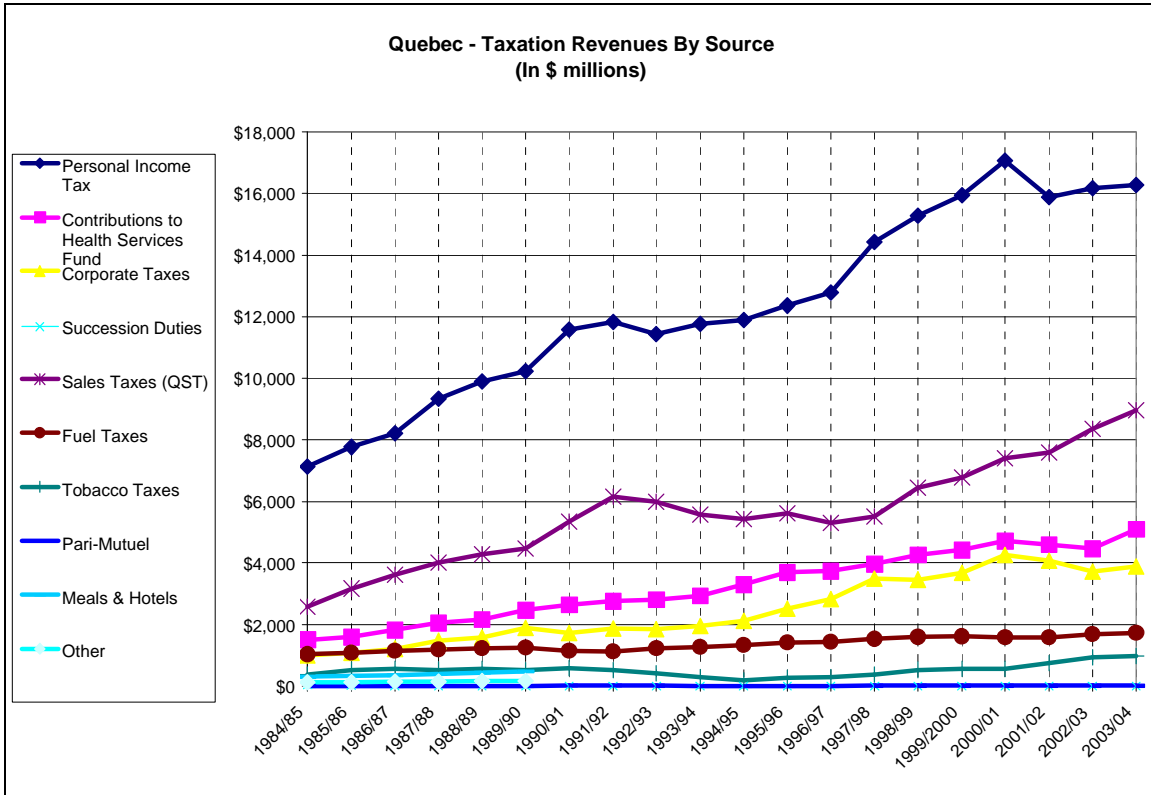
New Brunswick (Ending March 31) in 000s	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	
Personal Income Tax	355601	402993	416202	511596	542137	607632	677864	680120	626134	727799	697689	786925	825154	810338	865000	855000	909800	909600	914800	952000	
Corporate Income Tax	64482	85898	66759	76476	119591	115119	77776	92284	38242	89748	159644	113725	236566	206344	124000	157000	178600	179900	142300	110800	
Metallic Minerals Tax	4832	1158	1509	2061	3271	3187	4260	965	3826	1768	5398	9621	3921	4357	4000	4000	3300	3000	5900	2200	
Provincial Real Property Tax	206022	228889	252046	264255	295322	325986	193213	206032	216336	219990	241596	234414	244515	243947	255200	268500	260000	280000	301616	307364	
Social Services & Education Tax	371391	428952	465336	513593	588150	623628	624172	590756	602903	646176	690650	732232	729106								
Harmonised Sales Tax														583351	597000	641700	653000	660000	699000	801200	
Gasoline & Motive Fuel Tax	105071	113305	106462	105634	108300	109484	144252	160151	145227	153362	161355	162879	165248	165306	171000	173000	184000	188000	217100	235000	
Tobacco Tax	47225	53623	59633	61914	61085	74146	73419	59622	50294	43560	34897	38108	40945	42358	43000	43000	50000	63000	86100	97000	
Amusement & Admission Tax	1514	1166	1626	1885	1884	1899	1688	1666	1727	1928	2194	2087	2139	85							
Pari-Mutuel Tax	294	17	49	54	58	52	52	99	60	63	89	61	74	62	60	60	60	80	80	80	
Insurance Premium Tax	12369	10868	13423	14415	15356	15833	16354	18396	19323	21579	22361	22838	24648	24439	26854	26060	25666	28500	35300	35775	
Real Property Transfer Tax	1988	1995	2181	2445	2575	2752	2343	2306	2714	2607	2638	2493	2931	2862	2700	2700	3000	3400	3800	4000	
Large Corporation Capital Tax														25673	31000	32000	32000	39010	34900	47300	
Financial Corporation Capital Tax				4191	7402	8625	9421	10218	8796	8586	9018	8665	8249	8562	8500	8800	9300	8900	8600	8800	
Total Taxation Revenue	1170789	1328864	1385226	1558519	1745131	1888343	1824814	1822615	1715582	1917166	2027529	2114048	2283496	2117684	2128314	2211820	2308726	2363390	2449496	2601519	
Return on Investment	89445	91630	95848	99463	102582	107120	104139	116285	115604	141754	166967	155602	111782	91437	134420.4	111107.5	114251	120602	64075	164291	
Licenses & Permits	41721	43112	55539	54061	57241	67313	66850	76005	80605	86335	90845	89473	90097	86074	87871.2	90633.4	97347	95255	97833	96484	
Sale of Goods & Services	36433	29556	33205	34786	50171	56750	58041	56139	65296	75044	78456	73195	79987	82087	80546.4	83296.3	84335	85526	85273	200569	
Royalties	17864	17487	24282	29533	37332	33821	35035	34617	39136	34646	48547	50678	57883	57704	53129.5	52994	59790	57132	63499	68261	
Lottery Revenues	13978	15450	20195	21227	22894	19400	18632	21852	35890	45959	52455	70600	75036	73499	77000	73000	80031	90018	110025	117207	
Fines & Penalties	2139	1963	2302	2105	1947	1651	2902	1604	2114	2042	1825	1965	1490	1337	1484	1718.5	1798	1746	1725	1685	
Miscellaneous	5754	9262	10849	5278	5467	4658	18408	38758	12337	26245	6841	5188	2379	21760	11988.9	12860.6	15473	15720	17710	15444	
Grants from Canada	996354	1127924	1142589	1219887	1299964	1404287	1469483	1421122	1720860	1449887	1541239	1491460	1402531	1535696	1627357	1718129	1770078	2008564	1886413	1838587	
Total Non-Taxation Revenue	1203688	1336384	1384809	1466340	1577598	1695000	1773490	1766382	2071842	1861912	1987175	1938161	1821185	1949594	2073797	2143739	2223103	2474563	2326553	2502528	
TOTAL Consolidated Revenue Fund Revenue	2374477	2665248	2770035	3024859	3322729	3583343	3598304	3588997	3787424	3779078	4014704	4052209	4104681	4067278	4202111	4355559	4531829	4837953	4776049	5104047	
Expenses (In \$s)																					
Revenue Division											11638110	6642638	6812364	7156216	6660425	6090836	4516600	5629700	5655300	5838500	
Field Services	2579382	2662741	2613495	2804580	2966465	3033660	3150444	3149517	3140414	3262733											
Tax Administration	5026478	5173195	5476820	5584032	2899714	2844284	2987863	5893301	6955379	7884890											
Tax Accounting & Collection					930406	1001641	1298249														
Tax Audit & Investigation					2145184	2337902	2160165														
Total Tax Administration	7605860	7835936	8090315	8388612	8941769	9217487	9596721	9042818	10095793	11147623	11638110	6642638	6812364	7156216	6660425	6090836	4516600	5629700	5655300	5838500	
Provision for Losses	4471375	1918133	3063245	2313956	3500000	2000000	1072000														
Total Ministry of Finance	13618107	11373925	13084861	13521688	14750733	14120077	12680879	12054210	19446577	19559495	21584039	16975973	17614476	18191394	17568840	16928519	10228300	11246600	11211200	11516000	
OTHER DATA																					
GDP (Annual in \$millions)	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Nominal GDP	8818	9373	10462	11572	12438	13128	13458	13647	14038	14693	15286	16380	16626	16845	17633	19041	20085	20689	21168	22452	23369
% Change - Nominal GDP		6.29%	11.62%	10.61%	7.48%	5.55%	2.51%	1.40%	2.87%	4.67%	4.04%	7.16%	1.50%	1.32%	4.68%	7.99%	5.48%	3.01%	2.32%	6.07%	4.08%
Real GDP	13006	13253	13897	14658	14787	15040	14876	14894	15323	15699	16033	16502	16706	16845	17488	18572	19018	19293	20164	20712	21316
% Change - Real GDP		1.90%	4.86%	5.48%	0.88%	1.71%	-1.09%	0.12%	2.88%	2.45%	2.13%	2.93%	1.24%	0.83%	3.82%	6.20%	2.40%	1.45%	4.51%	2.72%	2.92%
PST/HST - General Rate (Real)	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	
	10%	11%	11%	11%	11%	11%	11%	11.77%	11.77%	11.77%	11.77%	11.77%	11.77%	8%	8%	8%	8%	8%	8%	8%	
PST/HST @ 1%	37139.10	38995.64	42303.27	46690.27	53468.18	56693.45	56742.91	50191.67	51223.70	54900.25	58678.84	62211.72	61946.13	72918.88	74625.00	80212.50	81625.00	82500.00	87375.00	100150.00	
PST/HST at 1% - % Change		5.00%	8.48%	10.37%	14.52%	6.03%	0.09%	-11.55%	2.06%	7.18%	6.88%	6.02%	-0.43%	17.71%	2.34%	7.49%	1.76%	1.07%	5.91%	14.62%	
PST/HST @ Constant 8%	297112.8	311965.1	338426.2	373522.2	427745.5	453547.6	453943.3	401533.4	409789.6	439202	469430.8	497693.8	495569.1	583351	597000	641700	653000	660000	699000	801200	

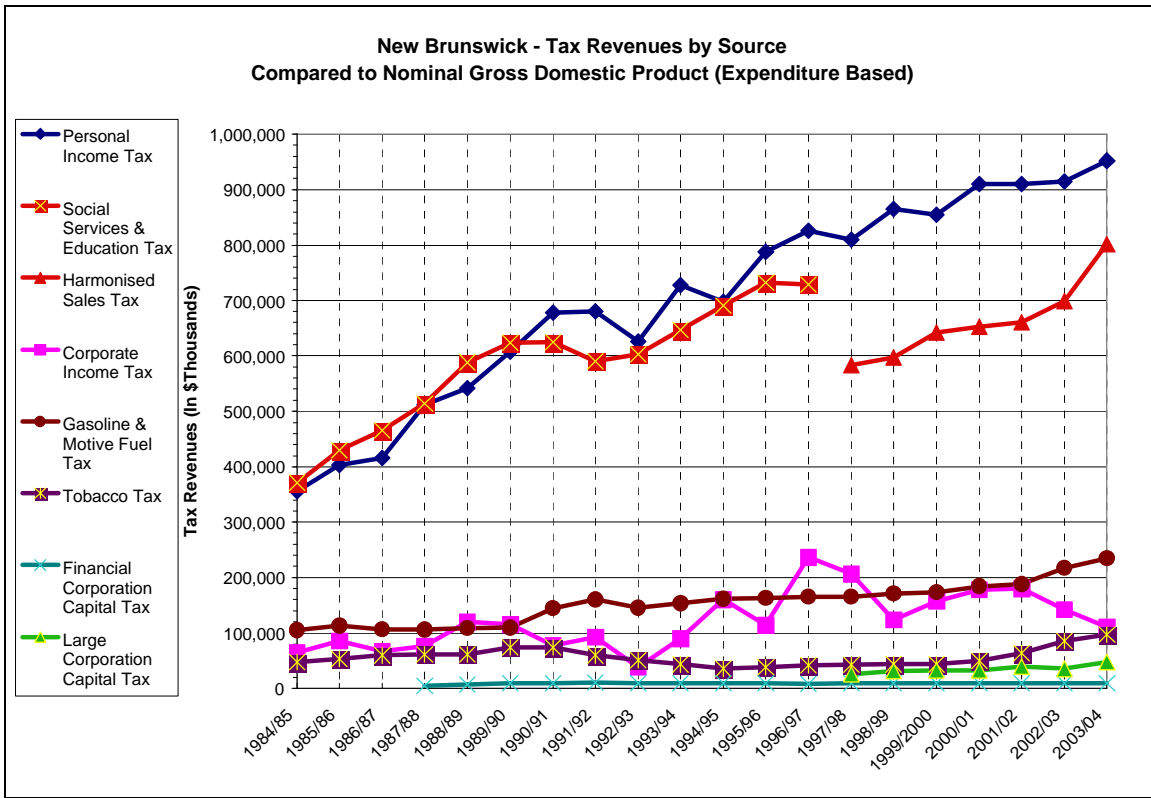
New Brunswick - Analysis

ANALYSIS (New Brunswick)																				
% Change from Prior Year	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
Personal Income Tax	13.33%	3.28%	22.92%	5.97%	12.08%	11.56%	0.33%	-7.94%	16.24%	-4.14%	12.79%	4.86%	-1.80%	6.75%	-1.16%	6.41%	-0.02%	0.57%	4.07%	
Corporate Income Tax	33.21%	-22.28%	14.56%	56.38%	-3.74%	-32.44%	18.65%	-58.56%	134.68%	77.88%	-28.76%	108.02%	-12.78%	-39.91%	26.61%	13.76%	0.73%	-20.90%	-22.14%	
Metallic Minerals Tax	-76.03%	30.31%	36.58%	58.71%	-2.57%	33.67%	-77.35%	296.48%	-53.79%	205.32%	78.23%	-59.25%	11.12%	-8.19%	0.00%	-17.50%	-9.09%	96.67%	-62.71%	
Provincial Real Property Tax	11.10%	10.12%	4.84%	11.76%	10.38%	-40.73%	6.63%	5.00%	1.69%	9.82%	-2.97%	4.31%	-0.23%	4.61%	5.21%	-3.17%	7.69%	7.72%	1.91%	
Social Services & Education Tax	15.50%	8.48%	10.37%	14.52%	6.03%	0.09%	-5.35%	2.06%	7.18%	6.88%	6.02%	-0.43%								
Harmonised Sales Tax														-19.99%	2.34%	7.49%	1.76%	1.07%	5.91%	14.62%
Gasoline & Motive Fuel Tax	7.84%	-6.04%	-0.78%	2.52%	1.09%	31.76%	11.02%	-9.32%	5.60%	5.21%	0.94%	1.45%	0.04%	3.44%	1.17%	6.36%	2.17%	15.48%	8.25%	
Tobacco Tax	13.55%	11.21%	3.83%	-1.34%	21.38%	-0.98%	-18.79%	-15.65%	-13.39%	-19.89%	9.20%	7.44%	3.45%	1.52%	0.00%	16.28%	26.00%	36.67%	12.66%	
Amusement & Admission Tax	-22.99%	39.45%	15.93%	-0.05%	0.80%	-11.11%	-1.30%	3.66%	11.64%	13.80%	-4.88%	2.49%	-96.03%							
Pari-Mutuel Tax	-94.22%	188.24%	10.20%	7.41%	-10.34%	0.00%	90.38%	-39.39%	5.00%	41.27%	-31.46%	21.31%	-16.22%	-3.23%	0.00%	0.00%	33.33%	0.00%	0.00%	
Insurance Premium Tax	-12.14%	23.51%	7.39%	6.53%	3.11%	3.29%	12.49%	5.04%	11.68%	3.62%	2.13%	7.93%	-0.85%	9.88%	-2.96%	-1.51%	11.04%	23.86%	1.35%	
Real Property Transfer Tax	0.35%	9.32%	12.10%	5.32%	6.87%	-14.86%	-1.58%	17.69%	-3.94%	1.19%	-5.50%	17.57%	-2.35%	-5.66%	0.00%	11.11%	13.33%	11.76%	5.26%	
Large Corporation Capital Tax															20.75%	3.23%	0.00%	21.91%	-10.54%	35.53%
Financial Corporation Capital Tax					76.62%	16.52%	9.23%	8.46%	-13.92%	-2.39%	5.03%	-3.91%	-4.80%	3.79%	-0.72%	3.53%	5.68%	-4.30%	-3.37%	2.33%
Sources of Provincial Revenues as % of Total Revenues																				
Taxation Revenues	49.31%	49.86%	50.01%	51.52%	52.52%	52.70%	50.71%	50.78%	45.30%	50.73%	50.50%	52.17%	55.63%	52.07%	50.65%	50.78%	50.94%	48.85%	51.29%	50.97%
Return on Investment	3.77%	3.44%	3.46%	3.29%	3.09%	2.99%	2.89%	3.24%	3.05%	3.75%	4.16%	3.84%	2.72%	2.25%	3.20%	2.55%	2.52%	2.49%	1.34%	3.22%
Licenses & Permits	1.76%	1.62%	2.00%	1.79%	1.72%	1.88%	1.86%	2.12%	2.13%	2.28%	2.26%	2.21%	2.19%	2.12%	2.09%	2.08%	2.15%	1.97%	2.05%	1.89%
Sale of Goods & Services	1.53%	1.11%	1.20%	1.15%	1.51%	1.58%	1.61%	1.56%	1.72%	1.99%	1.95%	1.81%	1.95%	2.02%	1.92%	1.91%	1.86%	1.77%	1.79%	3.93%
Royalties	0.75%	0.66%	0.88%	0.98%	1.12%	0.94%	0.97%	0.96%	1.03%	0.92%	1.21%	1.25%	1.41%	1.42%	1.26%	1.22%	1.32%	1.18%	1.33%	1.34%
Lottery Revenues	0.59%	0.58%	0.73%	0.70%	0.69%	0.54%	0.52%	0.61%	0.95%	1.22%	1.31%	1.74%	1.83%	1.81%	1.83%	1.68%	1.77%	1.86%	2.30%	2.30%
Fines & Penalties	0.09%	0.07%	0.08%	0.07%	0.06%	0.05%	0.08%	0.04%	0.06%	0.05%	0.05%	0.05%	0.04%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.03%
Miscellaneous	0.24%	0.35%	0.39%	0.17%	0.16%	0.13%	0.51%	1.08%	0.33%	0.69%	0.17%	0.13%	0.06%	0.54%	0.29%	0.30%	0.34%	0.32%	0.37%	0.30%
Grants from Canada	41.96%	42.32%	41.25%	40.33%	39.12%	39.19%	40.84%	39.60%	45.44%	38.37%	38.39%	36.81%	34.17%	37.76%	38.73%	39.45%	39.06%	41.52%	39.50%	36.02%
Specific Taxes as % of Gross Provincial Tax Revenues																				
Personal Income Tax	30.37%	30.33%	30.05%	32.83%	31.07%	32.18%	37.15%	37.32%	36.50%	37.96%	34.41%	37.22%	36.14%	38.27%	40.64%	38.66%	39.41%	38.49%	37.35%	36.59%
Corporate Income Tax	5.51%	6.46%	4.82%	4.91%	6.85%	6.10%	4.26%	5.06%	2.23%	4.68%	7.87%	5.38%	10.36%	9.74%	5.83%	7.10%	7.74%	7.61%	5.81%	4.26%
Metallic Minerals Tax	0.41%	0.09%	0.11%	0.13%	0.19%	0.17%	0.23%	0.05%	0.22%	0.09%	0.27%	0.46%	0.17%	0.21%	0.19%	0.18%	0.14%	0.13%	0.24%	0.08%
Provincial Real Property Tax	17.60%	17.22%	18.20%	16.96%	16.92%	17.26%	10.59%	11.30%	12.61%	11.47%	11.92%	11.09%	10.71%	11.52%	11.99%	12.14%	11.26%	11.85%	12.31%	11.81%
Social Services & Education Tax	31.72%	32.28%	33.59%	32.95%	33.70%	33.03%	34.20%	32.41%	35.14%	33.70%	34.06%	34.64%	31.93%							
Harmonised Sales Tax														27.55%	28.05%	29.01%	28.28%	27.93%	28.54%	30.80%
Gasoline & Motive Fuel Tax	8.97%	8.53%	7.69%	6.78%	6.21%	5.80%	7.91%	8.79%	8.47%	8.00%	7.96%	7.70%	7.24%	7.81%	8.03%	7.82%	7.97%	7.95%	8.86%	9.03%
Tobacco Tax	4.03%	4.04%	4.30%	3.97%	3.50%	3.93%	4.02%	3.27%	2.93%	2.27%	1.72%	1.80%	1.79%	2.00%	2.02%	1.94%	2.17%	2.67%	3.52%	3.73%
Amusement & Admission Tax	0.13%	0.09%	0.12%	0.12%	0.11%	0.10%	0.09%	0.09%	0.10%	0.10%	0.11%	0.10%	0.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pari-Mutuel Tax	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Insurance Premium Tax	1.06%	0.82%	0.97%	0.92%	0.88%	0.84%	0.90%	1.01%	1.13%	1.13%	1.10%	1.08%	1.08%	1.15%	1.26%	1.18%	1.11%	1.21%	1.44%	1.38%
Real Property Transfer Tax	0.17%	0.15%	0.16%	0.16%	0.15%	0.15%	0.13%	0.13%	0.16%	0.14%	0.13%	0.12%	0.13%	0.14%	0.13%	0.12%	0.13%	0.14%	0.16%	0.15%
Large Corporation Capital Tax														1.21%	1.46%	1.45%	1.39%	1.65%	1.42%	1.82%
Financial Corporation Capital Tax				0.27%	0.42%	0.46%	0.52%	0.56%	0.51%	0.45%	0.44%	0.41%	0.36%	0.40%	0.40%	0.40%	0.40%	0.38%	0.35%	0.34%
Tax Administration Cost Analysis																				
Net Tax Revenues per \$1.00 Spent on Tax Adm	\$154	\$170	\$171	\$186	\$195	\$205	\$190	\$202	\$170	\$172	\$174	\$318	\$335	\$296	\$320	\$363	\$511	\$420	\$433	\$446
Tax Admin Costs as % of Tax Revenue	0.65%	0.59%	0.58%	0.54%	0.51%	0.49%	0.53%	0.50%	0.59%	0.58%	0.57%	0.31%	0.30%	0.34%	0.31%	0.28%	0.20%	0.24%	0.23%	0.22%
Tax Admin Costs - % Chg Y-to-Y		3.02%	3.25%	3.69%	6.59%	3.08%	4.11%	-5.77%	11.64%	10.42%	4.40%	-42.92%	2.56%	5.05%	-6.93%	-8.55%	-25.85%	24.64%	0.45%	3.24%
Tax Revenues - % Chg Y-to-T		13.50%	4.24%	12.51%	11.97%	8.21%	-3.36%	-0.12%	-5.87%	11.75%	5.76%	4.27%	8.02%	-7.26%	0.50%	3.92%	4.38%	2.37%	3.64%	6.21%

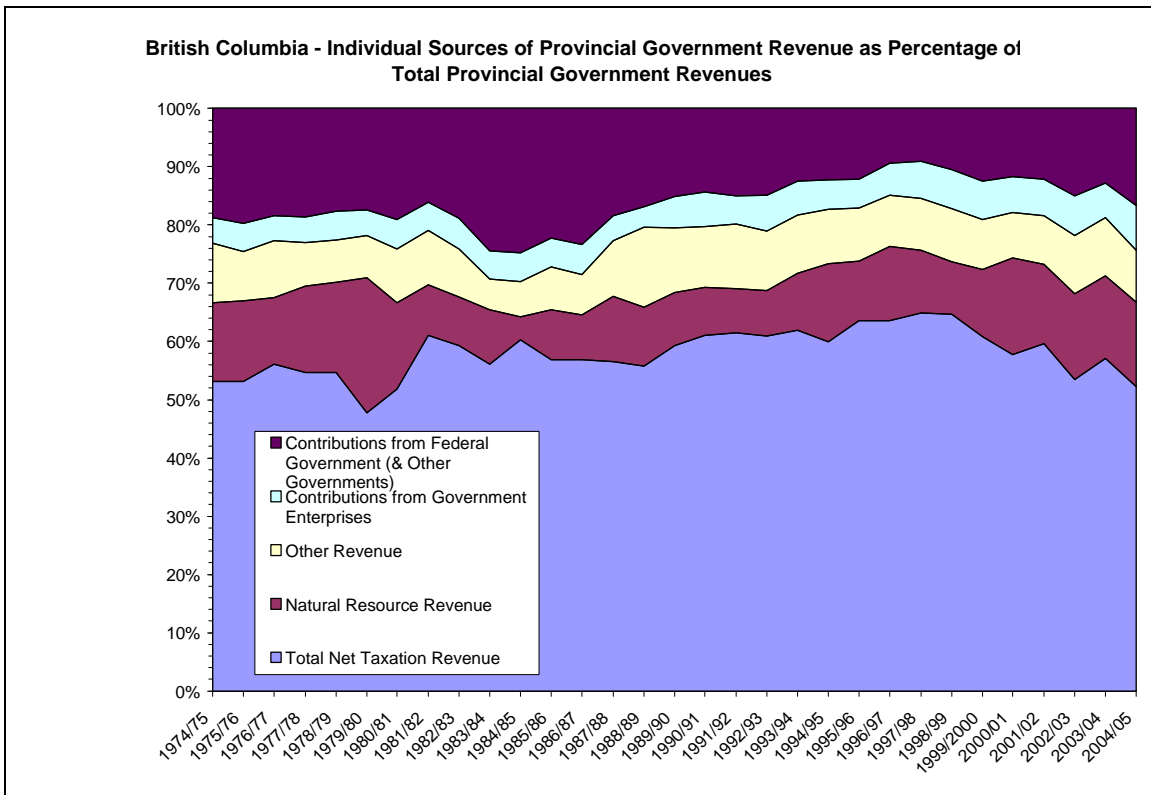
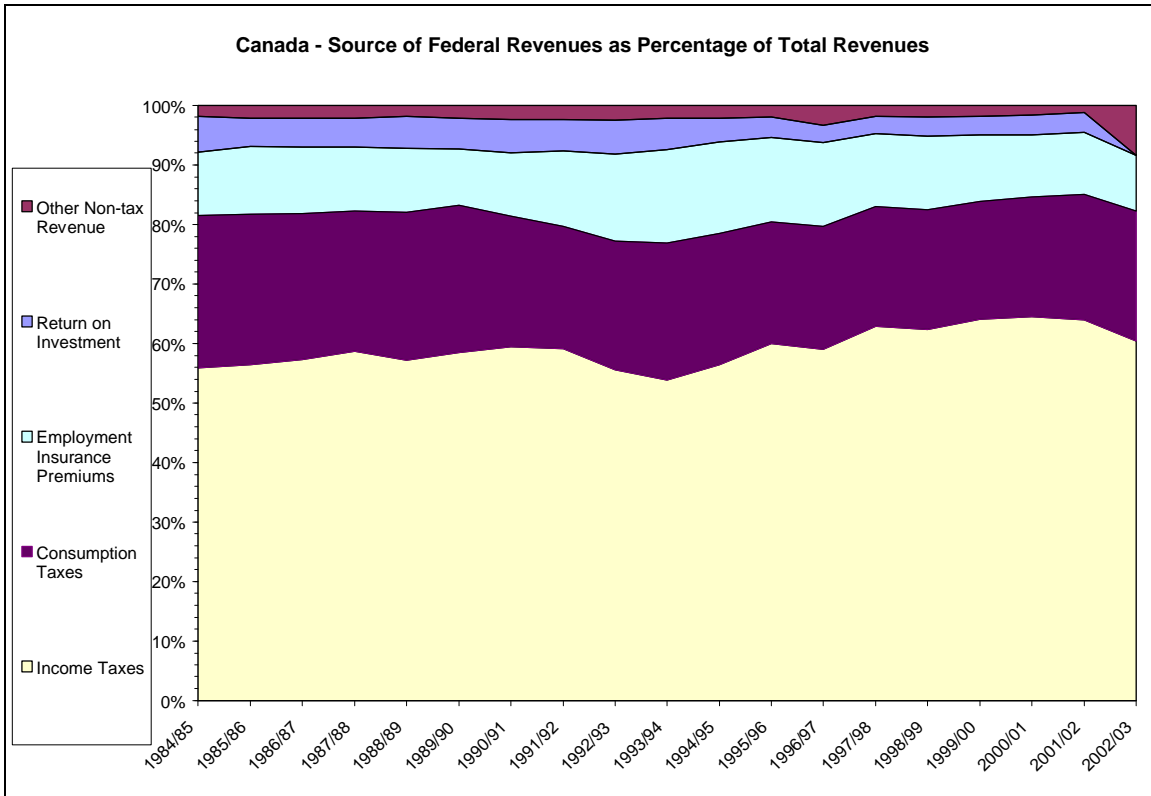
Federal & Provincial Tax Revenues

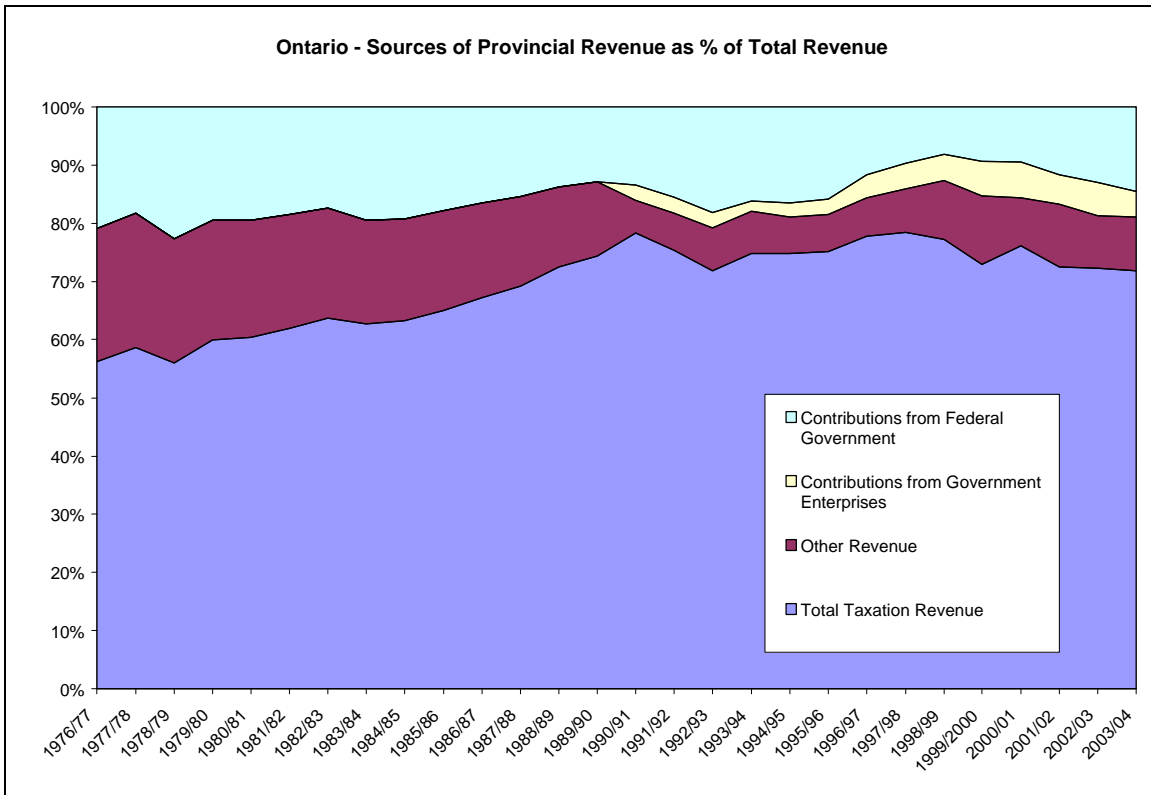
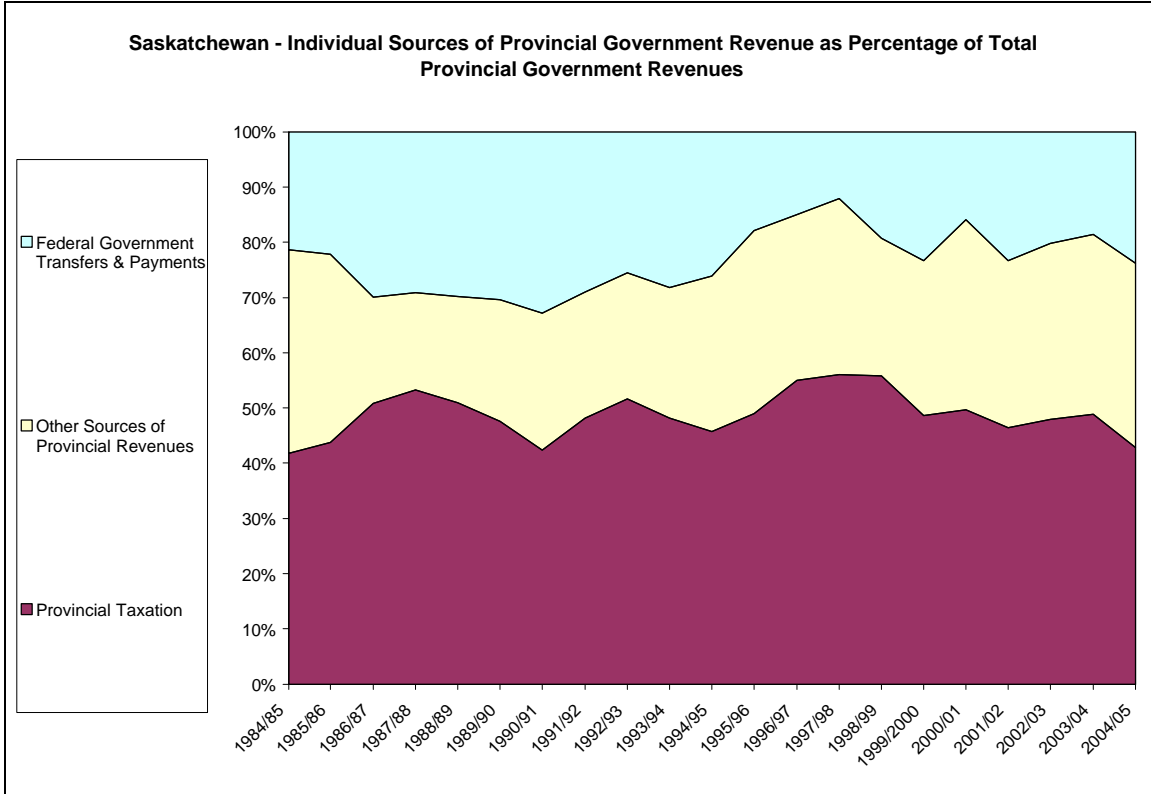


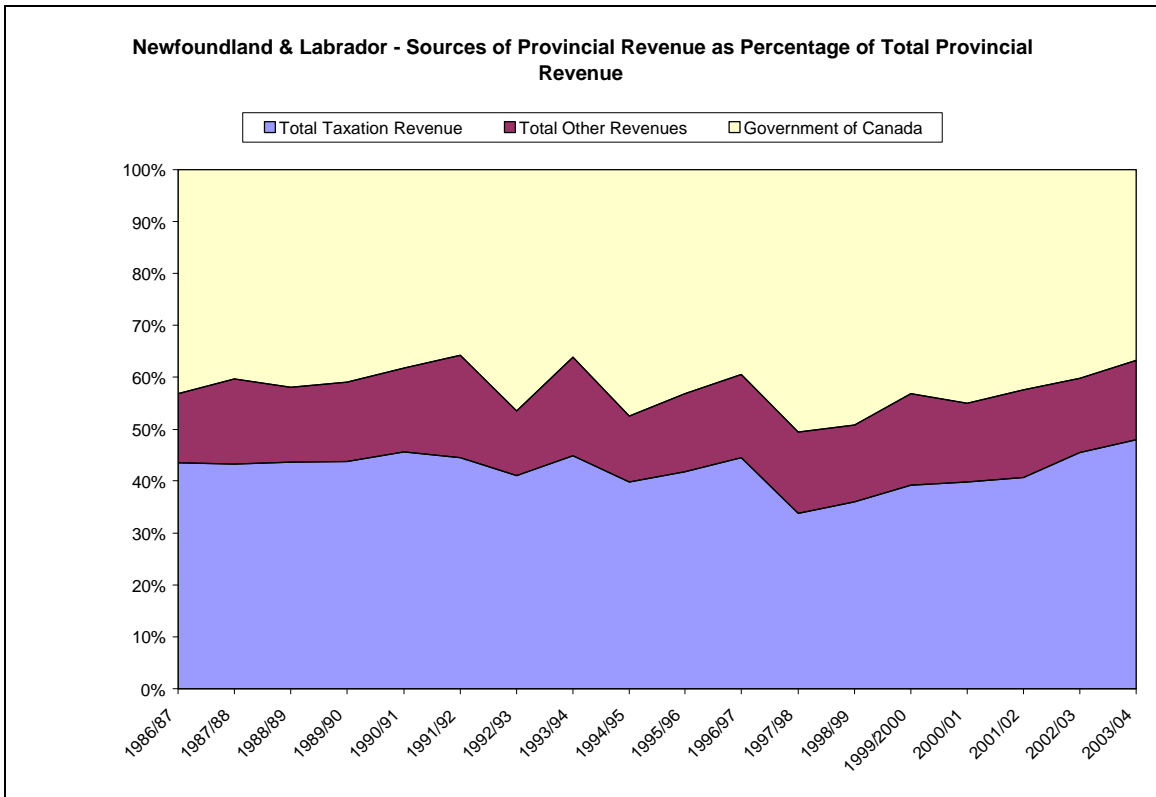
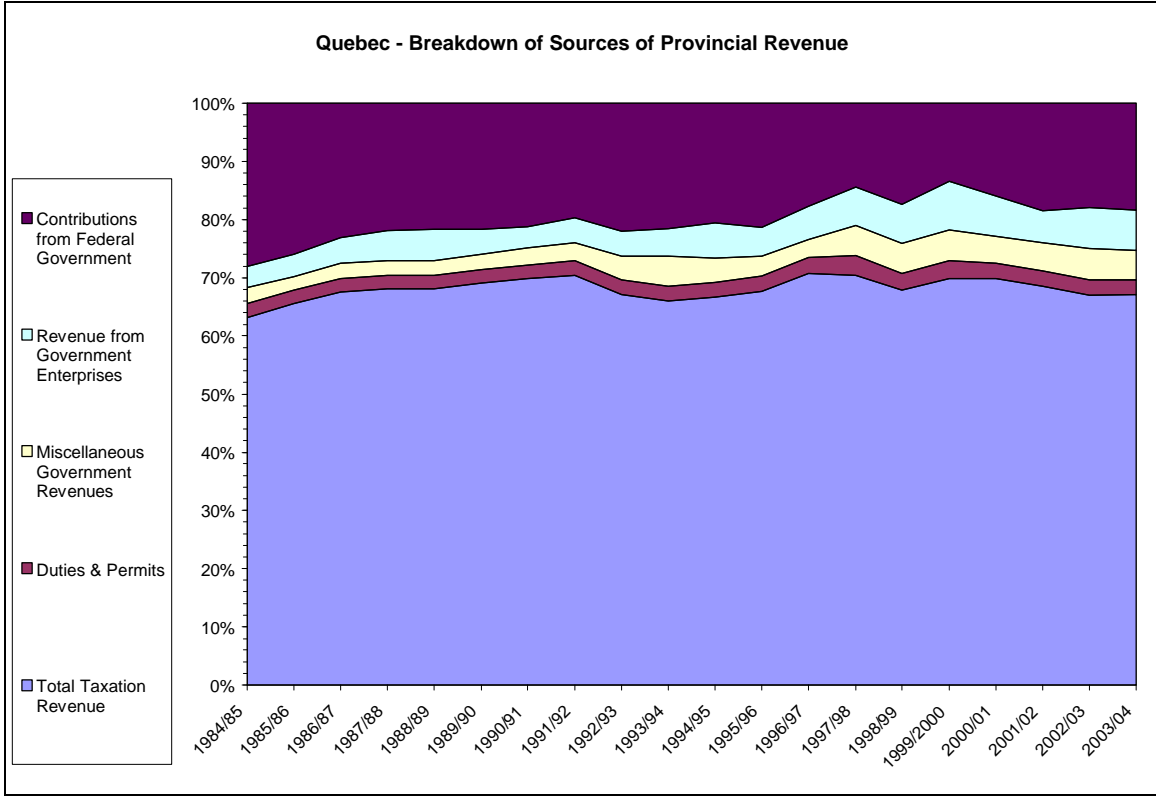


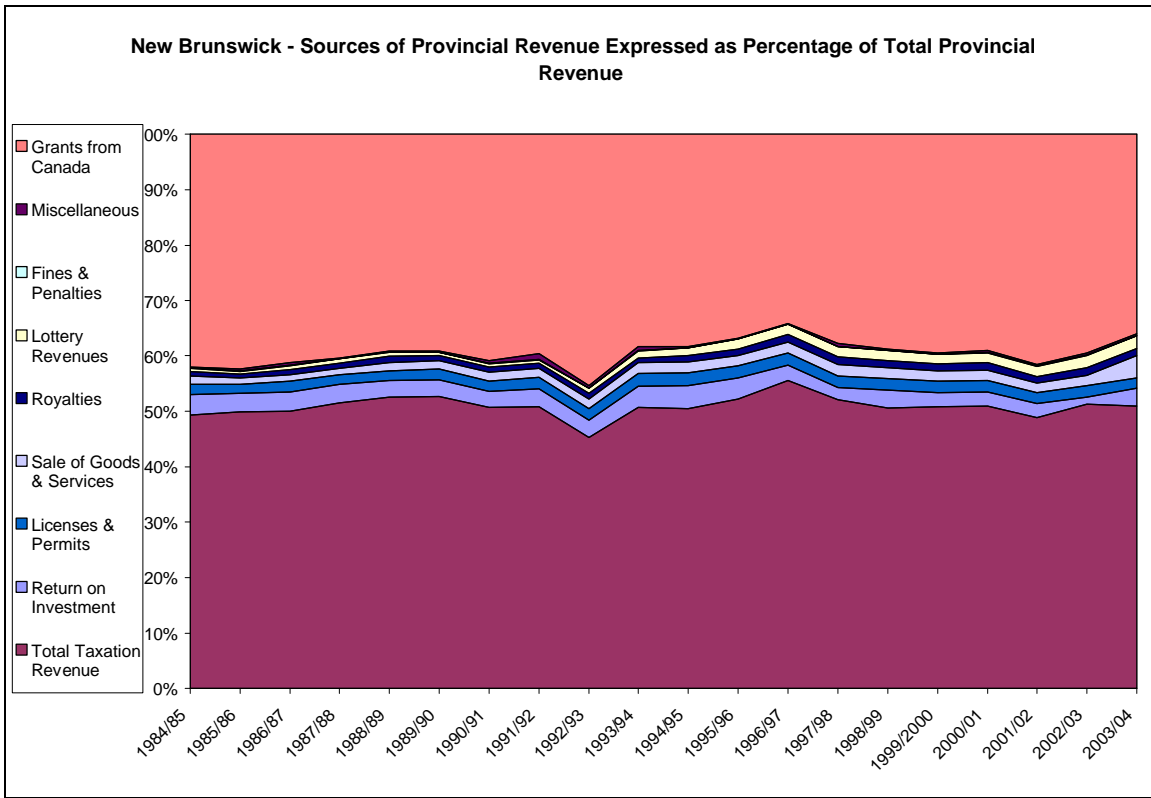


Sources of Federal & Provincial Revenues as Percentage of Total Revenues

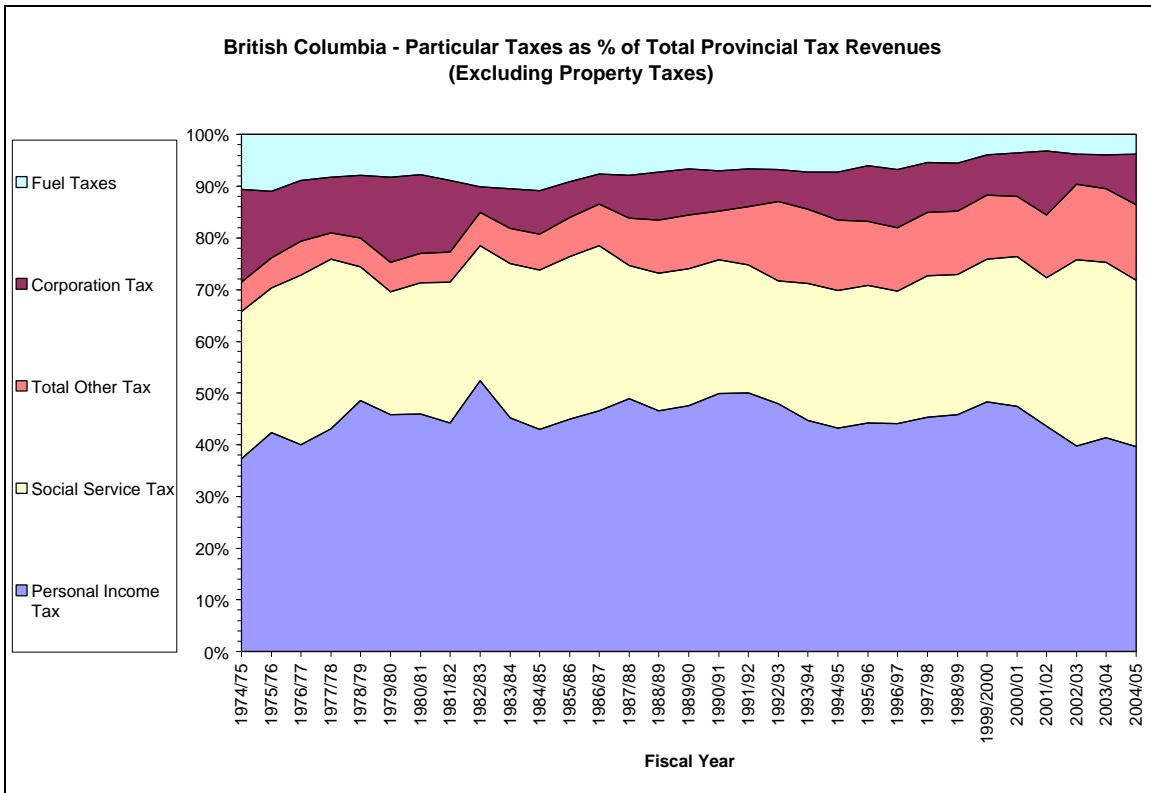
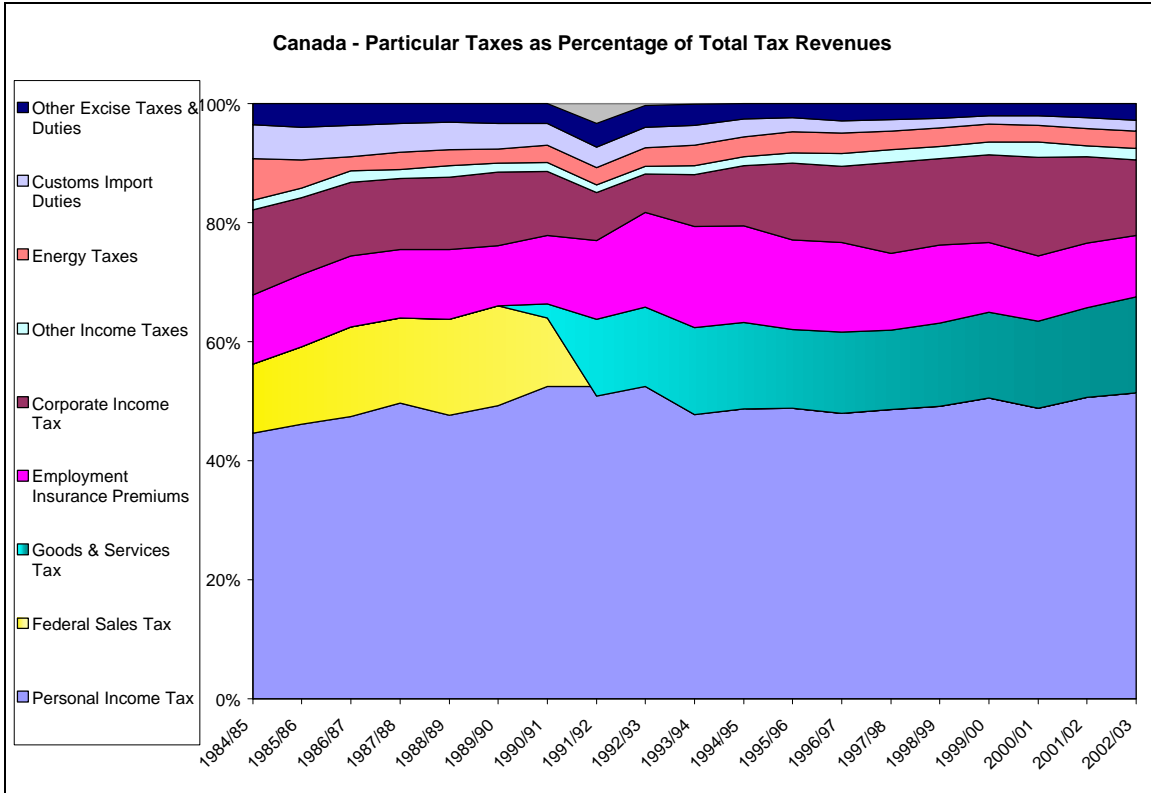


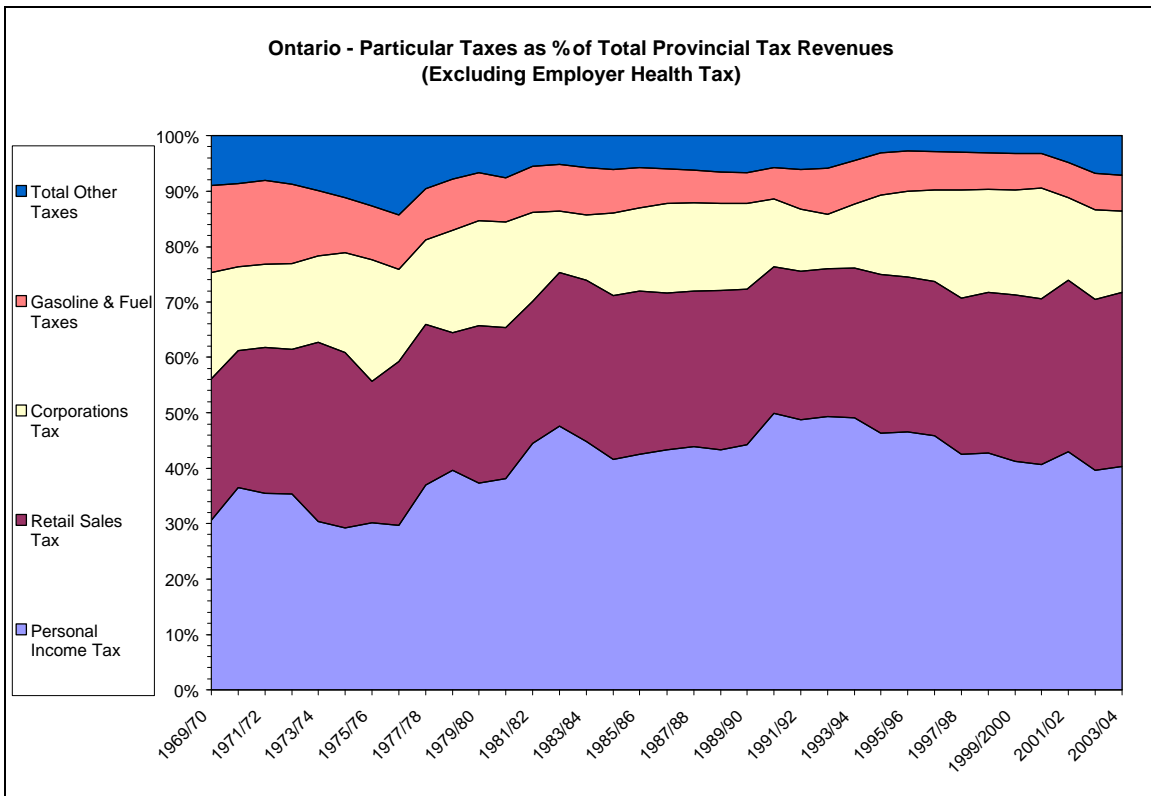
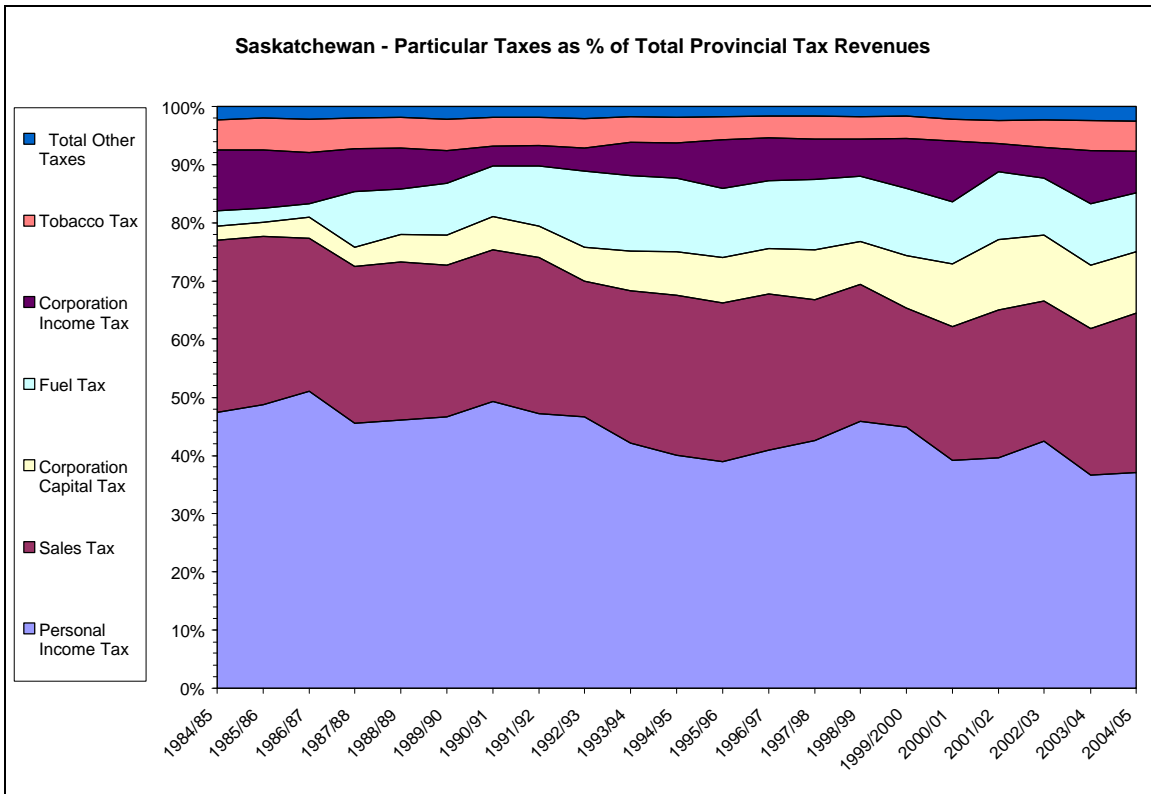


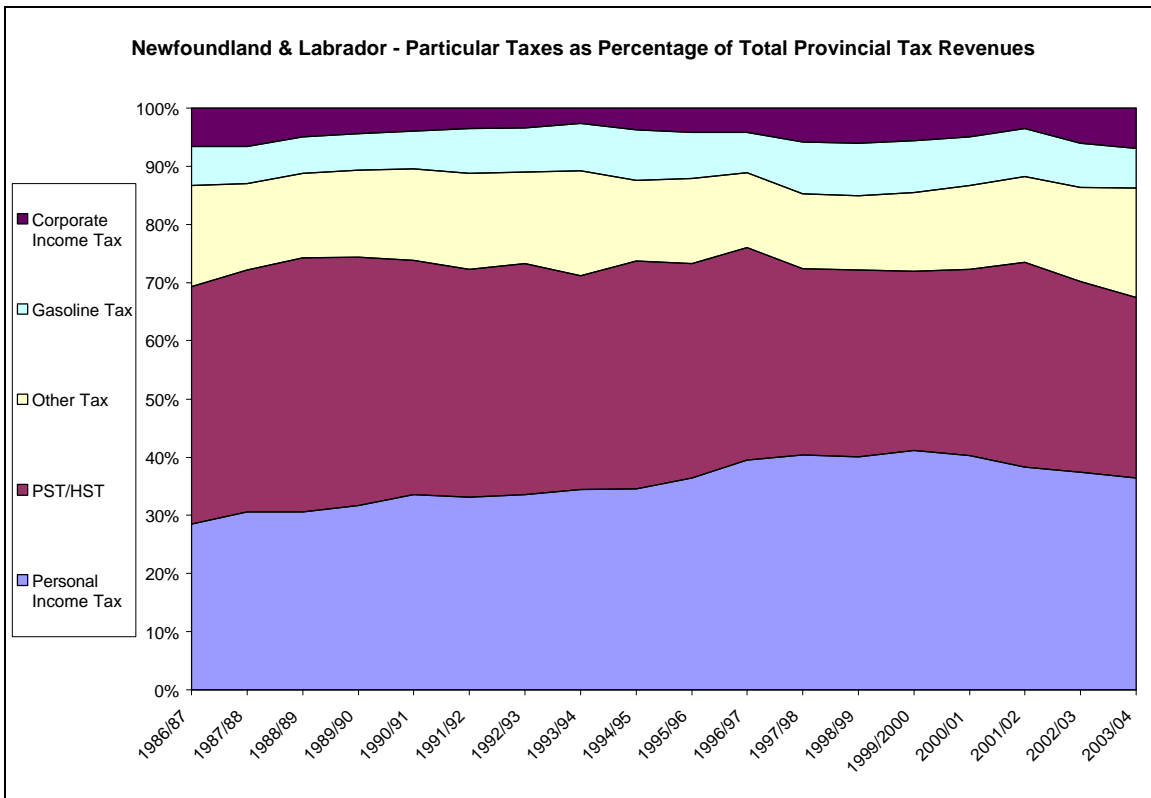
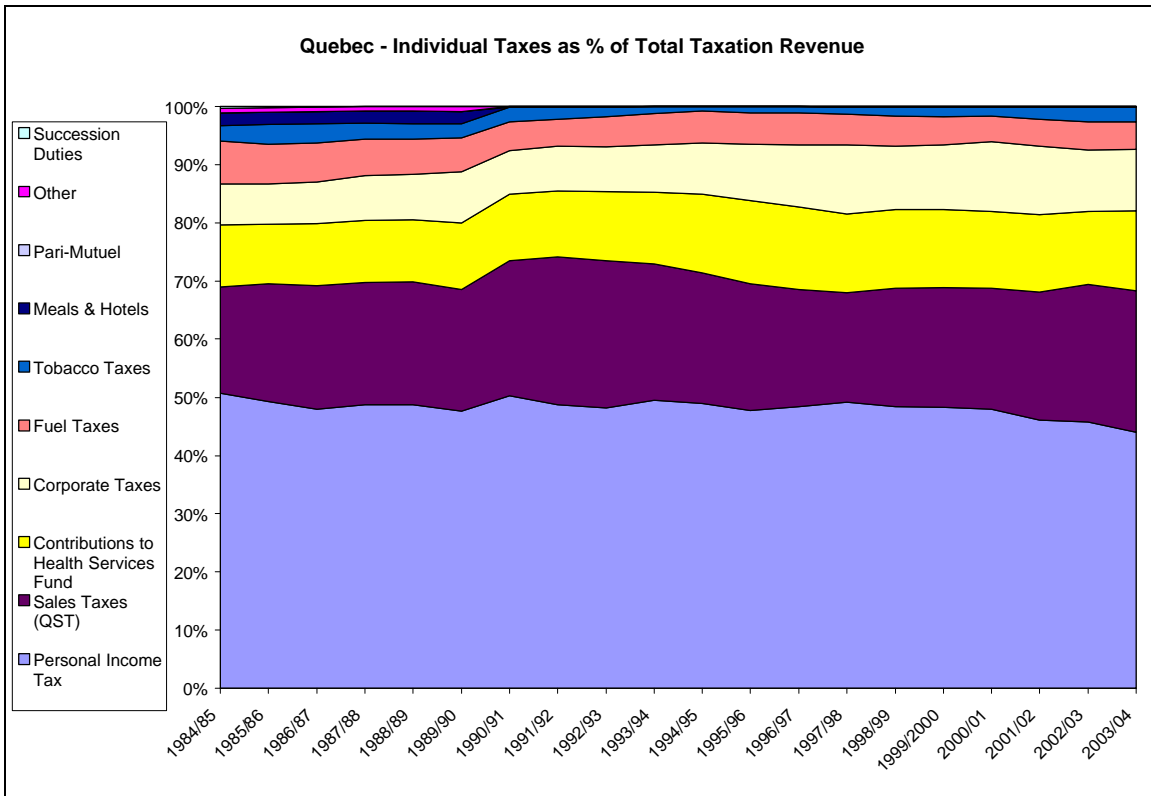


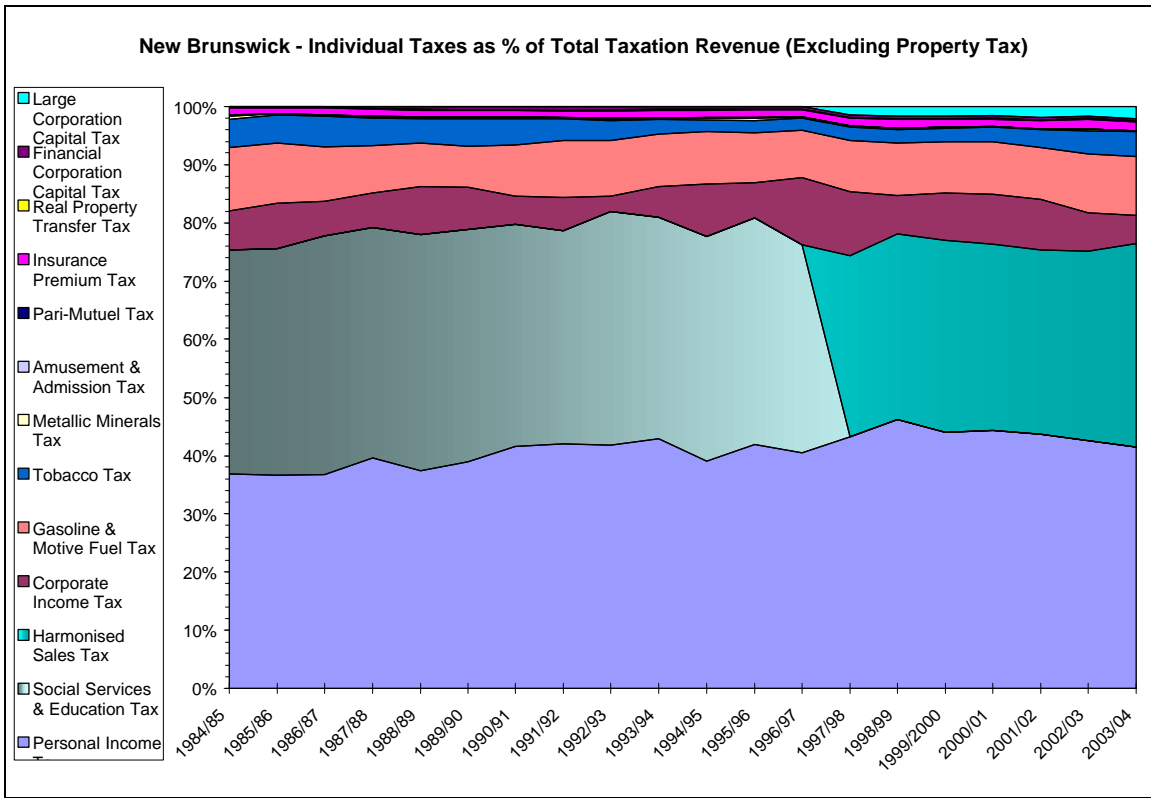


Individual Tax Revenues as Percentage of Total Federal & Provincial Tax Revenues









Percentage Change in Sales Tax Revenues Compared to Percentage Change In GDP

