

Nego Bulletin

Public Finance: Other Choices are Possible! Part 2

This is the second in a series on alternatives to the Couillard government push for austerity. The *Coalition opposée à la tarification et à la privatisation des services publics* has proposed a series of measures that would generate \$10B in additional revenues and we urge you to consult the full document, *10\$ Milliards de Solutions*. (<http://nonauxhausses.org/outils/alternatives-fiscales-justes-et-equitables-pour-les-finances-publiques/>). We will be bringing a motion to the General Assembly on December 17 that will take a stand against Austerity.

Measure # 5: Vary consumption taxes according the goods purchased = \$745M

A uniform consumption tax--such as the 9.975% Quebec sales tax (QST), is regressive because it produces a tax burden that is proportionally larger for those with lower and middle incomes. On the other hand, a variable tax rate could equalize the proportional tax burden by distinguishing between essential goods and others.

There are a number of options. For example, the QST could cease to apply to essential things such as electricity, heating fuel, basic phone service, children's clothing, school material, and/or food. Instead, it could be raised on all other products. Another option would be to have the tax vary according to the nature of the product or service consumed: essential goods and services would be taxed at a lower rate than other products (for example, luxury goods).

Higher rates could also be applied according to social or ecological goals (this is often referred to as a bonus-malus tax). A number of governments, notably in Europe, already use this with dedicated taxes. For example, such a tax could be applied on luxury cars. The Centrale des Syndicats du Québec (CSQ) has proposed an increase from 1% to 5% of the dedicated tax on luxury vehicles. The bonus-malus tax could also be applied to vehicles with high carbon emissions.

Taxes to encourage certain behaviours already exist. In Belgium, for example, there is a picnic tax on all disposable products such as plastic plates and utensils. In Quebec, gas, alcohol and cigarettes are already subject to a dedicated tax. There could also be a tax on financial services. At present, some services offered by financial institutions are tax exempt from the QST.

The government could increase its revenues by \$745M with a variable sales tax on luxury goods, polluting products and some financial services.