

treatment of the two differs in Bill C-62. This imposes an unfair competitive burden on manufacturers of chocolate bars.

(77) Soft drinks also compete with tax-free beverages such as mineral water, coffee and tea. Again these competing products are treated differently.

A. GST Status and Consumer Preference

(78) Part III of Schedule VI defines a basic grocery product. It does so essentially by listing products which are not basic groceries. In some cases a product can fall under either definition according to its packaging or the quantity in which it is purchased. For example yoghurt, when purchased in larger containers or packages of multiple single servings, is free of tax. The National Dairy Council of Canada informed the Committee that consumers prefer to purchase individual single servings of yoghurt so that several flavours can be bought. This preference for variety will subject consumers to the GST even though they are purchasing a product that the Government is willing to consider free of tax in other circumstances.

B. GST and the Price of Basic Groceries

(79) The Government has suggested that the price of basic foodstuffs should fall as a result of the GST. Food, although exempt from the FST, contains about 1% of tax embedded in prices as a consequence of the taxation of some business inputs. Under the GST, basic groceries are zero rated, meaning that no tax is charged on sales while input tax credits are available for all taxes paid on any inputs going into the production and distribution of