

#13-4031



6 October 2006

The Honourable Jim Flaherty, P.C.,M.P.  
Minister of Finance  
Government of Canada  
House of Commons  
Parliament Hill  
Ottawa K1A 0A6

Dear Minister:

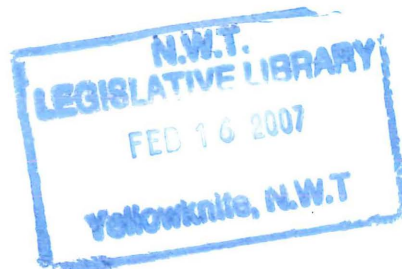
**Visitor Rebate Program**

I am absolutely opposed to your elimination of the Visitor Rebate Program, under which international business travelers are reimbursed for Goods and Services Tax (GST) on eligible goods and short-term accommodation.

Tourism is a major industry in the Northwest Territories, and international visitors who purchase such currently GST exempt items as Canadian diamonds, arts and crafts and other Canadian products, are an important revenue source for our developing tourism industry. Packaged tours to visitors from such places as Japan, Germany and the United States are currently marketed without GST included. Your action will cause a cost increase of 6% on packaged tours. This is yet another barrier we have to overcome in an already intensely competitive international marketplace for tourists.

Reconsider the impact of your program on the Northwest Territories. We could all do with less taxation, don't you think? Thanks you for your consideration.

Bill Braden  
MLA Great Slave



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Cc Hon. Carol Skelton  
Minister of National Revenue

Hon. John Baird  
President of the Treasury Board

Hon. David Emerson  
Minister of International Trade

Mr. Dennis Bevington  
MP Western Arctic

Hon Larry Bagnall  
MP Yukon

Ms. Nancy Karetak Lindell  
MP Nunavut

Hon. Joseph Handley  
Premier, Northwest Territories

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Minister of Finance



Ministre des Finances

Ottawa, Canada K1A 0G5

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Mr. Bill Braden, M.L.A.  
Member for Great Slave  
Northwest Territories Legislative Assembly  
Box 1320  
Yellowknife, NT X1A 2L9

Dear Mr. Braden:

Thank you for your correspondence of October 6, 2006 regarding the elimination of the Goods and Services Tax (GST) Visitor Rebate Program. Please excuse the delay in replying.

In Budget 2006, Canada's new Government committed to undertake a comprehensive review of its expenditure programs to ensure that programs focus on results for money. The Visitor Rebate Program was among the programs that were reviewed and it was determined that this program did not represent good value for taxpayers' dollars. The program is also very costly to administer. It costs one cent to collect every dollar of tax revenue, but it costs 10 cents for every dollar sent out to pay rebate claims under this program. Only a small portion of the foreign visitors who come to Canada apply for the rebate. Also, as noted by members of the tourism industry, the program is an inefficient way to promote tourism in Canada and therefore does not fulfil the purpose for which it was created.

We recognize the contribution that tourist dollars make to the Canadian economy. That is why we will continue to support Canada's tourism industry and ensure it remains internationally competitive. For instance, we currently invest about \$350 million each year directly into the tourism industry through a variety of means. Examples include:

- The Canadian Tourism Commission's global efforts to promote Canada;
- Funding and oversight of national parks and heritage sites; and
- Substantial investments in Canadian gateways, our vital transportation infrastructure and national security.

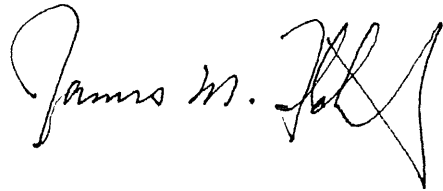
Canada



The reduction of the GST rate to 6 percent – and eventually 5 percent – will also make Canada a more affordable destination and will benefit all visitors.

Thank you for communicating your concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Flaherty". The signature is written in a cursive style with a large, stylized initial "J" and "F".

James M. Flaherty





January 15, 2007

The Hon. James Flaherty, P.C., M.P.  
Minister of Finance  
Ottawa, Canada K1A 0G5

**Elimination of GST Rebate for Visitors**

While I thank you for your letter of December 11, and your response to my concerns about the Visitor GST rebate program, I must express my disappointment in the content of your reply.

You have not answered the key concern, specifically, that tourism packages presently sold offshore or in the United States without GST, would no longer be exempted – adding a 6 per cent price burden for tourism businesses across Canada.

Tourism is a vital part of our small Northern economy. Private entrepreneurs and our government have invested heavily in developing top quality packages that attract adventurers, wildlife enthusiasts and cultural visitors from around the world. The geography, short season and high operating costs mean that our packages are also high cost.

In the increasingly competitive international tourism market, we need every advantage we can get to make our tourism product competitive. The addition of an extra 6 per cent, with no added value, creates a significant new barrier to selling our unique tourism product, and is contrary to the way some other countries are moving with the taxation of offshore sales. I believe this same criteria applies to almost every other off-shore tourism package sold anywhere in Canada.

I do appreciate that your objective is to reduce costly programs that do not contribute value. Your argument is fair, that administering this program is now too costly to give a good return to our overall tourism agenda.

However, in the case of packages which are now sold offshore, the GST is not collected at all – and therefore does not have to be rebated. The reduction of the GST from 7 to 6 per cent makes no difference in this marketplace. Your government is not saving any money, but you have added a sizeable new cost with no value for the client.

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It will, no doubt, capture a significant new tax source, but I believe this may be inadvertent and unintended. Your government has a well established philosophy of seeking to reduce taxes, and to enable business to grow internationally. This action would go entirely against these goals.

Mr. Flaherty, I again appeal to you to re-evaluate your GST legislation to ensure that tourist products marketed offshore or to the United States retain the exemption from the GST.

Bill Braden  
MLA, Great Slave



CC. Hon. David Emerson  
Minister of International Trade

Hon. Carol Skelton  
Minister of National Revenue

Hon. Vic Toews  
President of the Treasury Board

Hon. Maxime Bernier  
Minister of Industry

Hon. Larry Bagnall  
MP Yukon

Ms. Nancy Karetak Lindell  
MP Nunavut

Mr. Dennis Bevington  
MP Western Arctic

Ms. Robin Witherspoon  
President, NWT Tourism

Hon. Floyd Roland  
Minister of Finance, Northwest Territories

Hon. Brendan Bell  
Minister, Industry, Tourism and Investment, Northwest Territories