



February 26, 2009

The Hon. Dwight Duncan
Minister of Finance
Frost Bldg South, 7th Floor
7 Queen's Park Crescent
Toronto, Ontario M7A 1Y7

The Hon. James Flaherty
Minister of Finance
House of Commons
Centre Block Building
Room 435-S
Ottawa, Ontario K1A 0A6

Dear Ministers:

The Greater Sudbury Chamber of Commerce believes that the time is long overdue for Ontario to harmonize its Retail Sales Tax with the federal Goods and Services Tax.

We believe the status quo can no longer be an option, and as such would like to add our voice to the growing chorus that supports sales tax harmonization in Ontario.

As we have seen in recent months, the world is changing dramatically. Governments from around the world are approving budgets that contain massive spending in order to provide stimulus to their respective economies. The stock market has weakened, jobs are being lost, and economies – including Ontario's – are transforming. In this global economy, Ontario needs to redefine itself and implement smart policies that serve to ensure our competitiveness, create wealth and encourage investment. Sales tax harmonization is one of a few policy options at your disposal that will create almost immediate stimulus to the economy, improve productivity, increase GDP and raise the standard of living.

Our retail sales tax system in Ontario is archaic. It is cumbersome, inefficient, confusing, and adds enormous costs to business – costs that are ultimately borne by the consumer. Canada is the only country among 30 OECD nations that administers both a value added tax at the federal level, and a retail sales tax at the provincial level. As you are aware, business purchases of goods and services used in the production process are subject to sales taxes. These taxes become a part of the cost of production and are, ultimately, passed on in the sale price of the business' goods or services. The purchaser of these goods and services is not, however, aware of the amount of sales tax hidden in the cost of their purchase – much of it derived from Retail Sales Tax inputs. The amount of sales tax hidden in the cost of a good or service varies by industry and by type of tax.

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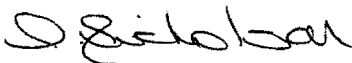
In fact, if the RST were eliminated and harmonized with the GST, not only would the hidden taxes as described above be largely removed, Ontario's businesses would save (conservatively) more than \$100 million annually in administration costs alone. It's also been estimated that harmonization will result in a reduction in the amount of tax paid on investments by about 30 per cent. This would lead to more foreign direct investment in Ontario, leading to more jobs and more government revenues.

It is incumbent upon our governments to ensure their policies make Canada and the provinces stronger and more competitive. We understand that harmonization is a difficult issue to understand, let alone communicate to the taxpayers of Ontario. Indeed, we understand and appreciate the politics surrounding sales tax harmonization. But such issues are not insurmountable, and our organization will assist your governments in developing and communicating the benefits of harmonization.

We have been encouraged by recent statements that indicate a willingness of your governments to discuss sales tax harmonization. We understand that you, Minister Flaherty, had expressed a desire to work with provinces to ensure harmonization is achieved. Similarly, Premier McGuinty has said Ontario will give serious consideration to its merits. We believe the time has never been better to modernize Ontario's tax regime, and we urge your ministries to work together in as timely a manner as possible to find the best model for Ontario so that harmonization is achieved.

Thank you for your time and consideration on this important issue.

Yours sincerely,



Debbi M Nicholson
PRESIDENT & CEO

cc: Honourable Rick Bartolucci, MPP Sudbury
France Gelin, MPP Nickel Belt
Glenn Thibeault, MP Sudbury
Claude Gravelle, MP Nickel Belt
Len Crispino, President & CEO
Ontario Chamber of Commerce

Advocacy



Department of Finance Canada
Ministère des Finances Canada

Ottawa, Canada
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Ms. Debbi M. Nicholson
President & CEO
Greater Sudbury Chamber of Commerce
1-40 Elm Street
Sudbury, ON P3C 1S8

Dear Ms. Nicholson:

We acknowledge receipt of your correspondence of February 26, 2009, to the Minister of Finance, the Honourable James M. Flaherty.

Please be assured that your comments will be brought to the Minister's attention as soon as possible.

Departmental Correspondence Unit

Canada



March 10, 2009

Mr. Paul Corsi, President
Sudbury & District Home Builders' Association
359 Riverside Drive, Suite 201
Sudbury, ON P3E 1H5

Dear Mr. Corsi

The issue of sales tax harmonization has produced a lot of debate since the release of a report on the topic by the Ontario Chamber of Commerce (OCC) in January. For the first time, the provincial government is seriously considering harmonization and many people – including your organization – are anxious about the potential effects it may have on them.

The truth of the matter is that sales tax harmonization is a very complex issue and often, in an attempt to boil it down, information is lost or distorted.

First of all, sales tax harmonization is more than just adding the PST and GST together. It would change the current provincial sales tax into a tax similar to the federal GST. This would have an important role in improving the economic competitiveness of the province.

Secondly, sales tax harmonization can take many forms and the OCC report provides three possible options. The provincial government will decide which model – if any - is best for Ontario. The report's illustrations show that the government has flexibility to exempt some products or services from the provincial portion of the merged tax just like they do now with the PST. In fact, the report includes new housing construction as a potential candidate for exemption.

Should harmonization be adopted, the OCC is adamant that both the federal and provincial government work together to develop a fair and reasonable solution to reduce the impact on new home construction and new home buyers. This could be addressed by increasing the tax credit for low income families who want to buy a new home and by raising the federal GST rebate on homes to \$450,000 from \$350,000.

The report further shows that consumers will be better off since higher wages and a higher standard of living will occur under harmonization. It will reduce the time required for businesses that are burdened with paperwork and ultimately save them time and money – money that can be used to reinvest, hire more workers or to reduce the price of their product or service.

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Businesses will also benefit from reduced taxes on the materials and equipment used to produce their products. Most businesses can currently claim the GST they pay on inputs and capital purchases. With harmonization, they'll be able to claim the cost of the provincial portion of the tax as well.

Ultimately, the OCC considers sales tax harmonization a long term solution. It will likely take years of negotiation between the provincial and federal governments to finalize the details and while the OCC is not the first organization to call for sales tax harmonization, their report is certainly the most comprehensive examination of how it would impact our province.

As you know, our chamber represents businesses of every size in every sector of the city and we owe it to all of them to work to build Greater Sudbury into a community where individuals can obtain good jobs where investment is encouraged and where business owners can be successful.

I hope this letter has helped to allay your concerns. We acknowledge the housing and renovation sectors are integral to the health of our community and would not like to see them negatively impacted. However, at the same time we acknowledge the significant benefits a harmonized tax could afford our province. We don't believe the two have to be mutually exclusive.

Yours truly,



Debbi Nicholson
PRESIDENT & CEO