

Member Bulletin

Ontario Chamber lobbies for harmonized sales tax to help combat economic woes

With the release of a detailed report regarding the impacts of harmonizing the provincial sales tax in Ontario with the Goods and Services Tax, the Ontario Chamber of Commerce has combated its oft-cited drawbacks by showing that it will not only assist businesses but also consumers and governments.

Made in Ontario, The case for tax harmonization provides three possible options. The first is a simple harmonization of the PST with the GST. The remaining two provide possible exemptions that can be made, depending on the government's preferences. Each model allows for tax relief for low income earners.

Businesses, whether big or small, stand to benefit as a result of cheaper equipment and new plants, as well as lower administration costs. "Sales tax harmonization is a major step towards a simplified tax process, as it will reduce the administrative burden for businesses in collecting and remitting the proper amount of sales tax," says Doug Brooks, CGA, Chief Executive Officer, Certified General Accountants of Ontario.

Consumers will appreciate the higher standard of living, higher real wages, and general improvement to the economy that result from improved investment and GDP. And despite what many have argued, the report shows there will be no significant increase in prices. In fact the price of many goods will go down.

A harmonized sales tax (HST) in Ontario would bring greater benefit to the federal government in the short term, but with cooperation from Parliament Hill in the transition, initial shortfalls in provincial revenues can be compensated. In the long term, HST will be an overwhelming positive direction for Ontario as the increased investment in turn will produce increased tax revenue.

Sales tax reform remains one of the most available tools for Queen's Park to prepare for Ontario's economic recovery. Ontario's manufacturing sector in particular, but any companies relying on export markets or supplying our exporters, are in desperate need of a reduced cost of doing business.

"There may be little room right now for tax cuts, but as everyone knows, saving administration costs also improves your bottom line," explains Len Crispino, President & CEO of the Ontario Chamber of Commerce. "The Ontario Chamber network has been advocating for smart tax policies for many years. This report simply provides the roadmap to get us there and encourages for the federal and provincial governments to enter into serious discussions."

Click on this link to download OCC report ["Made in Canada, The Case for Sales Tax Harmonization."](#)

January 22, 2009

Chamber Takes Smart Tax Seriously

1991 The federal government replaces its broad-based manufacturers' sales tax ("FST") with the national value-added tax ("VAT"), the Goods and Services Tax ("GST").

1992 Quebec becomes the first province to convert its retail sales tax to a VAT that is virtually identical to the scope of the GST.

1997 The Atlantic provinces convert their retail sales tax ("RST") to a VAT.

1997 Canada remains one of only two OECD countries that still utilizes the retail sales tax system to tax consumption.

May 2004 Delegates at OCC Annual General Meeting approve a 'Long Term Tax Package Strategy' resolution that, in part, calls for the provincial government to conduct an immediate review of harmonizing the PST with the GST.

May 2007 Delegates at OCC AGM approve resolution calling for Government of Ontario to establish a task force to review VAT models from around the world, in order to determine how Ontario can best transition from its RST model to a VAT.

September 2007 The Ontario Chamber of Commerce establishes its own Sales Tax Task Force.

December 2007 Centre for Spatial Economics commissioned by OCC to determine the effects of harmonizing the PST with the GST. Several scenarios were used to illustrate various models of VAT in Ontario.

January 22, 2009 OCC releases report *Made in Canada, The Case for Sales Tax Harmonization*.