
FDFA AFHT

FRONTIER DUTY FREE ASSOCIATION
ASSOCIATION FRONTIERE HORS TAXES

The Frontier Duty Free Association (FDFA) is the industry association for Canada's land border duty free shops. There are 33 stores operating in 7 provinces (British Columbia to New Brunswick).

The FDFA promotes the development of Canada's land border duty free industry by acting as a voice, advocate and business resource for member stores.

As a matter of policy, all duty free shop owners deliberately foster a distinctly Canadian flavour or ambiance in their stores.

Duty Free stores generate significant economic benefits in the regions where they operate:

- Land border duty free stores have repatriated close to \$1.5 billion in sales in the past 10 years, which would have otherwise been lost to the US duty free stores and retailers.
- Total direct and indirect employment accounts for approximately 2,500 FTE Canadian jobs.
- Represent approximately \$35 million per year in federal, provincial and local taxes.
- Operators have invested a total of more than \$60 million in facilities at border crossings.

Return of the Visitor Rebate Program

The Visitor Rebate program (VRP) was cancelled in 2007.

Visitors to Canada pay HST on most purchases, such as clothes and consumer goods. All other forms of export are sales tax exempt.

Canada is the only OECD country that still has HST on goods purchased by foreign visitors.

The government should reinstate the visitor rebate program to encourage greater cross-border spending.

FDFA proposes administering the program in stores to maximize benefit, and evidence suggests that revenues will then be spent back into Canada.

FDFA has previously promoted a similar program called “Road Trip”, which has broad support from other stakeholders (RCC, local chambers of commerce, and elected officials).

For more information please contact

Barbara Barrett| Executive Director | 613-688-9788| bbarrett@FDFA.ca

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Tobacco

The duty free shop regulations under the Customs Act state that “that the goods sold in the duty free shop are for immediate exportation only and must be reported under the Act if they are returned to Canada”. Due to their nature, emplacement and by law, all products (including tobacco and alcohol) sold at land border duty free stores are immediately exported to the US. All products sold at duty free stores are considered ‘export’ under the Customs Act.

Over the past few years, the government has introduced many initiatives to reduce smoking in Canada. These initiatives include: banning menthol tobacco, increasing the tobacco excise duty and recently a plain packaging and standardized tobacco products legislation. With tobacco being the second largest seller for duty free stores, these measures coupled with contraband tobacco have significantly affected sales in our industry.

Given the nature and the location of land border duty free stores, 100% of products sold are directly exported to the United States.

Note: Duty Free sales are considered exports from a CRA taxation perspective and for Excise Tax regulations. Duty Free sales are also exempted under the Canadian Consumer Packaging and Labeling Regulations and get exemptions under certain provisions of the Tobacco Act such as product display.

Duty free stores should receive an exemption from additional excise duty and tax on tobacco products. This will ensure Canadian duty free stores remain competitive with the US duty free shops and retrailers.

F DFA members operate in a heavily regulated environment, but compete with illicit retailers and organized crime. Duty Free product can sometimes be confused with illegal cigarettes.

Contraband Trade is a gateway to other illegal activities, such as illegal guns, drugs and human smuggling.

Contraband Tobacco is also a big loss to taxpayers. According to the National Coalition Against Contraband Tobacco (NCACT) more than two billion dollars is lost annually in government revenues to illegal cigarettes.

It is important that the federal government takes a leadership role to address the contraband tobacco issue.

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