



Sent by email to Consultation-Legislation@fin.gc.ca

January 6, 2023

Finance Canada
90 Elgin Street
Ottawa, Ontario

RE: Canadian Chamber of Commerce submission on draft legislative proposals to incorporate the OECD Model Rules into the *Income Tax Act*

This document constitutes the response of the Canadian Chamber of Commerce (the “Chamber”) to the request of the Department of Finance (“Finance”) in its November 2022 draft legislative proposals on incorporating the OECD Model Rules into the *Income Tax Act* (the “proposals”) for feedback. The Chamber welcomes the opportunity to articulate its views on the proposals and would be pleased to continue its dialogue with Finance.

The Canadian Chamber of Commerce

1. Founded in 1925, the Chamber is a non-partisan, not-for-profit organization that represents nearly 200,000 businesses across Canada through its network of more than 400 affiliated chambers of commerce and boards of trade, as well as its own member companies and sectoral associations. The Chamber’s members include businesses of every size, from all sectors of the economy and every region of the country, constituting a significant portion of Canada’s tax base.

Overview

2. The Canadian Chamber believes low administrative burdens and clear guidance are essential components of a tax system that encourages economic growth. To this end, the Chamber recommends maintaining the proposal’s definition of excluded platform operators to avoid creating competitive disadvantages. Additionally, the Chamber urges the government to limit the amount of data platform operators must collect in order to minimize the cost and compliance burden imposed on businesses. Finally, the Chamber believes the government must provide greater clarity on practical implementation details to help businesses plan for the enactment of the proposals.

Excluded Platform Operators

3. The Chamber encourages the government to maintain the definition of excluded platform operators as articulated in the proposals and to not create a threshold under which small platforms would be excluded. Creating a threshold under which reporting would not be required could ultimately result on sellers seeking to move their activities to smaller



platforms not subject to reporting rules, which would undermine the policy objective of the proposals by raising the risk of tax evasion. Additionally, platforms within the scope of reporting rules could be placed at a competitive disadvantage if they incurred the compliance costs that smaller platform operators did not.

Compliance and Cost Burden

4. The Chamber recommends that only the minimum information needed to identify a seller and match them to the information already held by CRA be required. As many platforms may not collect significant amounts of information on the personal details of sellers, beginning to enforce data collection will pose complex administrative challenges. Further, complying with the proposals' verification obligations will necessarily impose time, cost, and resource obligations to build new processes. Example of costs include:
 - Training or hiring specialist staff
 - Analyzing existing seller data and gathering information from existing sellers
 - Modifying internal databases and processes
 - Creating, purchasing, and training employees to use software to collect and report data
 - Verifying collected information

Additional guidance is also needed on information verification (including the extent of verification needed to satisfy requirements) and procedures for addressing sellers who withhold information.

Practical Implementation

5. The Chamber encourages the government to maintain a flexible reporting format to allow businesses to implement the least burdensome process for their circumstances. Allowing for data submission in the XML format, for example, would benefit larger platform operators which already have the appropriate internal expertise. Meanwhile, allowing for a manual reporting option would benefit smaller platform operators which may otherwise find it challenging to meet the costs of compliance. Technical details on the specifications and requirements of compliance should also be made available well in advance of the proposal's implementation to allow business sufficient planning time.

Conclusion

6. The Chamber thanks Finance for the opportunity to express its views on the proposals and welcomes the possibility of continued dialogue. As noted above, the Chamber's membership constitutes a significant element of Canada's tax base, and its interests are therefore aligned with the government in ensuring the successful implementation of the proposals.