

OTTAWA TO IMPOSE 'FAIR SHARE' OF TAX ON DIGITAL GIANTS

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DEFANGING BIG TECH

That Netflix tax is coming after all.

The federal government is taking aim at digital giants including Netflix, Amazon and Airbnb, insisting they pay HST or GST on sales to Canadian consumers, a move that experts warn could raise prices.

Everything from app-store purchases to streaming subscriptions to items purchased on Amazon could be hit under the new proposals, scheduled to be in force from July onwards.

The news came as part of the federal government's fiscal update Monday.

In a speech to the House of Commons, Finance Minister and Deputy Prime Minister Chrystia Freeland said it was a matter of fairness.

"Canadians want a tax system that is fair, where everyone pays their fair share, so the government has the resources it needs to invest in people and keep our economy strong. That is why we are moving ahead with implementing GST/HST on multinational digital giants, and limiting stock option deductions in the largest companies," Freeland said.

A spokesperson for Netflix pointed out that the streaming giant has been collecting and paying sales tax in Quebec and Saskatchewan since 2019.

"Netflix is committed to being a good partner to Canada and we will work collaboratively with the federal government on this issue, as we have previously in Quebec and Saskatchewan," said the spokesperson.

Google sounded a similar tune.

"While we are still reviewing today's changes around GST/HST, we will work with the Government of Canada to comply with local tax law, as we do in jurisdictions around the world. With respect to broader initiatives, we support the movement toward a new comprehensive, international framework for how multinational companies are taxed," said the emailed statement from Google.

The country's biggest hotel trade group and a small-business lobby applauded the levying of GST and HST for the digital giants.

"This levels the playing field. We've been asking for this for years," said Susie Grynol, president and CEO of the Hotel Association of Canada, regarding the decision targeting companies like Airbnb.

Corinne Pohlmann, vice-president of national affairs for the Canadian



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Federation of Independent Business, said international online retail giants like Amazon have had it too easy for too long.

"There's a fundamental unfairness in online retailers not collecting and remitting HST/GST, while our members do," said Pohlmann.

The government is also looking to apply a broader corporate tax on revenue generated in Canada by international technology giants, including companies like Apple, Google and Facebook.

"Canada will act unilat-

erally, if necessary, Mr. Speaker, to apply a tax on large multinational digital corporations, so they pay their fair share just like any other company operating in Canada," Freeland added.

But corporations shifting money around to lower-tax jurisdictions isn't limited to tech firms, meaning this measure doesn't go far enough, said David Macdonald, chief economist at the Canadian Centre for Policy Alternatives.

"Corporate tax shifting is hardly restricted to 'corporations providing digital

services.' Those with any international operations can easily utilize corporate tax shifting to move their profits to low-tax jurisdictions while using top-notch Canadian infrastructure that they don't pay for," said Macdonald. In principle, though, he liked the idea. The substance? Well, there wasn't much.

"It is positive that, in the absence of any OECD agreement on corporate disclosure that would allow for consistent international corporate taxation, the government is willing to act alone. The trouble is

that this isn't a fleshed-out proposal, nor does it apply nearly as broadly as needed," said Macdonald.

The move to collect GST and HST, says one veteran tech industry watcher, means prices will be going up.

"Canadians will be paying more for these services. Tell me one company who ever told a consumer 'yes, I'll pay that sales tax for you.' Prices are going up," said Michael Geist, the Canada Research Chair in Internet and E-Commerce Law at the University of Ottawa.

The update specifically called for GST/HST to be paid by "foreign-based vendors selling digital products or services to consumers in Canada" or through app stores, and on all sales facilitated by a digital platform of goods located in Canadian fulfilment warehouses, as well as on short-term accommodation arranged through digital platforms.

Geist says the call for a broader corporate tax on international tech companies could cause friction with Canada's largest trading partner.

"If Canada, or Australia, or countries in Europe collect a corporate tax on these tech companies, that's going to mean less tax revenue for the U.S., and the Americans won't be happy about that," said Geist.



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