



ONTARIO  
CHAMBER of  
COMMERCE

# Sales Tax Harmonization

## OCC Comprehensive Tax Reform Package

June 2009

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# Sales Tax Harmonization

- OCC Tax Reform Package
- What is a Single Sales Tax?
- Key Points
- Sales Tax Details
- Other Tax Reforms
- Case Studies
- Conclusion

The status quo is not good enough.



# OCC Comprehensive Tax Reform Package

Elimination  
of Capital  
Taxes

Corporate  
Income Tax  
Consolidation

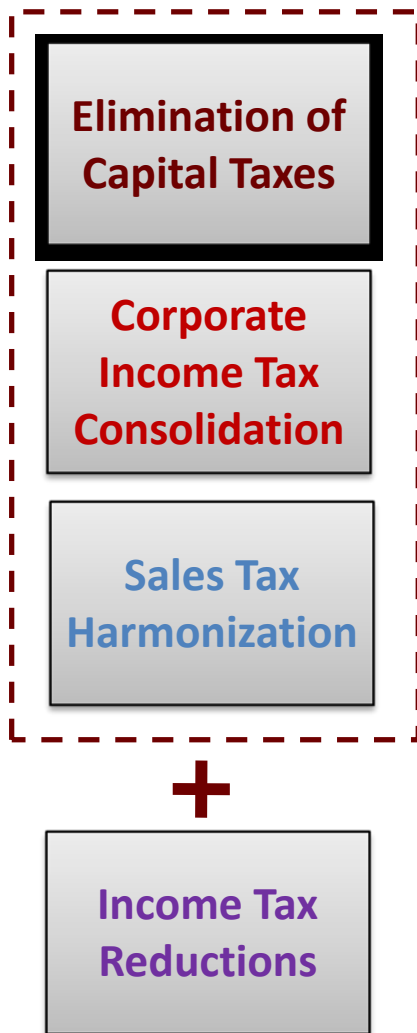
Sales Tax  
Harmonization

+

Income Tax  
Reductions

**More  
Competitive  
Ontario**

# OCC Comprehensive Tax Reform Package



- 2004 & 2007 – network approval
  - ✓ 2006 – tax consolidation
  - ✓ By 2010 – capital tax elimination
- 2008-2009 detailed 3<sup>rd</sup> party report on single sales tax
  - ✓ 2009 budget – sales tax harmonization
- RESULT? Businesses will be paying *less tax* in the years to come

## What is a Single Sales Tax?



- July 1, 2010 – Retail Sales Tax eliminated
- Federal Government sole collector of single sales tax
- New tax will mirror the GST in virtually every aspect at new rate of 13%
- Provincial Government is getting 'out of the sales tax business'

# Impacts on Business and Households

- Administration Costs
- Operating Costs



\$500 million  
1 tax, not 2

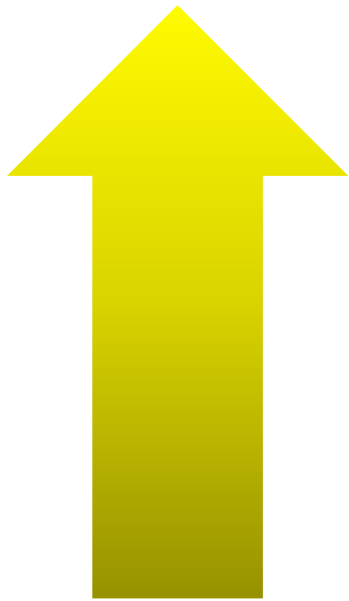


\$5 billion PST  
Hidden in supply  
chain

All businesses will be 'sales tax free'

## Impact on Business and Households ... *cont'd*

- Business Investment



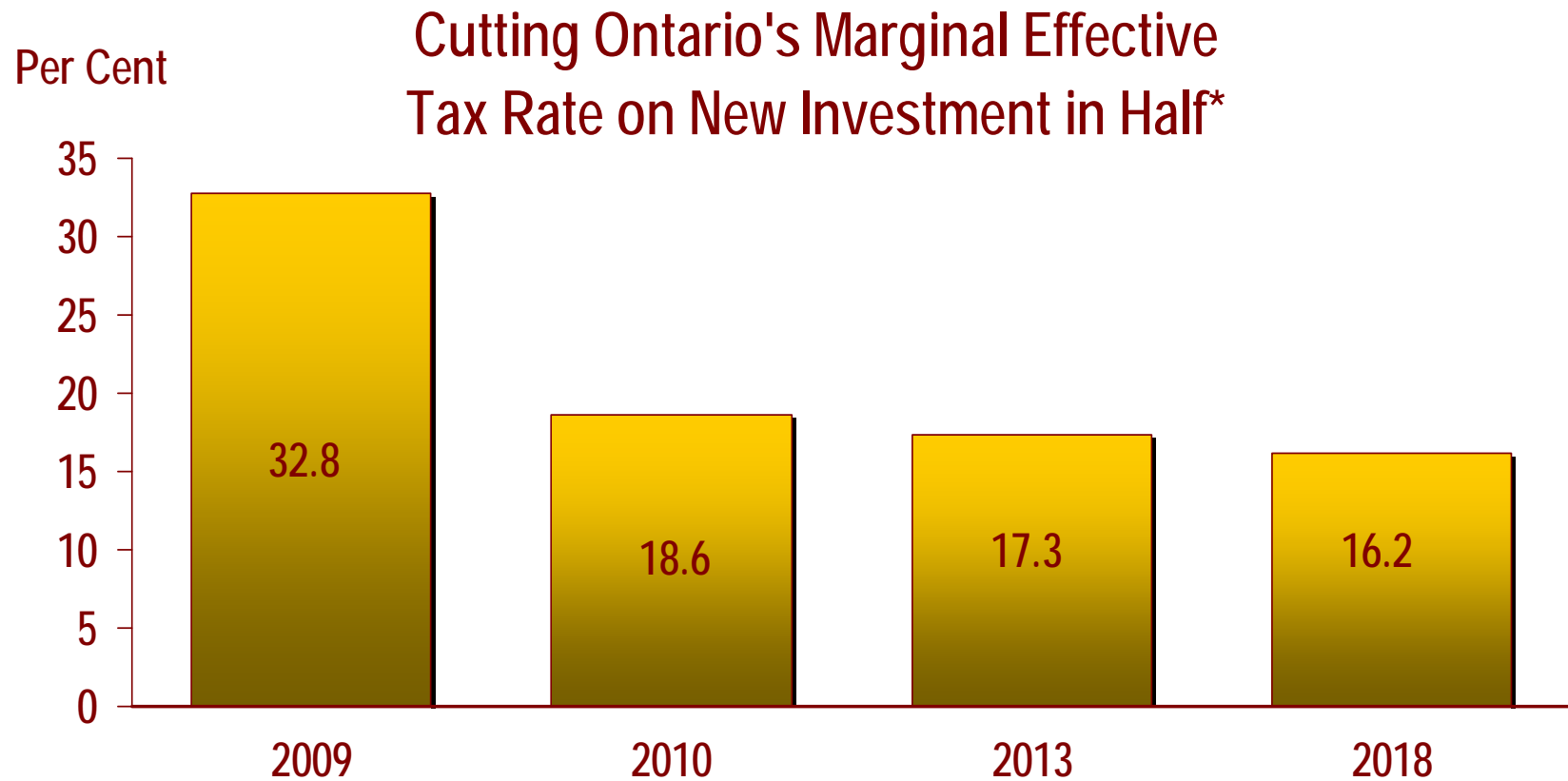
New equipment & machinery

More staff

Lower prices for consumers

Atlantic Provinces – consumer price index lower

# Impact on Business and Households ... *cont'd*



\* Includes the Ontario CIT rate cuts and single sales tax proposed in the 2009 Budget, the phase-out of Ontario's capital tax by July 1, 2010, and the reduction in the general federal CIT rate to 15 per cent by 2012.

Sources: Ontario Ministry of Finance and Finance Canada.

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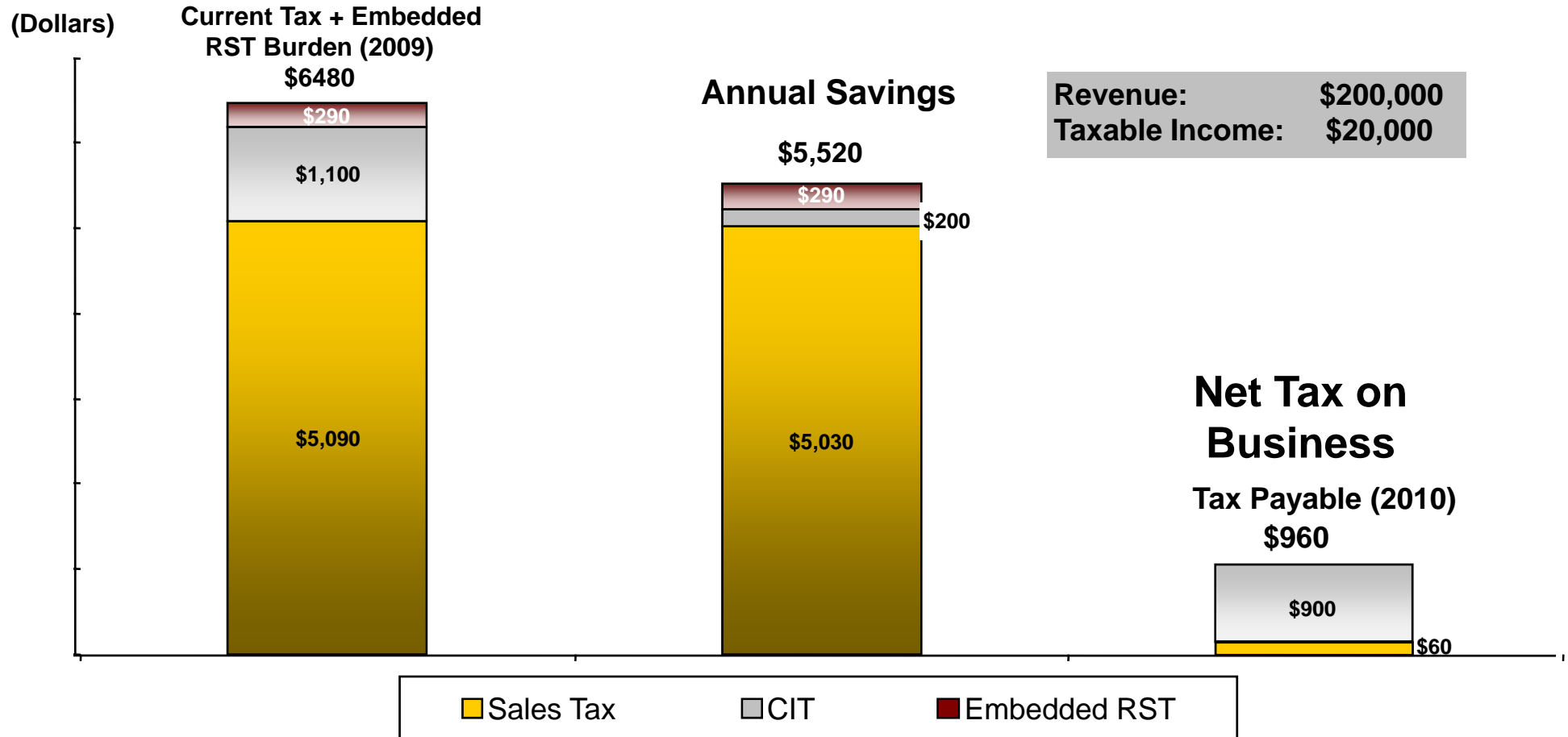
**More  
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## Business Tax Reductions

Corporate Income Tax Rate Reductions				
	Rates ( <i>Per Cent</i> )			
Date	General	M&P	Small Business	Small Business Deduction Surtax
<b>Current</b>	<b>14</b>	<b>12</b>	<b>5.5</b>	<b>4.25</b>
July 1, 2010	12	10	4.5	0
July 1, 2011	11.5	10	4.5	0
July 1, 2012	11	10	4.5	0
July 1, 2013	10	10	4.5	0

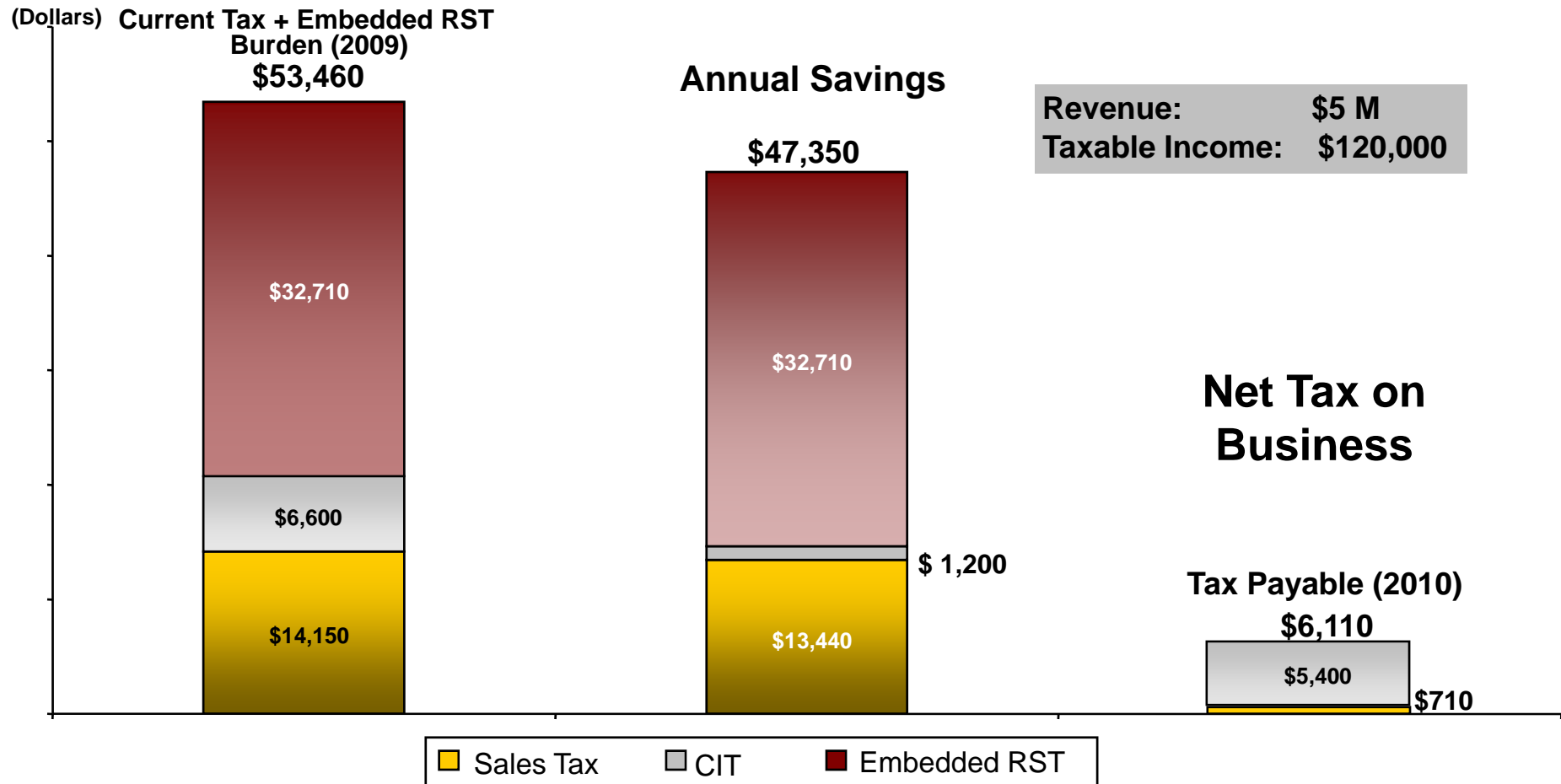
# OCC Comprehensive Tax Reform Package

## Case Example: Dry Cleaner



- Excludes reductions in the Business Education Tax and compliance cost savings from the single sales tax administration.
- Sales tax payable after July 1, 2010 is due to the continued application of sales tax on insurance premiums.
- The illustrated company is fictitious, however, figures are based on actual corporate administration data and Statistics Canada Survey data.

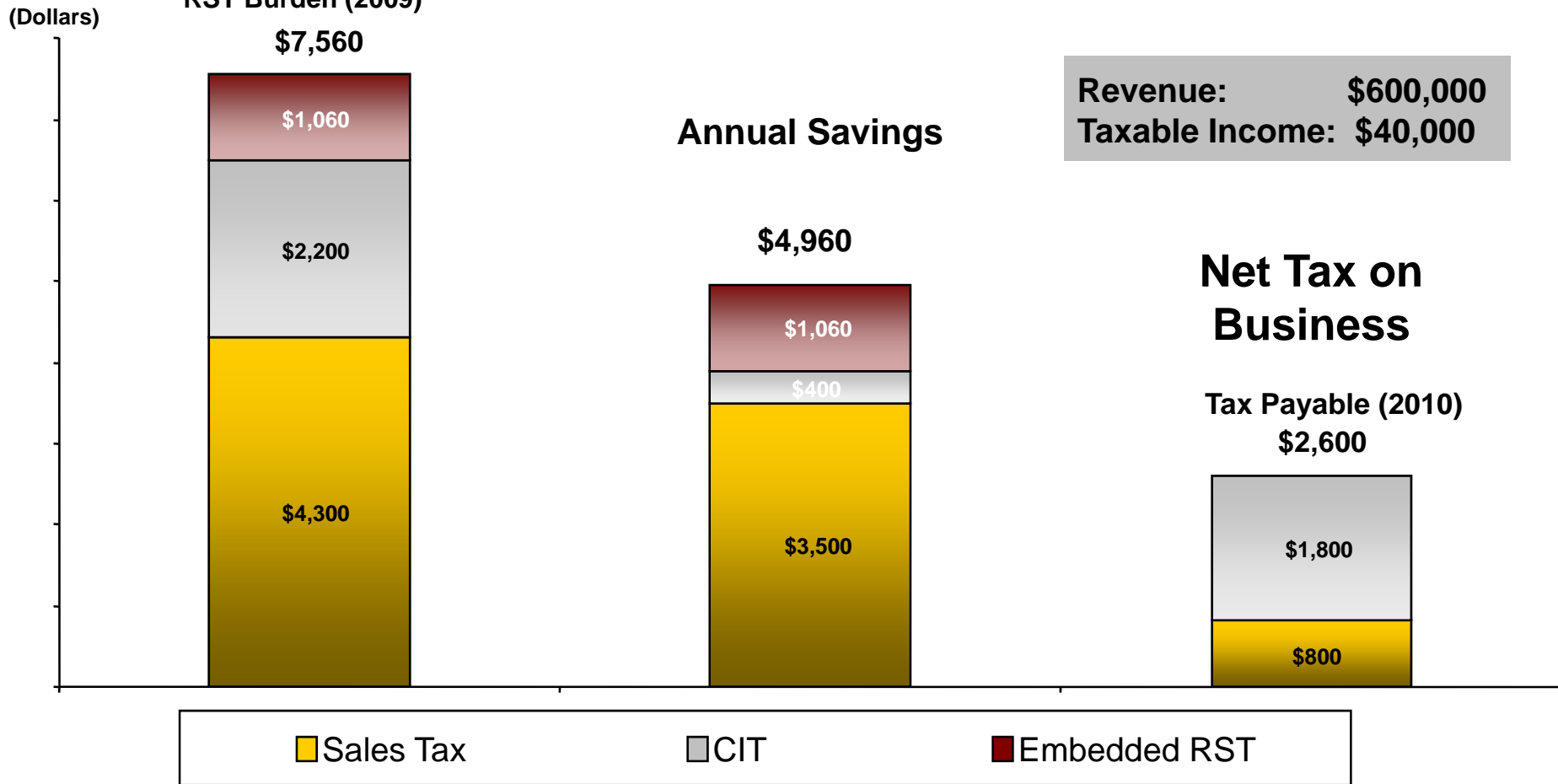
# Case Example: Manufacturer



- Excludes reductions in the Business Education Tax and compliance cost savings from the single sales tax administration.
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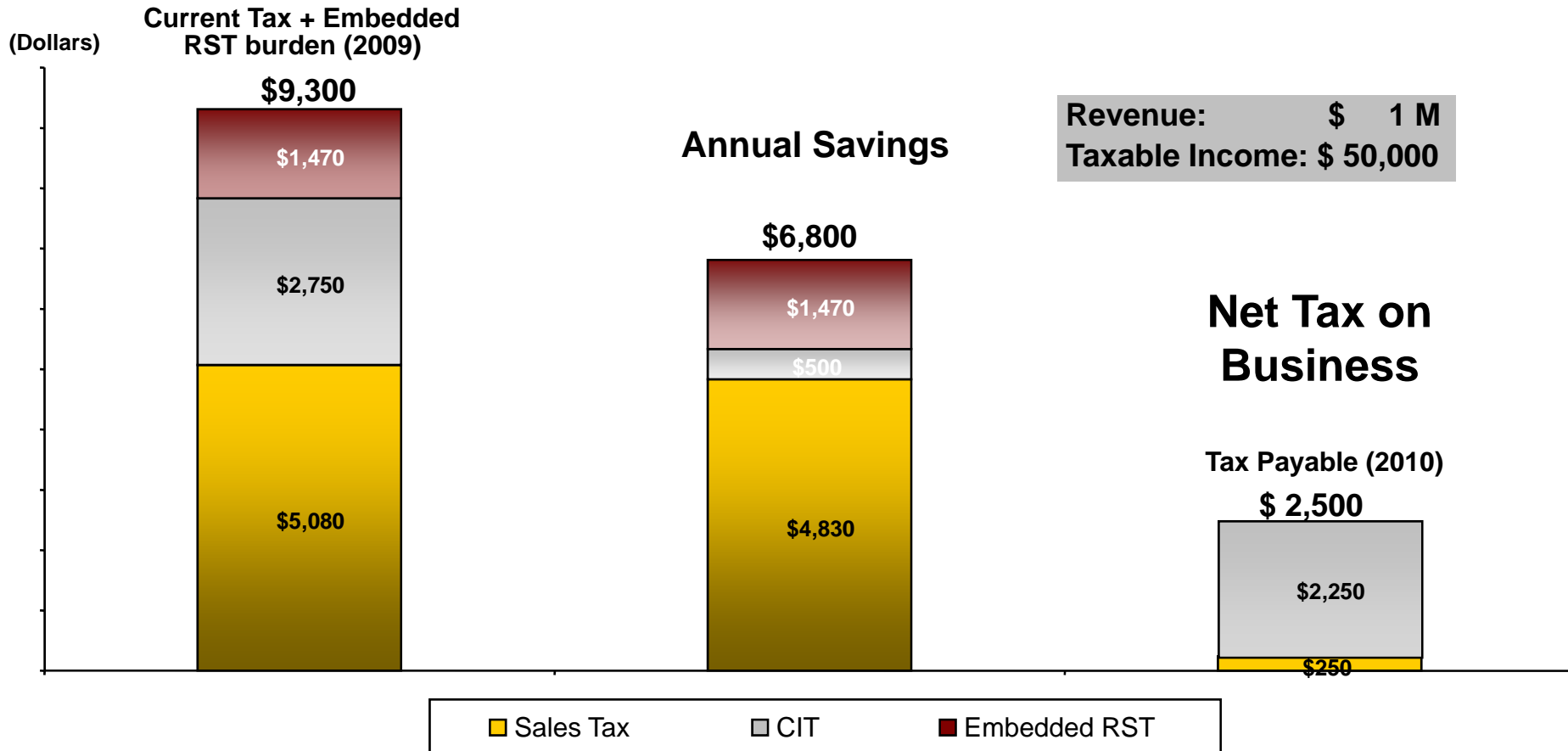
# Case Example: Retailer

Current Tax + Embedded  
RST Burden (2009)



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# Case Example: Coffee Shop



- Excludes reductions in the Business Education Tax and compliance cost savings from the single sales tax administration.
- Sales tax payable after June 30, 2010 is due to the continued application of sales tax on insurance premiums.
- The illustrated company is fictitious, however, figures are based on actual corporate administration data and Statistics Canada Survey data.

- To obtain additional information on the OCC's efforts, go to:

[www.occ.on.ca](http://www.occ.on.ca)

- To obtain more information on harmonization, please go to:

[www.taxharmonization.ca](http://www.taxharmonization.ca)

