

## THE IMPORTANCE OF TOURISM TO THE CANADIAN ECONOMY

### Opening Statement

Tourism is an integral part of any economy. Canadians are losing out on billions in tourist dollars because of the repealed GST/HST rebate program. The Retail Council of Canada (RCC) showed the visitor rebate could have brought in \$993 million in Gross Domestic Product to Toronto and \$5.96 billion to Canada over the span of 10 years.<sup>1</sup> Due to the impacts to the tourism industry as a result of COVID-19, a tool that could be used to help revitalize this industry is through: streamlined visitor rebate program allowing visitors to be exempt from a sales tax on purchases above a certain threshold as long as they present their passport, Nexus, or Driver's License at point of purchase; and, eliminate the GST for tourism related hotel stays and restaurant visits.

### Background

In 2018, Canadian tourism achieved over \$100 billion in tourism revenues. Visitors allocated 39% on transport expenditures (22% on air transport alone), 14% on accommodation, 16% on food and beverage services and 5% each on recreation and entertainment, as well as travel services.<sup>2</sup> In 2018, the delivery of services to support tourism activities in Canada employed an average of 739,100 jobs throughout the year. The largest sources of service demand were in the food and beverage industry (235,300 jobs, 32% share of

jobs), followed by accommodation (149,400 jobs, 20% share) and transportation (85,500 jobs, 12% share).<sup>3</sup>

A GST/HST rebate is no longer available to non-residents for the Canadian accommodation portion of eligible tour packages under the Foreign Convention and Tour Incentive Program (FCTIP) if the tour packages or accommodations are supplied after March 22, 2017.<sup>4</sup>

Non-Canadians are missing out on substantial savings that would make Canada more attractive to visit. The 2019 Federal Budget proposes \$58.2 million over two years for regional development agencies to develop new tourism experiences. This funding, which will fall under the banner of "the Canadian Experience Fund", could be reduced by re-introducing the GST/HST Rebate Program because cheaper prices for tourists will attract more tourists meaning more consumer dollars are spent and, therefore, government subsidies could be reduced and used on other programs.

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1 Wilson, Greg. "Greg Wilson: Ottawa Should Reintroduce a Modernized Visitor Sales Tax Rebate Program." 23 Jan. 2019, [vancouversun.com/opinion/op-ed/greg-wilson-ottawa-should-reintroduce-a-modernized-visitor-sales-tax-rebate-program](https://vancouversun.com/opinion/op-ed/greg-wilson-ottawa-should-reintroduce-a-modernized-visitor-sales-tax-rebate-program).

2 Canada, "Foreign Convention and Tour Incentive Program - Rebate for Eligible Tour Packages and Accommodation Supplied as Part of Eligible Tour Packages." Canada Revenue Agency, 2019. <https://bit.ly/2YBmk5X>.

3 Canada, "Foreign Convention and Tour Incentive Program - Rebate for Eligible Tour Packages and Accommodation Supplied as Part of Eligible Tour Packages." Canada Revenue Agency, 2019. <https://bit.ly/2YBmk5X>.

4 Canada, "Foreign Convention and Tour Incentive Program - Rebate for Eligible Tour Packages and Accommodation Supplied as Part of Eligible Tour Packages." Canada Revenue Agency, 2019. <https://bit.ly/2YBmk5X>.

## Explanation

Since instating the new, on-site visitor sales tax exemption, Japan's tourism exports have more than doubled in just four years.<sup>5</sup> While almost all OECD countries have enjoyed an increase in tourism exports over the last decade, Canada ranks 32 out of 36 for growth, while Japan ranks third.

Value added taxes (VAT) and goods and services taxes (GST) remain the principal form of taxing consumption in 33 of the 34 OECD member countries and account for two thirds of consumption tax revenues, with the remaining third made up of specific consumption taxes such as excise duties. As part of a survey on tourism taxation, countries were asked to identify whether reduced rates for primarily tourism-related activities (hotels, restaurants, transport, admission to attractions, etc.) had been introduced when a general tax on consumption was in place.<sup>6</sup> The results are visible in table 1, which shows that 26 countries have reduced rates in place for hotels and other forms of accommodation ("hotels"). In addition to reduced rates of VAT on hotels and restaurants, several countries indicated that the same reduced rates were also applicable for other selected tourism-related activities. The two primary sub-categories were passenger transport services (Austria, the Czech Republic, France, Greece and Poland), and entry to theatres, museums and other designated forms of attractions (Austria, the Czech Republic, France, and Greece).

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5 OECD, "Taxation and tourism", in *OECD Tourism Trends and Policies 2014*, OECD Publishing, Paris, <https://doi.org/10.1787/tour-2014-6-en>.

6 OECD, "Taxation and tourism", in *OECD Tourism Trends and Policies 2014*, OECD Publishing, Paris, <https://doi.org/10.1787/tour-2014-6-en>.

**Table 1 OECD Rates for Tourism-Related Activities**

Percentage

	2009 (as of 1 January)			2013 (as of 1 January)		
	Standard rate	Reduced rate for tourism-related activities		Standard rate	Reduced rate for tourism-related activities	
		Hotels	Restaurants		Hotels	Restaurants
Australia <sup>1</sup>	10	..	..	10	..	..
Austria	20	10	10	20	10	10
Belgium	21	6	12	21	6	12
Canada	5	..	..	5	..	..
Chile	19	..	..	19	..	..
Croatia	22	..	..	25	10	10
Czech Republic	19	9	..	21	15	..
Denmark	25	..	..	25	..	..
Egypt <sup>2</sup>	10	..	..	10	..	..
Estonia	18	9	..	20	9	..
Finland	22	8	..	24	10	14
France	19.6	5.5	5.5	19.6	7	7
Germany	19	..	..	19	7	..
Greece	19	9	9	23	6.5	13 <sup>3</sup>
Hungary	20	..	..	27	18	..
Iceland	25.5	7	7	25.5	7	7
Ireland	21.5	13.5	13.5	23	9	9
Israel	15.5	0	..	18	0	..
Italy	20	10	10	21	10	10
Japan <sup>4</sup>	5	..	..	5	..	..
Korea	10	..	..	10	..	..
Latvia	21	10	..	21	12	..
Lithuania	19	..	..	21	..	..
Luxembourg	15	3	3	15	3	3
Mexico	15	0	..	16	0	..
Netherlands	19	6	6	21	6	6
New Zealand <sup>1</sup>	12.5	..	..	15	..	..
Norway	25	8	..	25	8	15
Poland	22	7	7	23	8	8
Portugal	20	5	12	23	6	..
Romania	19	9	..	24	9	..
Slovak Republic	19	..	..	20	..	..
Slovenia	20	8.5	8.5	22	9.5	9.5
South Africa	14	..	..	14	..	..
Spain	16	7	7	21	10	10
Sweden	25	12	..	25	12	12
Switzerland	7.6	3.6	..	8	3.8	..
Turkey	18	..	..	18	..	..
United Kingdom	15	..	..	20	..	..

1. Goods and services tax.

2. Sales tax.

3. Pilot reduced rate for restaurants from 1/8/13 to 31/12/13.

4. Japanese Consumption Tax Sources.

Source: Adapted from country survey responses, OECD (2012) and European Commission (2013b).

## THE CHAMBER RECOMMENDS

That the Federal Government:

1. Introduce a streamlined visitor rebate program allowing visitors to be exempt from a sales tax on purchases above a certain threshold as long as they present their passport, Nexus, or Driver's License at point of purchase; and
2. Eliminate the GST for tourism-related hotel stays and restaurant visits;
  - a. To be eligible, hotels and restaurants must be registered, hold an up-to-date business license, and conform with Ministry of Tourism regulations, including the requirement that at least 10% of its guests are tourists.

**Submitted by the Surrey Board of Trade**