



**Written Submission for the Pre-Budget  
Consultations in Advance of the 2020 Budget**

**By: Frontier Duty Free Association**

**Recommendation 1:** The government should reinstate the visitor rebate program to encourage greater cross-border spending, to generate more revenue in Canada and support the tourism industry.

**Recommendation 2:** FDFA proposes administering the program, at least in part, in stores to maximize benefit, reduce administration costs and evidence suggests that the rebates will then be spent back in Canada.

- **The program will be administered by land border and airport duty free stores.**
- **Duty Free stores are federally regulated and best to verify products are actually being exported given their nature and emplacement.**
- **Cash rebate by operators will provide incentive for travellers to stop at the stores to claim their rebates.**
- **Evidence suggest the rebates will then be spent at stores, therefore generating more revenue in Canada**
- **Low administration cost for the government.**



## **Frontier Duty Free Association**

### **2020 Pre-Budget Submission**

#### **About the FDFA**

The Frontier Duty Free Association (FDFA) is the industry association for Canada's land border duty free shops. There are 33 stores operating in 7 provinces (British Columbia to New Brunswick).

The FDFA promotes the development of Canada's land border duty free industry by acting as a voice, advocate and business resource for member stores. As a matter of policy, all duty free shop owners deliberately foster a distinctly Canadian flavour or ambiance in their stores.

Duty Free stores generate significant economic benefits in the regions where they operate:

- Land border duty free stores have repatriated close to \$1.5 billion in sales in the past 10 years, which would have otherwise been lost to the US duty free stores and retailers.
- Total direct and indirect employment accounts for approximately 2,500 FTE Canadian jobs.
- Represent approximately \$35 million per year in federal, provincial and local taxes.
- Operators have invested a total of more than \$60 million in facilities at border crossings.

The implementation of the FDFA's key recommendations will ensure the continued success of the duty free and tourism industry in Canada. The visitor rebate program will increase cross-border spending, generate more revenue in Canada and support the tourism sector. These recommendations would seamlessly complement the Government's commitments as outlined in previous budgets and in Canada's new tourism strategy.

## **2020 Budget Recommendations**

### **Return of the Visitor Rebate Program**

The Visitor Rebate program (VRP) was canceled in 2007 and replaced with Foreign Convention and Tour Incentive Program (FCTP). The government of the day canceled the program citing low uptake and high administration costs.

The GST has never been intended to tax consumption of goods and services exported to foreign countries. The international standard for imposition of consumption taxes is that taxation should apply only in the jurisdiction where consumption occurs. By virtue of the decision to abolish a Visitor Rebate Program for individual travellers, Canada has been out of line with international taxation principle and practice for over a decade.

As a matter of fact, Canada is the only OECD country that imposes HST on goods purchased by foreign visitors. This not only an anomaly internationally but it is also an anomaly within the country with visitor spending being the only form of export not exempt from sales tax. The government decision to cancel the program has rescinded the tourism sector export status and made the industry less competitive.

A recent study by the Retail Council of Canada shows that near \$6 billion were lost in GDP and close to \$52 million per year since the program was cancelled in 2007. The cancellation of the program has had detrimental impacts on tourist numbers, in-country visitor spending, government revenues and employment loss. A recent survey of the duty free stores across the country shows significant impact on the duty free industry and individual store communities both in terms of revenue and employment.

Canada is now one of the slowest growing OECD countries in terms of tourism. The government should reinstate the visitor rebate program to encourage greater cross-border spending, to generate more revenue in Canada and support the tourism industry.

**FDFA proposes administering the program, at least in part, in stores to maximize benefit, reduce administration costs and evidence suggests that the rebates will then be spent back in Canada.**

The program would be administered by land border and airport duty free stores. Duty free stores are federally regulated and are best to verify products are actually being exported out of the country due to their nature and location. Instant cash rebates will be provided by the operators to travellers who made purchases in Canada during their trip. It will provide a strong incentive for travellers to stop at the stores to claim their rebates and evidence suggests the rebates will then be spent at stores, therefore generating more revenue in Canada. This system will come at a low cost to the government while generating more revenue in Canada and supporting the tourism industry.

## **Recommendations**

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