

BY EMAIL

Hon. Chrystia Freeland, Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Email: fin.minfinance-financemin.fin@canada.ca

Subject: Luxury Tax on Aircraft

Dear Minister Freeland,

On behalf of the Canadian Business Aviation Association (CBAA), I am writing to you in regard to the government's luxury tax - and specifically its application to aircraft - which, despite the will of your fellow parliamentarians to delay the effective date, which came into force on September 1, 2022.

While we appreciate that government will make some changes to the tax via regulations, these changes do not go nearly far enough to remedy the significant and negative impacts the tax will impose on industry, across the whole of the aviation value chain.

As you and your government have heard throughout the consultation process related to the tax, and throughout the House of Commons Standing Committee on Finance's study of Bill C-19, the imposition of a luxury tax on aircraft in Canada will have negative consequences for Canada's aviation and aerospace sectors, affecting job creation, business competitiveness, and importantly, the ability of operators to adopt the cleanest and greenest aircraft, impeding progress related to achieving Canada's net-zero goals.

Throughout the consultation period and committee testimony focused on the tax, your government heard a very clear call from both industry leaders and Members of Parliament, that ahead of the tax's imposition, Finance Canada should conduct an economic analysis so that the impacts of the tax could be more fully understood.

Your government typically holds data and evidence in high regard, yet without having done any economic impact analysis ahead of imposing the tax, you are flying blind. As the global economy teeters on the brink of recession, imposing the tax without understanding its full impact on jobs and the economy is, in our view, reckless.

Your colleagues in the House of Commons were in unanimous agreement that the effective date for the luxury tax on aircraft should be delayed beyond September 1, 2022, until government could better understand its impacts, yet the spirit of the amendment - and further, the will of parliament - have been ignored entirely, to the detriment of our economic wellbeing.

We suggest that there is still opportunity to mitigate the negative impacts the tax is sure to inflict, and that the government can do so first by pausing the luxury tax on aircraft until a fulsome economic impact assessment has been completed by the Department of Finance. Fully understanding the economic impact of the tax will allow for the Department of Finance to consider additional changes that ensure it does not unduly impact the aviation sector, the strong middle-class jobs it supports, and the Canadian economy more broadly. Additional changes to the tax should include:

- Raising the sales price threshold from \$100,000 to \$5 million for aircraft purchased whole or in part
- Establishing an upper limit of \$1M CAD on Luxury Tax collection for aircraft
- Ensuring that commercial charter flights are an activity that is exempted from the tax's application
- Applying a "Primary" purpose test (more than 50%) in respect of the "qualifying subject aircraft" (see attached submission for additional detail)

We remain available to discuss the above recommendations and look forward to the opportunity.

Thank you for the consideration.



Sincerely,
Anthony Norejko
President and CEO
Canadian Business Aviation Association (CBAA)
anorejko@cbaa.ca
613-236-5611 Ext 1