

- (38) Table 1 examines the impact of the GST on these two households in 1991. It shows the expected increase in sales taxes paid, the value of enhanced credits, the impact of tax and transfer indexation due to the effects of the GST and the price penalty that might be paid if not all of the FST savings are passed on to consumers in 1991.
- (39) The final two columns calculate the impact on households of the new tax. Column D assumes that all savings due to the elimination of the FST are passed on to consumers in the form of lower prices. It does not, however attribute an indexation benefit to households on the grounds that these benefits will not actually apply to 1991 taxes and transfers. Column E also ignores the indexation benefits for 1991 and assumes that only 70% of FST savings in 1991 are passed on to consumers.
- (40) The Department of Finance claims that families with incomes up to \$30,000 would benefit from the GST. This conclusion is based on the assumption that all savings from the elimination of the FST are passed on to consumers. If this does not occur, many lower-income households will actually be worse off under the GST. Even families with incomes of \$15,000 per year could lose under the GST.
- (41) The Department also includes indexation benefits in its determination of winners and losers. The distributional tables presented in the technical papers apply to a mature 1991 GST. But such a system will not exist in 1991. It is inappropriate to discuss the distributional impact of a system which will not actually be in place. Thus Table 1 presented in this Report does not include any indexation benefits since they will not exist for the