

are tax free, unless of course they are covered in chocolate. Granola products are taxable, unless sold as a breakfast cereal, etc.

- (82) Such distinctions are annoying to consumers who do not understand the rules or rationale governing the application of the GST to food. They are costly to producers whose products might suffer a competitive penalty and they are costly to retailers who must administer the tax, especially when a provincial sales tax (PST) is also involved. Mr. Michel Decary of the Canadian Federation of Independent Business (CFIB) provided the Committee with an example of just such complexity. The GST will tax a drink if it contains less than 25% real fruit juice. The Quebec retail sales tax applies if the juice content is less than 12%. The retailer must decide if the drink is subject to no tax, to the GST only or to both taxes. While this particular example is no longer relevant with the decision by the Quebec government to integrate its PST with the GST, similar problems undoubtedly exist in other provinces with respect to a wide range of food products.

D. *de minimis* Rules

- (83) Unlike provincial sales taxes, the GST does not use a *de minimis* rule in its application: all purchases, no matter how small, are subject to tax. Allan Candy Ltd., a manufacturer of penny candies, recommended that confectionary with a retail value of less than \$0.25 should be free of tax since the nature of these products is such that prices are difficult to adjust in response to the tax and the administrative cost of imposing the tax outweighs tax receipts from these products.