

WINDSOR-ESSEX REGIONAL Chamber of Commerce

CHAMBER'S POSITION ON THE PROPOSED ELIMINATION OF THE GST VISITORS' REBATE PROGRAM

October 10, 2006

Issue:

On September 25, 2006, the Government of Canada announced the elimination of the GST Visitors' Rebate Program effective April 1, 2007 as part of a package of spending restraint measures. The elimination of this rebate could have significant local and national impacts on the Tourism sector.

Chamber's Position:

The Windsor-Essex Regional Chamber of Commerce supports our Tourism and Hospitality sector in opposing the elimination of the GST Visitor's Rebate Program proposed by the federal government. The Chamber believes that this measure would harm the competitiveness of our region and it would send a wrong message to our potential visitors. The Chamber urges the federal government to further evaluate the economic impact of the program to our Tourism and Hospitality industry, as well as its long-term value as an investment in our Tourism Sector.

Background:

The Government of Canada proposed amendments to the Excise Tax Act that would eliminate the goods and services tax (GST) Visitor Rebate Program effective April 1, 2007. The Visitor Rebate Program provides GST relief in respect of goods exported from Canada by non-residents, short-term accommodation and certain tour packages for non-residents, and certain property and services used in the course of conventions held in Canada.

On September 25, 2006 the Government proposed to eliminate the GST Visitor Rebate Program as part of a package of specific spending restraint measures worth \$1 billion in savings. The GST Visitor's Rebate accounts for \$78.8 million of these savings.

The proposed amendments would eliminate the GST rebate enjoyed by visitors to Canada that purchased goods in value of at least \$50 CDN per receipt and at least \$200 CDN in total. The rebate is also available to non-resident convention visitors and exhibitors in Canada. All of the rebates would end on March 31, 2007. The government has, however, allowed for GST Visitors' Rebate for contracts or bookings that were secured before the deadline of March 31, 2007. (See the proposed amendments in the Additional Information section below)

The Government Rationale:

The Finance Department officials stated that less than three per cent of 35 million foreign visitors actually applied for the GST rebate under the program. The estimated savings over the next two fiscal years amount to **\$75 million** in rebates and **\$3.8 million** in administrative costs.

Tourism officials say that these figures do not include the value of convention business that is exempt from charging the GST on registrations to meetings that qualify as foreign conventions in Canada. Foreign participants of Canadian conventions are also exempt from paying the GST.

The Windsor-Essex Regional Chamber of Commerce is the Voice of Business in Windsor and Essex County representing over 1400 business members who collectively employ more than 80,000 people. Our membership profile represents a cross-section of the business interest in our community including over one hundred members from the hospitality sector.

Chamber's Analysis:

While the Windsor-Essex Regional Chamber of Commerce is supportive of government measures to reduce the national debt, it is obvious that the decisions to cut costs in this case has led to adverse effect on the tourism sector and convention related businesses.

The GST Visitor's Rebate contributes significantly to the attractiveness of Windsor & Essex County as a visiting destination for non-residents. It sends a positive message to visitors that they are eligible for additional savings at the border. Eliminating the rebate would send a wrong message to our potential visitors.

Tourism in Windsor and Essex County is also threatened by deficient Border infrastructure, the tightening U.S. document and inspection regulations, the high Canadian Dollar, a Provincial Smoking law that places our border communities at an unfair disadvantage compared to our major competitors in Michigan.

The Auto Industry in Windsor and Essex County is experiencing structural changes that will eliminate thousands of jobs in our region due to downsizing of the North American based manufacturing companies.

The proposed elimination of the GST Visitor's Rebate at a time when no significant marketing effort is made to lure more visitors to our region and Canada will exacerbate the ill effects of these factors on our economy.

Michigan Tourism to Canada amounts to 1,722,600 visitors and spending is estimated at \$474 million. Windsor receives 4.3 million visitors from the US with an economic impact of over \$362 million.