

stated principles guiding the transition to the new tax regime.

- (71) The Committee also heard that no FST rebate is to be offered on inventories of alcohol, soft drinks and paper products held by restaurants while inventories of such products held by retailers will be eligible for the rebate. The Newfoundland Restaurant and Food Services Association stated that its members carry particularly large inventories over the holiday season and will be unfairly and adversely affected by this arbitrary decision. There is no obvious rationale for excluding restaurants from this rebate.
- (72) Finally, the FST inventory rebate applying to the housing sector contains a sunset clause not applicable to other industries. The normal cycle of housing sales over the year, combined with the deteriorating situation for new home sales can subject a large part of homebuilders' inventory to double taxation in the new year. This is a serious problem for the construction industry and will be discussed more fully in section VI below.