

May 27, 2021

Rt. Hon. Justin Trudeau  
Prime Minister of Canada  
[pm@pm.gc.ca](mailto:pm@pm.gc.ca)

Hon. Chrystia Freeland  
Deputy Prime Minister and Minister of Finance  
[chrystia.freeland@canada.ca](mailto:chrystia.freeland@canada.ca)

Hon. Melanie Joly  
Minister of Economic Development and Official Languages  
[ED.minister-ministre.DE@canada.ca](mailto:ED.minister-ministre.DE@canada.ca)

Dear Prime Minister, Minister Freeland, and Minister Joly:

I write to you today as a Canadian business owner and job creator to express my grave concern about the 'luxury tax' on new boats over \$250,000 announced in the recent federal budget. This new tax unfairly targets workers in the recreational boating industry and will lead to a severe drop in sales revenue and job losses across the country.

I understand that your government is running a record deficit to support Canadians through the COVID-19 pandemic and needs to find new revenue sources. However, as one business owner in our industry recently said on the luxury tax: "you're hurting the people you are trying to help". The history of past luxury taxes has shown that many consumers will simply refuse to purchase the taxed item. In this scenario, the customer who chooses not to buy a luxury taxed boat is not any worse off — it is middle-class business owners and workers who will bear the brunt of this policy when their jobs are lost due to lower demand.

The economic damage of the luxury tax would be swift and severe. A recent survey of 325 Canadian recreational boating businesses conducted in partnership by all of Canada's Marine Trade Associations found:

- Affected businesses predict an **average 56% drop in sales** after the tax comes into effect, meaning about **\$178 million in lost annual revenue**;
  - "97% of our boats sold into 2022 are in the \$250K + range. Every single one of these customers has called and said they will cancel their order if the tax takes effect."
- **75 businesses** anticipate having to make **job cuts**;
  - "Likely let go 30% of our staff as we have a service department just for new boat clients."
- **12 surveyed businesses expect the luxury tax will force them to close permanently**.
  - "It will close my business. Period. Devastating effect on business and industry as we know it."

Each of these boats are HST generating microeconomies. Typically, these boats are sold four times over 20 years plus they create annual economic gains from slip rentals, winterizing, service, storage, fuel, and more.

The following chart outlines potential HST revenue from larger boats.

Model	28' Boston Whaler	32' Sea Ray	50' Azimut
			
Original Sale Price	\$350,000	\$550,000	\$2,000,000
HST 4 sales	133,900	214,500	760,500
HST annual spend 20 yrs	50,537	67,275	181,350
Total HST revenue	184,437	281,775	941,850
NEW Luxury Tax	20,000	55,000	200,000
Net HST position	-164,437	-226,775	-741,850

Luxury taxes have backfired many times before. In the early 1990s, the U.S. introduced a similar luxury tax on boats that devastated the industry. One yacht builder went from 220 to 50 employees, another, from 95 to 8. The tax was eventually repealed...but not before destroying thousands of jobs and resulting in a net revenue loss of \$8 million to the government. New Zealand, Italy, Norway, Turkey and Spain have previously introduced luxury taxes on boats, all of which were ultimately repealed due to the net-negative economic effects.

My own business – **Business Name** – has been operating for **[X]** years and employs **[Y]** people in our local community of **[Z]**. I am deeply concerned that the luxury tax and resulting drop in sales could put some or all of my employees at risk, which would have a ripple effect through our supply chain and community. I urge you to stand up for recreational boating businesses and workers across Canada and scrap this unfair and damaging new luxury tax. On the cusp of a fragile economic recovery, we cannot afford yet another tax that would put good middle-class jobs at risk.

Sincerely,