



## **Direct Sellers Association of Canada Pre-Budget Submission for Budget 2018**

July 26<sup>th</sup>, 2017

### **The Canadian Direct Selling Industry**

Since 1954, the Direct Sellers Association of Canada (DSA) has been the national voice representing Canada's direct selling industry. The industry has over 1.2 million participants from across the country who support more than \$2.55 billion in annual sales. Canada's direct selling companies generate over \$568 million in tax revenue and over \$924 million in personal income for these Canadians. It is especially important to note that over 83% of participants in our industry are women. Participation in the direct selling industry offers a low-barrier entry-point to income generation while promoting entrepreneurship and creating business education opportunities. The success of our industry has been fueled over the past decades by its capacity to empower Canadians from all backgrounds.

Canada's direct selling industry includes leading global corporations such as: Arbonne International, Amway Canada Corp., Avon Canada Inc., Mary Kay Cosmetics Ltd., PartyLite Gifts Ltd., The Pampered Chef, USANA Health Sciences and Vector Marketing, to name a few. Many of these companies have a strong heritage in Canada. Avon, for example, has had a presence in the Canadian marketplace for over 100 years. Many of the DSA's members also operate on a cross-border basis and are highly dependent on a healthy and fair-trade relationship between Canada and the United States.

### **Cross-Border Tax Fairness**

The DSA continues to be concerned about the potential increase of the *de minimis* threshold for goods traveling from the United States into Canada. The current system allows for goods that have a value of less than 20 Canadian dollars to pass through duty-free. Any products that exceed this threshold face basic taxation similar to goods that are sold within Canada. This system has allowed for Independent Sales Contractors (ISCs) to continue to be competitive against large American online retailers such as Amazon and eBay. This success allows 1.2 million Canadians to participate in the direct selling industry which allows them to generate income and develop entrepreneurial skills.

The *Summary of Objectives for the NAFTA Renegotiation* recently published by the Office of the United States Trade Representative shows that the U.S. is continuing to push for an increased threshold. More specifically, they would like to "Provide for a *de minimis* shipment value comparable to the U.S. *de minimis* shipment value of \$800." This objective directly threatens millions of Canadians who rely on the direct selling industry.

While it is true that the US threshold sits at \$800, compared to \$20 in Canada, this does not account for the difference of both countries' economies. Firstly, the U.S. does not have a federal sales tax, so there is no tax advantage created for cross-border shipments from Canadian companies. Secondly, online retailers like Amazon and eBay already dominate the U.S. economy and they look to bring more money in from international markets. This may seem to some an argument against competition, but in reality,

the difference between the Canadian and U.S. online retail market could not be starker. Nearly 7-in-10 online purchases by Canadian consumers come from outside of the country, while just 22% of American customers have reported a purchase from a company outside of the U.S. This dramatic difference shows that an increase in Canada's *de minimis* threshold will only weaken Canada's domestic economy. If the tables were turned, businesses in the U.S. would be asking for the same level playing field we seek.

Millions of ISCs across Canada rely on a customer base that appreciates their services and products. This generates income for millions of Canadians and allows millions of customers in rural communities to access products that they may otherwise not have access to. Direct selling companies invest in training for ISCs that creates essential business skills, which allow them to be more successful in the industry or future endeavors. Raising the *de minimis* threshold would only negatively impact the industry and the many Canadians that rely upon it. Any increase would disproportionately benefit American online retailers while providing no economic growth in Canada and diverting tax revenues away.

### **Recommendation 1**

- **Raising the *de minimis* threshold to anything higher than the current \$20 would have a negative impact on Canadian industries, such as the direct selling industry. The DSA recommends that the Government of Canada maintain the current *de minimis* threshold to demonstrate continued support for Canadian businesses and Independent Sales Contractors.**

### **Supporting Canadian Independent Sales Contractor Status**

The direct selling industry in Canada is unique, as it allows Canadians to easily conduct business like entrepreneurs with the support of established companies. These companies have the resources, training, and products that offer a low-barrier entry-point to millions of Canadians. ISCs have the freedom to commit the hours they would like towards their direct selling business and the independence to form their customer base through a range of strategies. In addition, through the use of social media websites, such as Facebook, ISCs have innovated to grow and engage their networks.

Canada's regulation of direct selling companies is the international gold standard. When regulation and industry ethics are out of line, all businesses, customers, and participants in the industry lose out. The DSA takes pride in its Code of Ethics and Business Practices, which ensures our member companies do more than just play by the rules. Key provisions of the Code include things such as a prohibition on deceptive or unlawful consumer recruiting practices, compliance with all federal and provincial warranty and guarantee laws and regulations, and truthful earnings representations. These provisions and more have allowed the Canadian direct selling industry to continue to have an excellent track record. Through continued efforts, we have built a strong relationship with regulatory bodies to ensure our members give Canadians the best opportunity to succeed, and customers know they can trust companies in our industry.

The direct selling industry has been around for decades in Canada and is unique in the way it allows ISCs to have the freedom and independence to make business decisions on their own, with the support of company distribution networks and marketing. The fostering of entrepreneurial skills and offerings of comprehensive training is also unique to our industry, which allows not only for income generation but also the development of skills necessary for business success in Canada.

These factors differentiate the direct selling industry from businesses in the so-called “gig economy,” such as Uber. The Government has considered mandating Employment Insurance (EI) for businesses in the gig economy, which could indirectly affect ISCs and the well-established businesses in the direct selling industry. We asked the committee to ensure the government is aware that ISCs hold a unique status in Canada that should not be lumped-in with solutions for problems created by the disruptive, web-platform-based business models common to gig-economy enterprises.

#### **Recommendation 2**

- **The direct selling industry is unique in the Canadian economy and has an excellent track record due to a stringent Code of Ethics and Business Practices. The DSA recommends that the Government of Canada continue to respect the status of Independent Sales Contractors in its analysis of EI policies.**

#### **Contact**

Should any clarification or further information be required, Tracie Graham, Chair of the Board of the Direct Selling Association of Canada, can be contacted at [TGraham@ca.partylite.com](mailto:TGraham@ca.partylite.com).