

system in place in 1991.

• Impact in 1996

(42) Table 2 looks at the impact of the GST on the same households in 1996. The calculations assume that inflation has been at least 3% p.a. in the interim. Indexation benefits are included in this calculation because the system will be mature in 1996. Even though Table 2 looks at the situation in 1996, all the figures are presented in constant 1991 dollars to facilitate comparison with 1991. Lower income families are still better off with the GST although their net gain has typically declined. It is also clear that the claim that the GST benefits families with incomes up to \$30,000 is no longer valid, even if all the savings due to the elimination of the FST are passed on to consumers. After 5 years the cutoff level for these gains has dropped and it is more accurate to say that the GST guarantees that households with incomes up to \$25,000 typically gain.

(43) If after 5 years, businesses have used the elimination of the FST to raise their markups and profits, it is possible that all households with incomes below \$30,000 will generally be worse off under the GST. The most favourable developments with respect to product pricing must occur for the GST to be beneficial to lower-income families.