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****FOR IMMEDIATE RELEASE****

Chatham-Kent, Ontario, Canada – December 10, 2024

A CALL FOR UNDERSTANDING: SUPPORTING LOCAL BUSINESSES DURING THE TAX HOLIDAY SEASON

As we approach the holiday season and the implementation of the temporary tax holiday, we urge the public to be mindful of the challenges faced by local businesses. This initiative, while aimed at providing financial relief to consumers, has created significant hurdles for many of our community's small and medium-sized enterprises.

Implementation Challenges

The rushed implementation of this tax holiday has created an administrative nightmare for small businesses. With only two weeks' notice, during the busiest retail season of the year, we are expected to reprogram complex point-of-sale systems and make judgment calls on thousands of items.

This task is particularly daunting for businesses, which specializes in Point of Sale systems. The set up of these systems involves many hours of programming. It has been very frustrating to get clarification on the items that are going to be exempt and have to be changed in the systems as there are many grey areas. For example, the GST is supposed to be removed from a drink based on the percentage of alcohol in it. Cash registers and point of sale systems are not programmed this way.

Lack of Clarity and Guidance

The lack of clear guidance from the Canada Revenue Agency has left many businesses in a state of confusion. The creation of new tax categories, such as differential sales tax rates on toys marketed for adults versus children, or drinks based on alcohol percentage, has added another layer of complexity. Many business owners are forced to make educated guesses, risking potential audits and penalties in the future.

Financial Burden

The financial impact on small businesses is significant. Many retailers are facing costs of up to \$500 each time their point-of-sale devices need reprogramming and affected businesses are incurring a median

cost of \$1,000 to implement these changes. This financial burden is particularly unfair given that only 4% of small businesses expect to see stronger sales as a result of this initiative.

Timing and Economic Impact

The timing of this tax holiday is problematic. As one business owner points out: "At this busy time of year, I can't imagine the burden some small businesses will face implementing and monitoring these changes. Larger businesses will likely pass on the increased costs to consumers, and once prices rise, they're rarely adjusted back. This false sense of getting a deal will encourage more spending, often on credit cards. I don't foresee any real economic benefit from this initiative." Furthermore, the December 14th implementation date means that many early, budget-conscious shoppers will have already completed their purchases, potentially missing out on the intended benefits.

Long-term Consequences

The short-term nature of this initiative could lead to longer-term negative consequences. As noted by a concerned business owner: "After the holidays, consumers will face larger credit card balances, adding more debt at a time when they can least afford it. This short-term initiative could lead to longer repayment periods with higher interest costs. The only real winners will be credit card companies, as many consumers will struggle to repay their debts quickly, accumulating even more interest."

Local businesses are working tirelessly to implement complex changes to their systems and processes:

- Reprogramming point-of-sale systems on short notice
- Updating pricing for thousands of items
- Adjusting prices manually when the point-of-sale system cannot be programmed
- Training staff on new procedures during the busiest time of the year

These changes are not only time-consuming but also costly, with many businesses incurring expenses of \$1,000 or more to comply with the new regulations.

How You Can Help

We kindly ask for your patience, understanding, and courtesy as you shop this holiday season:

Be Patient

- Understand that transactions may take longer as staff navigate new systems and tax rules.
- Remember that businesses had only two weeks to prepare for these changes during their busiest season.

Show Empathy

- Recognize that small businesses are facing significant challenges in implementing these changes.
- Avoid arguing with clerks over whether an item is taxable or not, especially for items marketed to adults but purchased for children.

Avoid Problematic Requests

- Don't ask for price adjustments on items purchased before the holiday.
- Refrain from returning and repurchasing items solely to avoid tax, as this can incur additional costs for the business.

Don't Expect Tax Expertise

- Remember that store employees are not tax experts and may not be able to override point-of-sale systems.
- Avoid expecting clerks to make judgment calls on complex tax rules.

Direct Concerns Appropriately

- Take up any complaints or questions about the tax holiday with Members of Parliament rather than small business owners or staff.

Be Considerate with Returns

- Consider that returning and repurchasing items on credit cards may require retailers to pay multiple processing fees.

By following these guidelines, customers can help ease the burden on businesses during this challenging period and contribute to a more positive shopping experience for everyone involved.

Looking Ahead

As we enter the new year, please continue to show support for our local business community:

- Be aware that businesses may face additional challenges as they readjust their systems after the tax holiday ends.
- Consider spreading out your purchases to help businesses manage inventory and cash flow.
- Provide constructive feedback to businesses about your shopping experience.

"Small businesses are the backbone of our communities," says B.J Griffiths, Chair, Chatham-Kent Chamber of Commerce. "By showing patience and understanding during this period, we can all contribute to a more positive shopping experience and support the local economy. Let's come together as a community to ensure this holiday season is enjoyable for everyone – shoppers and business owners alike. Your kindness and support can make a significant difference during this transitional period"