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 Canadians are losing out on billions in tourist dollars because of the repealed GST/HST rebate program.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.\(^1\) 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.\(^2\) 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).\(^3\)

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.\(^4\)

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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Explanation

Since instating the new, on-site visitor sales tax exemption, Japan’s tourism exports have more than doubled in just four years.\(^5\) 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.\(^6\) 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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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