

10. Increase the GST/HST Filing Threshold

Issue

In 1991 the federal government recognized that the collection and administration of the Goods and Services Tax/Harmonized Sales Tax (GST/HST) was too burdensome for small businesses. A threshold was established so businesses earning up to \$30,000 would not be required to register for a GST/HST account. The government established this threshold 25 years ago and, despite inflation, it has remained the same ever since.

Background

The \$30,000 GST/HST threshold is outdated. If it were merely indexed to the rate of inflation, it would be over \$45,000 today. Additionally, the threshold is not competitive with limits set by countries Canada competes with.

Many countries that Canada competes with have higher thresholds, namely Australia, New Zealand, and the United Kingdom. Their values converted to Canadian dollars are approximately: Australia: \$74,900, New Zealand \$50,100, United Kingdom \$114,000.

Smaller businesses often face a proportionally higher burden than larger businesses in complying with a harmonized tax. Exempting them from collection and filing requirements can reduce the net burden a harmonized tax imposes. By increasing the threshold, administrative costs and compliance burdens can be reduced making businesses more competitive. Moreover, since higher thresholds reduce the number of businesses in the system, they reduce the number of returns the CRA processes, the number of businesses seeking services, the number of input credit refunds, and the number of businesses that are subject to audit.

In most cases, the loss of government revenue associated with raising the threshold can be offset by lower administrative costs and lower input tax credit refunds.

Recommendation

That the federal government:

1. Increase the GST/HST threshold to \$50,000 as part of the 2017 federal budget and indexed to inflation thereafter.
2. Maintain the option for businesses earning less than the threshold to collect and administer GST/HST if they so choose.