Business

B.C. sales tax side by side with GST

Some business owners may be unaware of the fact that the province will charge its six-per-cent social services (i.e., sales) tax side by side with the seven-per-cent federal Goods and Services Tax — not on top of the GST, says Prince George South MLA Bruce Strachan.

"I've heard comments on the street that certain federal officials are not aware of B.C.'s position," Strachan said last week from Victoria.

"I've even been told by businessmen who have been at federal government seminars on the GST that they heard federal government representatives say, 'We don't know how the province is going to manage this issue or arrange their tax with ours.'

"I find that negligent in the extreme," Strachan said.

Strachan drew attention to Finance Minister Mel Couvelier's April 19 budget speech in which he promised that "when the GST is implemented, the provincial social service tax will not apply on top of the federal tax.

"The provincial tax will apply to prices excluding the federal tax," Couvelier said at the time.

"An item costing $1 after Jan. 1 will cost $1.13 — their seven, our six," Strachan confirmed.

Ron Fichtner, chartered accountant with Deloitte and Touche in Prince George, said the province's approach is a sensible one.

It's much simpler for merchants to arrange for cash registers to calculate combined sales taxes totalling 13 per cent precisely, instead of having them add six per cent on top of 107 per cent, Fichtner said.

On an item costing $100, B.C.'s approach of applying its sales tax side by side with the GST, instead of on top of the federal levy, means a saving of 42 cents, Fichtner said.

"It will cost $113 in B.C., whereas it would cost $113.42 if provincial sales tax were levied on top of the GST-included price," he said.

"Basically the province's approach saves you six per cent of the seven per cent."

Fichtner said he believed the misinformation or lack of information about the province's decision to apply its sales tax side by side with the GST is not coming from confused federal officials so much as from TV news stories on the GST emanating from central Canada.

Ontario and Quebec will apply their provincial sales taxes on top the GST, and national newscasters run stories assuming all provinces will be doing the same thing. That is how questions Strachan has been getting from business owners have arisen, Fichtner speculated.

Business notebook

Compiled by PAUL STRICKLAND and DAVE PAULSON

★ ★ ★

The Southam Newspaper Group has established the Southam News Network — its own satellite-based "wire" service.

The new network will link all 17 Southam daily newspaper newsrooms, as well as Southam News. It will allow newspapers in the group, which includes The Prince George Citizen, to process and use copy that originates with all Southam reporters and editors, according to a company release.

Southam will be the first Canadian newspaper publisher to operate such a system, and may in fact be the first in the world to do so.

"The introduction of this service comes at a time when Canadians are expressing a desire for increased regional dialogue, and when operating cuts at CBC have raised questions about the future of that dialogue," Southam News Group president Russell Mills said in the release.

"This service will be a valuable addition to Southam's ability to provide Canadian coverage. It will give all our dailies access to first-class Canadian features and life-styles copy, to replace some of the U.S. syndicated content being used."

Southam will continue to use the services of Canadian Press, said Jim Travers, editor and general manager of Southam News.

"The Southam News Network is not a replacement for CP, but an additional tool that will enable our editors to move any story from one Southam paper to others in seconds," Travers said. "We expect the new service will result in a considerable savings.

"It will also enable editors to improve the contents of their papers by being able to instantly draw on the best of all our newspapers. In the long run this should result in better papers and lower editorial costs."

Southam News will also provide electronic mail services for editorial and reporting staff. The central routing and computer facility will be located at Southam's Service Bureau in Hamilton.

Complete operations are expected to be launched in the second quarter of 1991.

★ ★ ★

A coalition of 53 business groups is preparing to fight tougher U.S. automobile fuel economy standards, fearful the proposal will gain momentum if war erupts in the Middle East, spokesmen said last week in Washington.

The Coalition for Vehicle Choice was founded by the auto industry, which this year led a successful fight against legislation to require that new car fleets average about 5.88 litres per 100 kilometres (40 miles per U.S. gallon) by the year 2001.

Sen. Richard Bryan, a Democrat from Nevada, who introduced the legislation, argued the measure would reduce U.S. reliance on Middle Eastern oil and reduce the air pollution that causes global warming. The bill died in the Senate but Bryan will reintroduce it early next year, according to an American Press story out of Washington, D.C.

The business group's message will be that proposals such as Bryan's would have a significant impact on Americans' lifestyles. Automakers say they cannot meet his requirements without reducing car weight so drastically that only the smallest vehicles can be sold, a contention Bryan and environmentalists deny.

★ ★ ★

Infomart will electronically distribute the full text of the Financial Post newspaper, Southam Inc. and the Financial Post Company announced recently.

The two companies have signed an exclusive distribution agreement.

Infomart Online will also make available, electronically, The Financial Post's Survey database consisting of The Survey of Industrials, The Survey of Mines and Energy Resources, and the Directory of Directors.

By early 1991 Infomart Online will offer the largest and most comprehensive electronic news service in Canada. Coverage through Infomart ONline currently includes all Southam's major daily newspapers, regional papers, business magazines, The Toronto Star and Maclean's Magazine.

The addition of The Financial Post's newspapers and databases will make access to Canadian news business information more convenient for on-line subscribers. The Financial Post will benefit from Infomart Online's regional sales and support offices, and Infomart Online support staff will be strengthened by the addition of the FP Online support staff.

"Southam's commitment and investment in electronic products and services has been significant," said Andrew Prozes, senior vice-president of Southam Business Information and Communications.

Financial checklist gets going over

Money

Mike Grenby

How did your first year of the '90s go? Did you accomplish all — or even some — of your objectives?

Let's run through a quick check-list of people's most common financial objectives, and some ideas on how to achieve them. Tick off the ones you have achieved; circle those that need more work. Then save this list to help set objectives for 1991 -call them New Year's Resolutions if you like.

REDUCE DEBT Cut up your credit cards; cut up one card a month if you can't bring yourself to do the job in a clean sweep. Close your line of credit. This will limit your spending to the money you actually have in your account.

Pay off the most expensive debt first. Then apply that payment to the next most expensive debt, and so on. When the debts are gone, redirect that monthly payment to your savingsinvestment program (although you might let yourself have perhaps 10-25 per cent of that former snowballed debt payment for spending — as a reward for having wiped away all that red ink).

MAXIMIZE YOUR RRSP The registered retirement savings plan is the one tax shelter most Canadians should use, and use to the maximum. Make your contribution now for the 1990 tax year; don't wait until the March 01 deadline.

Try to get a year ahead. Contribute early in 1991 for 1991, or at least put in your money on a monthly basis, from Jan. 01 through Dec. 01, 1991. Or start on March 01 and make your last monthly payment Feb. 01, 1992.

Are you married? Is your spouse likely to be in a lower tax bracket than you when the RRSP funds are withdrawn? Then make a contribution to a spousal RRSP. The contributor gets the tax deduction and the money eventually comes out in the hands of the lower-income spouse.

Note that you must decide how to withdraw your RRSP funds before the end of the year you turn 71, choosing one or more of the three options: take cash, buy an annuity (which is just like a pension) or buy a RRIF (with the registered retirement income fund, you canmust take more control over your funds).

PUT MONEY TO WORK While you work for a living, you will probably never become truly wealthy. That achievement is reserved for those who put their money to work for them.

The more you invest, the more time you devote to managing your investments and the more expertise you develop, the wealthier you can expect to become. The more risks you take, the greater your chance of making — and losing — money.

Consider the stock market, either through direct involvement or via mutual funds. Look at revenue property — even if it means only renting out part of your home. What about investing in a business? Unless you win the lottery, an investment program is the only way to riches.

DO ESTATE PLANNING That's a fancy term for having an up -to-date will, possibly a power of attorney, enough life insurance and a plan to keep income tax to a minimum at death.

Does your will say what should happen to your assets after you die? Is your executorexecutrix the best person to see that your wishes are carried out? If you have no will, are you prepared to have your assets distributed according to provincial law? Is there enough life insurance to pay off debts and replace a wage-earner's income — if somebody is dependent on that income?

Revenue Canada can still take a bite out of an estate, or force the sale of an asset to pay the income tax bill.

A final spousal RRSP, a lump sum death benefit, filing more than one tax return, the way assets are transferred to a surviving spouse — all can help keep down the tax bill.

STRIKE THE RIGHT BALANCE Your work, family, friends and life in general can make so many demands it's tough to cope with them all.

Every month — or perhaps even every week or day — write down your priorities. When it comes to your (family's) finances, aim for the best balance between spending and enjoying now vs. saving so you can spend and enjoy in the future — whether that future is a month or a year from now, or after your retirement.

If you have a partner or family, make sure the priority list and balance reflect everybody's wishes, or at least reflect a compromise.