

December 1<sup>st</sup>, 2009

Hon. Jack Layton, M.P.  
Leader of the New Democrat Party  
House of Commons  
Ottawa, Ontario  
K1A 0A6

Dear Mr. Layton:

On behalf of Ontario businesses faced with a challenging economic climate and who employ individuals across Canada's largest province, the Ontario Chamber of Commerce requests your support of a single sales tax in Ontario.

The Ontario Chamber of Commerce (OCC) is a federation of 160 local chambers of commerce and boards of trade in the Province of Ontario, representing some 60,000 businesses of all sizes, in all economic sectors and from every area of the province. The OCC's mandate is to advocate strong policies that promote economic renewal and business competitiveness.

Prior to the current economic downturn, Ontario's economy long exhibited a significant competitive disadvantage relative to competing jurisdictions. In fact, under the status quo, the province's prosperity gap - which currently translates into \$10,200 in after-tax disposable income from each Ontario household - will continue to grow.<sup>1</sup> More than ever, the current economic climate and the cost of the status quo highlight the need for smart tax policies, which includes harmonization of sales taxes in Ontario.

As you know, Ontario is still subjected to the older and archaic retail sales tax system. As a result, when combined with other non-harmonized provinces, Canada is in a unique competitive disadvantage as one of only two jurisdictions within the Organization for Economic Development and Cooperation (OECD) that still utilizes the retail sales tax system to tax consumption—the other OECD member being the United States.

Value-added taxes, such as the GST, and retail sales taxes (RST) are both designed to tax consumption. However, operating both systems within the same jurisdiction is inefficient for business and is an impediment to economic growth and provincial and

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<sup>1</sup> Task Force on Competitiveness, Productivity, and Economic Progress, Eight Annual Report, *Navigating through the recovery*, November 2009, p. 13

national prosperity. The latter point has been highlighted many times by economists and researchers, as harmonizing sales taxes is a significant means for Ontario to be more competitive for business investment; thereby closing the prosperity gap.

The most recent research comes from Dr. Jack Mintz, the Palmer Chair of Public Policy at the University of Calgary and former President and CEO of the C.D. Howe Institute. According to his study, Ontario's comprehensive tax reform proposals, which include a harmonized sales tax (HST), will result in a significant boost to our economy. Specifically, the reform will create 591,000 new jobs; increase much needed capital investment by \$47 billion; and increase annual incomes by 8.8 per cent over the next decade.

Last year, the OCC commissioned an in-depth research report, *Made in Ontario: A Case for Sales Tax Harmonization*, which clearly quantifies the benefits of a harmonized sales tax, while taking into account the impact on all sectors of the economy. We invite you to review the report, as well as additional information, at [www.taxharmonization.ca](http://www.taxharmonization.ca).

Not surprising, therefore, federal governments over the past 20 years have expressed a willingness to work with provinces who wish to harmonize their sales taxes, providing an important window of opportunity to improve the standard of living through a stronger economy. Ontario and British Columbia have seized on this opportunity by announcing plans to harmonize their sales taxes on July 1st, 2010.

This smart tax policy will lower the cost of operating businesses, as well as dramatically reduce the cost of business investment - investment that modernizes and strengthens Ontario and supports employment. Moreover, harmonization will reduce business administrative costs, which are estimated at \$500 million annually, and remove hidden taxes which are ultimately borne by consumers.

Without a single sales tax in Ontario, businesses will continue to struggle as they face greater competitive pressures from around the world, and lag with regards to growth relative to other jurisdictions as the global economy recovers. Moreover, according to Don Drummond, Chief Economist at the Toronto Dominion Bank, the absence of a single sales tax in the wake of a historic fiscal deficit puts at risk the significant income tax relief included in Ontario's reform. These tax cuts - \$10.6 billion for individuals and \$4.5 billion for business - are needed now more than ever by employers and families.

The economic and fiscal arguments for harmonizing Ontario's retail sales tax are compelling, which is why the OCC is a member of a growing non-partisan coalition of leaders from the business community called the Smart Taxation Alliance. 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 for the benefit of all Ontarians and Canadians.

Given the importance of this smart tax policy to lower the prosperity gap, as well as the need for continued leadership by our elected members of parliament, we ask for your support of a harmonized sales tax. If you have any questions, comments or would like to schedule a meeting to discuss this further, your staff may contact Stuart Johnston, Vice President Policy and Government Relations, at (416) 482-5222, ext. 232, or [stuartjohnston@occ.on.ca](mailto:stuartjohnston@occ.on.ca). Thank you for your time and consideration.

Yours sincerely,



Len Crispino  
President and CEO

CC. The Right Hon. Stephen Harper, Prime Minister of Canada  
The Hon. Dalton McGuinty, Premier of Ontario  
The Hon. John Wilkinson, Ontario Minister of Revenue  
Ontario Chamber of Commerce members