



Retail Council of Canada
Conseil canadien du commerce de détail

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Hon. John Horgan, MLA
Premier
PO Box 9041, Stn Prov Govt
Victoria, B.C. V8W 9E1

By electronic mail

Dear Premier Horgan,

Retail is both Canada and British Columbia's largest employer with over 360,000 British Columbians (May 2017) working in the retail and wholesale trade alone. The sector generated payroll over \$10 billion (2016) and \$84 billion in sales (2017) in British Columbia. Retail Council of Canada (RCC) members represent more than two-thirds of retail sales in the country. RCC is a not-for-profit industry-funded association and represents small, medium and large retail business in every community across the country. As the Voice of Retail in Canada, we proudly represent more than 45,000 storefronts in all retail formats, including department, grocery, specialty, discount, independent retailers and on-line merchants.

The Retail Council of Canada urges Government to withdraw its proposal to replace Medical Services Plan premiums with a payroll tax. The payroll tax will have a significant negative impact to British Columbia's retail industry.

For one small 8-store member retailer providing above-average pay and benefits in a retail industry context, the 1.95% payroll tax will alone mean a \$292,500 additional annual cost. Many of our members have already cut costs, laid-off employees, downsized, and cut hours of operation – but are still not seeing growth. There is the real near-term prospect of closure for many independent stores.

We were surprised that the Government chose to announce the tax without waiting for the final report of the MSP Task Force. Therefore, this tax was instituted essentially without consultation – and the ability to provide input to the MSP Task Force was very limited.

Retailers are appalled that the Government will “double-dip” by charging both British Columbians (or employers paying MSP premiums on their behalf) and British Columbia's employers (paying the “Employer Health Tax” on their payroll) for a 13-month period. This egregious action is not in line with the specific recommendation of the MSP Task Force. In “double-dipping”, the Government is also acting contrary to the NDP's own campaign promises on affordability and with respect to the replacement of MSP premiums which was “to ensure low and middle-income families all come out ahead.”

This particular increase to payroll costs is not isolated. Your Government has recently increased minimum wages – which will have an inflationary impact on wages (of all employees – not only those earning the minimum wage). Your Government is also considering changes in other spheres such as labour relations, employment standards and workers' compensation all of which have strong potential to increase payroll costs (and increase operational complexity). We are convinced such significant increases to payroll costs are highly inadvisable over such a short time-frame.

The payroll cost increases come in the same time-frame as very significant increases in occupancy costs for retail stores which are related to increases in the assessed value of commercial property.

The payroll tax will serve as a disincentive to the employment of British Columbians. British Columbia's retailers compete with retailers whose employees are resident in other jurisdictions (e.g., Alberta, Washington State, or, *non-resident* eCommerce entities) whose payrolls are not subject to this cost. Your action has the impact of making goods in British Columbia's stores more expensive than those elsewhere. (It will also lessen affordability of goods for low and middle-income British Columbians: this was a core tenet of the B.C. New Democratic Party's 2017 platform.) The payroll tax leaves British Columbia's retailers wondering why Government has chosen to punish stores which employ British Columbians.

Medical services are a social program in common to all British Columbians. Medical services are not inherently related to employment. This means that universal health care in British Columbia is no longer a cost for all British Columbians to bear: it is now a cost to business and the self-employed. Accordingly, it is more equitable for all British Columbians to pay for this social program through their personal income taxes.

We strongly urge the government to reconsider the payroll tax.

Yours truly,



Greg Wilson
Director, Government Relations (B.C.)

Copy: Hon. Carole James, Minister of Finance
Hon. Bruce Ralston, Minister responsible for Small Business