

## IV. GST AND THE TAXATION OF FOOD

- (73) The Government has decided not to apply the GST to basic groceries. It is however taxing a wide range of food products, those that are consumed outside of the home and those that do not meet the definition of basic groceries.
- (74) The Committee has been informed by the Newfoundland Restaurant and Food Services Association that approximately 40% of the food dollar is spent in restaurants or take-out establishments. Statistics Canada gives such spending a weight of only 29% for purposes of calculating the Consumer Price Index. Adding to these proportions the amount of food expenditures in grocery stores on non-basic groceries will increase even further the percentage of food spending fully subject to the GST.
- (75) Drawing the line between basic groceries and other, taxable forms of food is bound to be arbitrary to some degree and can lead to tax inequities among competing products. To quote from the August 1989 technical paper of the Department of Finance, "No matter how the lines are drawn, the great variety of food products makes it virtually impossible to remove every possible anomaly."  
(p. 78)
- (76) The Committee heard evidence of just such effects. For example, the Bill originally provided for the taxation of all cookies. It was amended in the House of Commons to treat as basic groceries all cookies sold in packages of six or more. Chocolate bars are sold increasingly in family-sized packages which compete directly with chocolate covered baked goods: they have the same ingredients and appeal to the same market. Yet the tax