

WINDSOR-ESSEX REGIONAL Chamber of Commerce

SALES TAX HARMONIZATION IN ONTARIO

Background:

The Committee had an opportunity to review the Harmonization Paper from the Ontario Chamber of Commerce and the Manager of Policy received the feedback from individual members.

The Committee characterized the Ontario Chamber of Commerce study as complex. The study does not clearly demonstrate how potential costs to businesses in certain industries (Such as the homebuilders) could be overcome.

Furthermore, the premise of the report is that there will be significant macroeconomic benefits that will lead to higher wages and benefits and increased government revenue.

The assumptions in the report are based on economic data indicators that are outdated in the light of the recent economic decline.

From the Ontario Chamber of Commerce:

“The economic theory and reports cited by the Ontario Chamber of Commerce indicate that shifting that shifting tax burden from investment to consumption is sound public policy. Making greater use of consumption taxes (PST, GST, excises and user fees) have the least detrimental effect on economic activity. Broadening the tax base, streamlining the current sales tax system and upgrading it to a value added tax landscape could further contribute to the new look of Ontario’s tax mix.

The Harmonized Sales Tax (HST) that has been adopted by a number of other Canadian jurisdictions represents a major cost savings since it refunds to business the sales tax paid on inputs. As such, the HST should minimize distortions in investment decisions. A single harmonized sales tax system would be more economically efficient, thereby reducing the provincial government’s administrative costs and businesses’ compliance burden.

Businesses would face one set of sales tax forms, one set of operating rules, and one tax administration. Harmonizing the GST and PST will lead to greater 17 efficiencies, tax savings and may lead to an increase in revenue for the government, should the tax base be broadened.”

The Finance & Taxation Committee has made a number of recommendations with a view that the Harmonized Sales Tax that was announced with the 2009-2010 Provincial Budget has to be better developed and implementation details have to be known in full before a strong praise or concern can be provided by the Chamber. Currently, the view of the Committee is that this tax change will hurt businesses if implemented in a recession and with many of the issues surrounding its implementation not known to the business community.

Recommendations:

Based on the review of the paper and the issue the Committee made the following recommendation:

- The Chamber should send a letter to the elected officials on the Federal and Provincial level supporting the concept of harmonization of sales taxes in Ontario. More analysis of harmonization models is needed.
- The Chamber supports a harmonization model that would result in positive economic results such as lower costs for businesses associated with remitting sales taxes, higher business efficiency, increased economic activity and administrative savings by the government.
- The Chamber is in support of industries that would be negatively affected by any change in the sales tax system. For this reason the Chamber supports further studies and cost benefit analysis of various sales tax harmonization models to determine what makes sense for Ontario businesses.
- The support of the harmonization project should be conditional upon clear understanding of the benefits and costs of the change.