



ONTARIO
CHAMBER of
COMMERCE

MEDIA RELEASE

For Immediate Release - January 22, 2009

Sales tax reform aids consumers, government and business: Report

Timmins: Supporters are rallying behind a comprehensive report on sales tax reform in Ontario, as one of the most effective ways to combat the economic challenges facing the province. Prepared for the Ontario Chamber of Commerce, the report demonstrates that Ontario households, businesses and government will all benefit from reform of Ontario's sales tax.

"Harmonization of Ontario's sales tax with the GST will lead to a stronger economy with higher real wages, a higher standard of living, higher productivity, lower business costs, and increased investment," explains Timmins Chamber of Commerce President Rob Galloway.

"This is one of the most important policy directions we can put in place today to position us for a strong recovery at the end of our current economic difficulties," adds Len Crispino, President & CEO of the Ontario Chamber of Commerce. "Our research has disproven all of the common objections to sales tax reform, providing the opportunity for the province and the federal government to make a serious commitment to enter into negotiations in order to make it happen."

The report points out that there is currently a willingness federally to work with provinces wishing to harmonize their sales taxes, and demonstrates that harmonization in Ontario will give the federal government the fiscal room to provide compensation to offset any short term loss in provincial revenues.

Made in Ontario, The case for sales tax harmonization illustrates three potential options for the harmonization of Ontario's sales tax with the GST:

- a simple harmonization which replaces the PST with an 8% tax harmonized with GST
- Made-in-Ontario alternative A which exempts the purchases of children's clothing, "clean" energy, labour intensive services and the MASH sector (Municipal, Academic, Schools, Hospitals) from the Ontario portion, and
- Made-in-Ontario alternative B which zero-rates financial services from the Ontario portion

All three options build in an Ontario sales tax credit for low income Ontarians. In addition, the alternative models provide opportunities for government to advance such things as a poverty agenda, incentives for green technology, and support for municipalities in terms of their burgeoning infrastructure deficit.

"Companies in Timmins – from forestry, to mining to small businesses - are in need of a lower cost of doing business so that they may be more competitive in the long run," emphasizes Galloway. "The three models proposed by the OCC's study show that harmonizing the sales tax will mean a reduction in

the burden to small business of sales tax compliance and enable easier trade between provinces. Furthermore, the study shows that harmonizing the sales tax with the GST will reduce the cost of capital for businesses, improving productivity and increasing economic activity.” Under a harmonized system, businesses will benefit immediately from lower operating costs, lower costs of business inputs and capital expenditures due to less taxation. According to the report’s findings, business in Ontario benefits from tax reform through a reduction in the cost of capital. This stimulates an increase in investment, boosts productivity and improves the competitive position of business in the province.

The report was released today in Toronto and other communities throughout the province. It can be found at www.timminschamber.on.ca or www.occ.on.ca.

-30-

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 60,000 businesses of all sizes, in all economic sectors and from every area of the province. In its mandate to advocate strong policies on issues affecting its members, the OCC is currently focused on economic renewal and business competitiveness. Its over-arching goal is to make Ontario the most competitive jurisdiction in North America.

With over 750 members, the Timmins Chamber of Commerce is the largest accredited chamber of commerce with distinction in northeastern Ontario. As the “Voice of Business in Timmins” since 1949, our advocacy and policy initiatives focus on ensuring a positive business climate in the City of Timmins.

For further information:

Heather Chertow, Timmins Chamber of Commerce, 360-1900, hchertow@timminschamber.on.ca

Amy Terrill, Ontario Chamber of Commerce W: (416) 482-5222, ext. 241; C: (416) 605-8205 amyterrill@occ.on.ca

Supporting Quotes:

"Harmonizing its sales tax with the GST is one of the most important steps Ontario could take to improve its competitiveness."

Derek Burleton
Associate Vice President and Director of Economic Studies
TD Bank Financial Group

"We are at a point where the existing ORST [Ontario Retail Sales Tax] is so outdated and full of special exemptions that it causes an unreasonable administrative burden to corporations to simply comply. The level of ambiguity and inconsistency in the application of ORST also creates not only risk of non-compliance, but also significant bias – either for or against a given industry or producer – that it affects a corporation's ability to survive in these challenging economic times. Ideally, taxes should be easy to administer, compliance should be simple, and there should be no tax bias which affects business decisions or competitiveness. Harmonization would bring the archaic ORST scheme light years toward these objectives. It also goes a long way in meeting the Liberal Government's stated goal of reducing "Red Tape" in Ontario."

Martin Gran
President of the Ontario Road Builders' Association
CFO of Pioneer Construction, Sudbury, ON

"The current Ontario approach taxing business inputs in the trucking industry is out-dated and uncompetitive compared to most other Canadian jurisdictions and the US states with whom Ontario competes. Ontario trucking companies must administer two provincial sales tax systems -- the PST and the Multi-Jurisdictional Vehicles Tax -- as well as the federal GST. The more our members invest in new equipment and technology, the more tax they pay."

David Bradley
President
Ontario Trucking Association

"The Certified General Accountants of Ontario supports initiatives that help simplify our tax system. Sales tax harmonization is a major step in this process, as it will reduce the administrative burden for businesses, large and small, in collecting and remitting the proper amount of sales tax."

Doug Brooks, CGA
Chief Executive Officer,
Certified General Accountants of Ontario