primarily because of differing views as to the degree of FST savings passed on to consumers.

(32) Mr. Patrick Grady of Global Economics Ltd. viewed the matter from a different perspective. He testified that the GST would shift more tax from the corporate sector to the personal sector, and this would harm lower-income households disproportionately . To protect them, he suggested the following increases in maximum credits -- $60 per adult, $30 per child and $30 per working single.

(33) The federal government has claimed that households earning less than $30,000 will be better off with the GST. The question is whether the enhanced refundable tax credits offset the additional tax that lower and middle-income households face with the introduction of the GST? To answer this the Committee has examined the distributional consequences of the GST, using a variety of data sources including the published statistics of the Department of Finance and the Statistics Canada Social Policy Simulation Database and Model. This model is based on Revenue Canada's taxation statistics as well as Statistics Canada's surveys of consumer expenditures. The Statistics Canada input-output model is used to calculate effective sales tax rates on a variety of expenditure categories.

(34) When the Department of Finance presents its estimates of the changing tax burden of the GST versus the FST, three items determine the impact on lower income households: 1. the difference in gross tax paid; 2. the difference in refundable credits; and 3. the impact of indexation provisions on a variety of taxes and transfers. However, as Mr. Patrick Grady pointed out to the Committee, these indexation provisions operate with a lag. For 1991 there