



MEDIA RELEASE

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BUSINESS UNITES IN ALLIANCE FOR SALES TAX REFORM

TORONTO – A non-partisan coalition of leaders from the business community has formed to demonstrate the broad-based support for sales tax reform in Ontario.

The *Smart Taxation Alliance* includes the Ontario Chamber of Commerce, AGS Automotive Systems, Canadian Chamber of Commerce, Canadian Council of Chief Executives, Canadian Manufacturer's & Exporters Ontario, Certified General Accountants of Ontario, Ontario Road Builders Association, Ontario Trucking Association, Retail Council of Canada, TD Bank Financial Group, and the Toronto Board of Trade.

The coalition endorses the planned harmonization of the provincial sales tax with the federal GST as the most important measure available to stimulate economic recovery, noting that British Columbia's Finance Minister described the move to a harmonized tax as a way *not to lose competitiveness* with Ontario in the attraction of jobs during the critical time of economic recovery.

A report published by TD Economics notes that the implementation of HST in Ontario will reduce business costs in the billions, which in turn, will be passed on to consumers in the form of lower prices. It also points out that concerns of a large overall increase in consumer prices is overblown, and that it will not have an enduring effect on the inflation rate. Ultimately the report concludes the tax reform will serve the long term interests for Ontario.

Positive impacts of a single sales tax, when combined with other announced tax reforms will include:

- Cutting the marginal effective tax rate on new investment in half;
- Encouraging business investment in Ontario and the creation of jobs;
- Cutting in half the red tape suffered by businesses in Ontario in the collection, remittance and auditing of sales taxes, for an estimated annual savings of \$500 million;

- Removing layers of embedded taxes in goods and services throughout Ontario valued at roughly \$5 billion;
- Leveling the playing field with all goods and services in the economy so that all sectors contribute equally to revenue generation in the province; and,
- Increasing competitiveness of Ontario business.

“The tax rate on business investment in Ontario has put us at a disadvantage next to our peer jurisdictions in the US and Canada, and it must urgently be addressed. If we are expected to be a magnet for investment and innovation in this province, we must move ahead with the tax reforms, most importantly, sales tax harmonization.”

Len Crispino, President & CEO of the Ontario Chamber of Commerce

“Modernizing Ontario’s PST by transforming it into a Value-Added Tax is a right step towards enhancing the international competitiveness of manufacturers. Removal of the non-recoverable PST on many essential business inputs such as returnable containers, packaging materials, computer hardware & software, office equipment & furniture, telecommunications etc. will reduce the cost of manufacturing and eliminate the sales tax burden on exports. More than 150 countries that Ontario competes against have a Value-Added Tax system, including China, Mexico and India. HST levels the playing field. Dealing with one set of rules, one administration, one audit significantly reduces administrative burden and red-tape. Disputes regarding what is covered by the manufacturer’s exemption or what is being purchased for resale become non-issues.”

Winston Woo, Director, Taxation & Pensions, AGS Automotive Systems

“Any tax reform initiative must be managed carefully, but the bottom line is that sales tax harmonization will strengthen Ontario's competitiveness, attract new investment and improve job opportunities for workers throughout the province.”

Thomas d'Aquino, Chief Executive and President, Canadian Council of Chief Executives

“Harmonized sales tax has been a long standing priority for CME and we are pleased to see the government taking action that will drive investment and benefit the Ontario economy. HST will make Ontario manufacturers and exporters more competitive by lowering the effective tax rate and improving the efficiency of the tax system”

Ian Howcroft, Vice President, CME Ontario

“Two different sales taxes with different tax bases and reporting periods are cumbersome and an administrative burden on Ontario businesses. A harmonized sales tax will ease that burden and reduce costs for business, thereby making Ontario's economy more competitive.”

Doug Brooks, FCGA, CEO, Certified General Accountants of Ontario

"Harmonization will significantly reduce the tax administrative burden for contractors. It will help to level the playing field by reducing the complexity of tax compliance and creating greater consistency of enforcement. The HST will encourage investment by reducing the after-tax cost of purchasing most types of construction equipment and many products and materials."

Tom O'Callaghan, President, Ontario Road Builders' Association

"The move to a harmonized sales tax "will bring Ontario into the 21st century" in terms of business input taxation and into conformity with tax norms in most of the world's industrialised countries. Sales tax reform has been a key recommendation of virtually every OTA pre-budget submission of the past decade. For far too long the Ontario trucking industry and other business sectors have been living with a business input tax system that is archaic, regressive, uncompetitive compared to most other provinces and US states and administratively burdensome. Ontario trucking companies currently administer three different sales tax systems -- the PST, the Ontario Multi-Jurisdictional Vehicle Tax and the federal GST. All of this combines to create a drag on investment in new equipment and technology."

David Bradley, President, Ontario Trucking Association

"RCC believes that tax harmonization will decrease the administrative burden on retailers, allowing them to be more competitive. It is crucial for retailers that they continue to have the freedom to show the tax at the point of sale. This will allow Ontario retailers to remain price-competitive with their counterparts in neighbouring jurisdictions."

Gary Rygus, Director, Retail Council of Canada

"The Toronto Board of Trade has long advocated for this reform, which will substantially lower the cost of doing business and put the province on a path towards increased competitiveness and productivity and will generate more high-value added jobs."

Carol Wilding, President & CEO of the Toronto Board of Trade

The *Smart Taxation Alliance* will continue to promote the positive benefits of sales tax harmonization and help to dispel some of the myths and misunderstandings surrounding tax reform.

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For more information please contact:

Amy Terrill, Ontario Chamber of Commerce , amyterrill@occ.on.ca; C: (416) 605-8205