

savings from the MST to be passed through to the consumer. While a number of companies provided that Committee with verbal assurances that they would pass along these savings, some firms indicated their intention to maintain the same absolute dollar markup on merchandise. Maintenance of the same dollar markup on a lower cost implies an increase in the percentage markup. In their report on the GST, the Consumer and Corporate Affairs Committee stated, "We believe that for the consumer to benefit fully from the elimination of the FST, business should not increase their percentage mark-ups after the GST has been implemented, given that operating costs have been reduced." (House of Commons, Consumer and Corporate Affairs and Government Operations, "Living with the GST", June 1990, P.10)

(11) An important consideration in whether firms are able promptly to pass along any savings from the elimination of the current Federal Sales Tax is that the sales tax embedded in inventories be removed. The Government has designed a rebate scheme to compensate firms for Federal Sales Tax paid on inventory purchased prior to the introduction of the GST on 1 January 1991.

(12) The rebate percentages are based on estimates by the Government of the average amount of tax paid by business on various categories of goods. The general rebate of 8.1% covers most types of inventories with the following rebates for particular goods: 11.1% for motor vehicles; 5.6% for building materials; 2.8% for mobile homes and modular building units; 2.5% for small grocery and convenience stores; 1.4% for propane; and a per litre amount for gasoline and diesel fuel to be made public in December.