

## **THE RE-INTRODUCTION OF THE GST VISITOR REBATE PROGRAM**

**Summary:** To reintroduce a Visitor Rebate Program that allows tour operators from foreign markets to operate tours in Canada with a GST rebate to tour participants based on the GST paid on the cost of their trip package.

**Status:** approved by Kamloops Chamber Membership; to be retained for 2010

The provincial government has set an ambitious target for the tourism industry of doubling tourism revenue to the province by 2015. The ability of the sector to meet this goal has been significantly impacted by the federal government's elimination of the GST Visitor Rebate Program that will come into force on April 1, 2007.

In Budget 2006 the federal government committed to eliminate \$1 billion in savings from programs and initiatives that were deemed to no longer effective. To achieve these savings the government identified four key areas; value for money, unused funds, efficiency, and non-core programs. Under these categories the federal government cut or reduced nearly 70 programs across government.

The Chamber has been consistent in its call for government to undertake a review of all program spending to ensure that taxpayers dollars are spent as effectively and efficiently as possible. With this in mind the Chamber welcomed the federal government's commitment to "ensure funds are only approved if they are actually needed to achieve measurable results in a way that is effective and provides value for money on behalf of Canadians."

Within these savings the government eliminated the Visitor Rebate Program under the auspices of not being value for money. The definition provided for this category stated;

"Funding for third parties to further their interests or programs that are not effective, do not achieve results or are being re-focused or targeted for improved effectiveness."

The governments decision to eliminate this program is based on the premise that there is only a 3% take up of the program by foreign visitors. This assessment appears to have been based on the number of rebates processed by the Visitor Rebate Centre and duty free shops.

The Chamber would agree that a 3% take up on retail purchases calls into question the value of the program as a mechanism for increasing spending by foreign visitor. However, the Chamber believes that the governments analysis is flawed and seriously underestimates the true impact of the program by ignoring the programs value in terms of Canadian tour packages sold in foreign markets and more importantly the role the program plays in attracting foreign conventions to Canada.

The program was developed in the early 1990's to recognize tourism's role as an export industry. The recognition of the tourism as an attractor of foreign currency revenue led

to the extension of the exemption of value added taxes that was enjoyed by other export industries.

The recognition of tourism as an export industry, and the subsequent creation of a rebate program, has become a feature of many of Canada's competitor jurisdictions, indeed, virtually all OECD countries, including all EU states, offer rebate programs. In recent months many of these countries have taken steps to actually expand their rebate program.