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Auditor General Report: Current Federal Tax Rules Give Foreign Digital Platforms a leg up on Canadian businesses

May 10, 2019 (Ottawa, ON) – The Auditor General of Canada released the 2019 Spring Reports earlier this week, including a report on Taxation of E-Commerce. According to the report, the Canadian sales tax system did not keep pace with the rapidly evolving digital marketplace, with estimated losses of \$169 million in sales tax revenues on foreign digital products and services.

The Hotel Association of Canada (HAC) has known for a long time that the system is broken and is encouraged to see this recognized in the Auditor General's report.

"We thank the interim Auditor General of Canada for his commitment to a balanced and fair tax system," said Alana Baker, HAC's Director of Government Relations. "We would like to see the Federal Government adopt the report's recommendations to modernize Canada's tax laws without delay, to ensure appropriate taxes are collected from foreign-owned digital platforms like Airbnb."

Online accommodation sharing platforms like Airbnb do not collect or remit GST/HST, nor are they required to provide tax information slips to their hosts to ensure compliance. These online platforms have an unfair advantage over other accommodation businesses, like hotels, who pay their taxes and play by the rules.

The report recommends that the Canada Revenue Agency expand its compliance activities and leverage third-party data in order to better detect and deter non-compliance for GST/HST in e-commerce. The recommendation explicitly states that accommodation sharing should be included in this exercise.

"We urge the Federal Government to take action, as proposed by the Auditor General, to ensure that digital accommodation platforms like Airbnb have the same tax obligations as the rest of us," concluded Baker. "By not taking action, Canada will continue to lag behind the unrelenting pace of the digital economy."

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The Hotel Association of Canada is the leading voice of the Canadian hotel and lodging industry. For over 100 years, it has worked to enhance the prosperity of the industry through strong member engagement, effective advocacy, and the provision of value-added programs and services. The Hotel Association represents more than 8,200 hotels, motels and resorts that encompass the \$20.8 billion Canadian hotel industry which employs 306,600 people across Canada. For more information, please visit www.hotelassociation.ca.

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