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Clerk
Standing Committee on Finance
Sixth floor, 131 Queen Street
House of Commons
Government of Canada
Ottawa, Ontario K1A 0A6

Sent by email fin@parl.gc.ca

Re: Submissions regarding federal budget priorities

Dear Committee Chair;

Our Chamber of Commerce is 1040 members strong in Sarnia Lambton. These members employ over 19,000 persons in our community. Sarnia Lambton is home to a world scale cluster of high technology chemical manufacturing industries supporting, directly and indirectly, approximately 28,000 fulltime equivalent jobs. This industry has invested over \$3 billion to maintain, modernize and upgrade facilities since 2005.

We are also home to many businesses just like those across Canada that feel an enormous taxation burden in their daily operations. Our members and our community look to the federal government to implement measures through the budget process to control spending, reduce its deficit and be creative in ways to address federal department cost reductions with low impact on consumers and business.

Recommendations:

1. GST/HST threshold is too low: The participation threshold for the Goods and Service Tax (GST) has remained at \$30,000 since introduced in 1991. The Canadian government recognized the burden it was creating for itself and small business if all businesses were required to participate in the collection and administration of the GST and the Harmonized Sales Tax (HST), and set a threshold for this reason.

This low level is out of date due to inflation. If the threshold was merely indexed to the rate of inflation it would be approximately \$55,000 today. Other factors are at play as well – the threshold is not competitive with limits set by countries Canada competes with, and it contributes to the underground economy.

Many countries that Canada competes with have higher thresholds, namely Australia, France, New Zealand, and the United Kingdom. Their values converted to Canadian dollars are approximately: Australia: \$85,300, France \$123,600, New Zealand \$56,000, United Kingdom \$116,140.

Smaller businesses often face a proportionally higher burden than larger businesses in complying with a harmonized tax. Exempting them from collection and filing requirements can reduce the net burden a harmonized tax imposes. By increasing the threshold, administrative costs and compliance burdens can be reduced making businesses more competitive. Moreover, since higher thresholds reduce the number of businesses in the system, they reduce the number of returns the CRA processes, the number of businesses seeking services, the number of input credit refunds, and the number of businesses that are subject to audit.

Businesses that are approaching the current threshold may be inclined to slow business in order to avoid being forced into registering. Such a low threshold does not provide small business an opportunity to see if the revenue trend will continue or if it was simply a spike in sales.

In most cases, the loss of government revenue associated with raising the threshold can be offset by lower administrative costs and lower input tax credit refunds.

Recommendation:

That the federal government increase the GST/HST threshold to \$75,000 as of January 1, 2013.

2. Tax filing deadline should be revised: Most personal tax returns are due on April 30th each year. Returns that are not filed on time incur an automatic penalty of 5% on the balance owing. The ability to meet this tax filing deadline has become more difficult due to the popularity of income trusts and the extended deadline trusts have to provide information about their income allocations and designations.

The majority of slips required to prepare personal returns like the Statement of Remuneration Paid (T4), Statement of Investment Income (T5) and Statement of Pension, Retirement, Annuity and Other Income (T4A), all have a filing deadline of February 28th. The RRSP deadline is set 60 days after year-end (February 29th or March 1st) as well. These deadlines ensure that personal tax filers receive the information to complete their personal tax return by early March and provide roughly 7-8 weeks to prepare and file the tax return.

The Statement of Trust Income Allocations and Designations (T3) form, for example, has a filing deadline of March 31. Our understanding is that, logistically, this deadline cannot be pushed to February 28th because issuers need much of the information provided from other slips before determining their allocations.

This deadline results in personal tax filers receiving the information to complete their personal tax return in early April, and generally provides three weeks for the return to be filed.

With the growing popularity of income trusts over the last decade, many more individuals are receiving at least one T3 slip forcing them to wait to receive this information to complete their tax return.

This has created an unnecessary burden on the system because tax preparers and the Canada Revenue Agency have to process the majority of tax returns during this three-week period to avoid the penalty. In 2008, the CRA extended the filing deadline to May 6th for online filing because the system was getting overloaded with the volume of filers.

Currently self-employed individuals and their spouses have a “tax filing due date” of June 15th reflecting the extra time required to gather the information to prepare the return. The “balance due date” continues to be April 30th for these individuals. Similar treatment would resolve the T3 filing challenge.

Extending the tax filing deadline for T3, T5013 and similar tax forms would reduce tax compliance costs as the number of assessments and adjustments from the slip matching process that is performed by the Canada Revenue Agency is reduced.

Recommendation:

The federal government should extend the tax filing due date for individuals to June 15th, same as for small business, while keeping the balance due date at April 30th. This will improve CRA efficiency in handling returns eliminating the present deadline crunch and maintain revenue flow.

3. Maximizing the rural community economy: For rural communities to maintain growth and employment, competitive air and rail access must exist. Communities have been unable to secure a continued commitment by private and government air and rail companies and access levels are very difficult to maintain and often erode. To maximize rural economic input and growth, Canada needs a strategy to ensure the rural communities maintain access to competitive air and rail travel.

Recommendation:

The federal government must create a working group comprised of representatives of provincial and federal transport ministries and various regional and private sector organizations involved in air and rail transport who would develop and propose policies to the federal government that will improve competitiveness of air and rail transport system in all regions of Canada.

Thank you for considering our submission.

Sincerely;



Garry McDonald, President

C.c. MP Pat Davidson, Sarnia Lambton
MP Bev Shipley, Lambton Kent Middlesex
Debra Taylor, Chair, SL Chamber of Commerce Board of Directors
G. Mumby and S. Mallard, Co-chair, Economic Policy committee SL Chamber
M. McEachran, Chair, Government Affairs committee, SL Chamber