



**Retail Council of Canada**  
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## DE MINIMIS – LETTER EXAMPLE

Dear \_\_\_\_\_ M.P.

As a member of the retail community who lives in your riding, I am writing regarding a critically important issue for merchants and employees. Simply stated, I am asking that you support the continuation of a level playing field between retailers operating here in Canada, whether in stores or online, and those who sell online from outside Canada and ship goods cross-border by post or courier.

U.S.–based online sellers and couriers are pushing for an increase in the *de minimis* level, below which shipments into Canada are exempt from sales taxes and duties. An increase to the *de minimis* level could be devastating to our operations, to our investment plans and to our industry's two million+ employees.

Under Canada's *Postal Imports Remission Order and Courier Imports Remission Order*, the *de minimis* level is currently set at \$20. The rationale is that the processing cost does not justify collecting taxes or duties on small shipments which, at the \$20 level, would typically yield less than \$3 in taxes.

The U.S. online merchant and courier lobby is pressing our Government to raise that threshold to \$200, which would mean that any item costing under \$200 could be shipped into Canada free of federal and provincial sales taxes. Meanwhile, merchants operating here would be required to collect sales taxes on the same or competing products. U.S. online merchants would thereby have an average tax advantage of 12.3% (ranging from 5% in Alberta to 15% in Atlantic Canada). In addition, foreign online sellers would be exempt from the customs duties that we are required to pay on imported goods.

*De minimis* at anything like the \$200 level would lead to massive increases in cross-border purchases, with the obvious negative consequences for retailers in Canada and their employees. This would be particularly true in apparel, footwear, books, toys, consumer electronics and housewares, most of which are priced below \$200 and easily shipped. Of course, these are the very areas in which many small and medium-sized Canadian retailers specialize.

The U.S. online merchant and courier lobby always neglects to mention the tax advantage that they would gain and points instead to the *de minimis* level of \$800 in the United States. But there is no real comparison between the U.S. and Canada. First, the United States does not have a federal sales tax and does not collect state or local sales taxes at the border or for interstate shipments, so there is no advantage created for inbound goods.

Second, the United States utterly dominates its online retail space (and indeed the global online space), with only 22% of U.S. customers reporting having made a purchase from a non-U.S.

seller. By contrast, 67% of Canadians report having made online cross-border purchases. The scale of U.S. warehouse operations is such that the U.S. can easily afford to offer a high *de minimis* level, while pushing other countries to raise their own levels. To be clear, it is not the fact of cross-border purchases that we object to. Customers may have many valid reasons to buy from vendors outside Canada. What concerns us is the prospect that foreign sellers would be given a huge price advantage by being tax and duty-exempt.

To conclude, members of the retail community like me do not understand why Canadian policy-makers would ever give a tax advantage to a U.S. warehouse seller, who employs few if any people here, at the cost of those who do create jobs and economic activity. Why would policy-makers who use these revenues to fund public programs want to give up a very substantial amount, only to pad the bottom lines of U.S. online warehouse sellers? Once all the facts are presented, we think the decision is a straightforward one and hope that you will support the continuation of a level playing field for the merchants operating across Canada and in your own constituency.

Thank you.