

is effectively no indexation benefit. In addition to these three items, one can consider the impact on households of a less than full pass through of FST savings.

(35) The following analysis looks at the distributional consequences of Stage II tax reform on a variety of household types to determine the adequacy of the enhanced refundable tax credits. Before looking at individual household types, however, it is instructive to see just how the enhanced credits work.

(36) In addition to increasing the maximum credit available for each member of the household, Bill C-62 raises the threshold, from \$18,000 to \$24,800, against which the credit reductions are determined. Household which benefit the most are those with incomes of just under \$25,000. Under the old system they typically received no credits. Under the new system they receive the full amount of enhanced credits. For example, a two parent two child family would receive \$70 under the old system. Under the GST system it would receive \$570. The bulk of this increase is attributable to the change in the income threshold rather than the increase in the maximum value of the credits themselves. A similar pattern holds with respect to single individuals, single parents, etc.

• Impact in 1991

(37) In the first year of operation, the GST will restructure relative prices and increase the overall price level by at least 1.25%. Households will also be eligible for an enhanced system of credits. The following examines the impact on two household types: single parent families and two parent, two child families.