



RESPONSE TO PETITION

Prepare in English and French marking 'Original Text' or 'Translation'

PETITION No.: **421-01332**

BY: **MR. ARNOLD (NORTH OKANAGAN-SHUSWAP)**

DATE: **MAY 15, 2017**

PRINT NAME OF SIGNATORY: **THE HONOURABLE GINETTE PETITPAS TAYLOR**

Response by the Minister of Finance

SIGNATURE

Minister or Parliamentary Secretary

SUBJECT

Tax system

ORIGINAL TEXT

REPLY

The Goods and Services Tax (GST) is a broad-based tax on consumption in Canada. Applying the GST to a broad base of goods and services keeps the tax more efficient, simpler and lower.

The GST is calculated on the final amount charged for a good or service. The general rule that was adopted at the inception of the GST is that this final amount includes other taxes, levies and charges that apply to the good or service and that may be embedded in the final price. This final amount includes customs duties, federal and provincial fuel and tobacco product taxes, as well as carbon taxes and other environmental levies. This final amount does not include general provincial sales taxes.

This longstanding approach to calculating the GST helps to maintain the broad-based nature of the tax and ensures that the tax is applied evenly across goods and services consumed in Canada. It also simplifies the vendor's calculation of the amount of tax payable, since the vendor is not required to back out other taxes, levies and charges at the point of sale in order to determine the amount of GST payable. This approach is likewise easy for consumers to understand and for the Canada Revenue Agency to administer.

Pricing carbon pollution is a central component of the Pan-Canadian Framework on Clean Growth and Climate Change that was announced by Canada's First Ministers in December 2016. The pan-Canadian approach to pricing carbon pollution will expand the application of carbon pricing, already in place in Canada's four largest provinces, to the rest of Canada by 2018.

Recognizing that each province and territory has unique circumstances, the pan-Canadian approach allows provinces and territories flexibility to choose between a direct price on carbon pollution and a cap-and-trade system. As part of the Pan-Canadian Framework, the Government of Canada will introduce a backstop carbon pollution pricing system that will apply in provinces and territories that do not have a carbon pricing system in place that meets the federal carbon pricing benchmark by 2018. The details of the proposed federal carbon pricing backstop are outlined in a technical paper which can be accessed at <https://www.canada.ca/en/services/environment/weather/climatechange/technical-paper-federal-carbon-pricing-backstop.html>. Comments on the technical paper are welcome up to June 30, 2017. As committed in the October 3, 2016 document Pan-Canadian Approach to Pricing Carbon Pollution, the federal system will return direct revenues from the carbon price to the jurisdiction of origin.