

these products.

- (80) It is possible, however, that the costs of producing basic groceries could rise as a result of the GST. The P.E.I. Potato Board indicated that there are cash flow costs to farmers associated with the new tax because of the time lag between the payment of tax on inputs and the receipt of tax credits. There are no cash-flow benefits to suppliers of zero-rated products. There are also costs of compliance to farmers and fishermen. If these are widespread, then the cost of producing basic groceries will be increased and likely passed on to consumers. To reduce the possibility of such cost increases, the Western Canadian Wheat Growers Association recommended to the Committee that a wide range of purchases by farmers be zero rated at point of sale, a range which is much more extensive than the preliminary list drawn up by the Government. It is also instructive to note that the National Farmers Union presented the Committee with a list of products exempt from the FST under existing rules. That list is more comprehensive than the currently suggested list of products eligible for zero rating at point of sale.

C. Taxable and Tax-free Food

- (81) The Government has recently broadened the FST tax base by including certain snack foods. This principle has now been applied to the GST, creating two categories of food. Witnesses from the industry objected to the notion that there is good food (non-taxable) and bad, although tasty, food (taxable) even those the two might have essentially the same ingredients and nutritional value. Thus, according to the provisions of the Bill, salted nuts are taxable while unsalted nuts are not. Croissants