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## **Canadian Report on Government Revenue from Tourism Groundbreaking in its Methodology**

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Recently, the Canadian Tourism Commission released a report on taxes and other sources of government revenue. It is threatening to make waves in Canada, as it opens the door to issues of taxation vis-à-vis other sectors of the economy. In addition, this report is significant because the overall methodological approach was groundbreaking and, as a result, generated very solid numbers.

A few weeks ago, CTC released a report on the amount of revenue the government was receiving from the tourism sector, entitled *Government Revenue Attributable to Tourism (GRAT)*. This report confirms what we had already published on the question, and also raises questions for future public policy debates in Canada.

Back in 1996, when the CTC was establishing many of the programs and initiatives to establish its role as the main source of research for the Canadian tourism sector, one of the first reports commissioned studied government revenue attributable to tourism. In that report, we estimated the total government take (federal, provincial and municipal) was 22.9 cents for every dollar spent in the sector. When the yield from sources not measured was factored in, we then estimated that the government received approximately thirty cents per dollar spent.

With the new report, we find our estimates justified. The figures speak for themselves. Tourism generated:

- \$13.8 billion in revenue for all three levels of government
- 30.1 cents in taxes for every tourism dollar spent
- Approximately 14.8 cents for the federal government, 13.6 cents for the provincial / territorial governments, and 1.8 cents for municipal governments of every tourism dollar spent
- 4.0 per cent of overall government revenue
- More tax revenue from sales taxes than from any other source
- Enough tax revenue from employment income and business profits to make it the second most important revenue source

This report is exciting because of the way it was constructed. Often we only see aggregate figures for taxes, usually as part of an input-output equation. But for this study, previous work defining the tourism sector in the Tourism Satellite account was used and combined with overall revenue records of the various levels of government. As a result, this report uses a large sample population. Eighty-six per cent of government revenue from all sources was covered in this report. The previous study covered 55 per cent.

With this report, in comparison to the first one, we closed key gaps in our data collection, including taxes on income from corporations, individuals, and non-residents, as well as

contributions to social insurance plans. In addition, sales taxes (GST for the federal government, PST for the provincial government) were included in the new study.

It is not an exaggeration to say that Conrad Barber-Dueck and Li Zhao, who ran the study on our behalf at Statistics Canada, went the “extra mile”. Although the 1996 report had set a precedent in the Canadian civil service with its thoroughness, the detail of the new report has set an ever higher standards.

This report will contribute to many aspects of tourism development. Marketers and tourism business managers now know how much of their revenues goes toward the government. Governments have a benchmark to use when evaluating their return on investment in the sector. It can also be used when evaluating the impact of marketing campaigns.

Another significant findings of this report is that the tourism sector provides 4 per cent of overall government revenues, but only represents 2.3 per cent of overall Gross Domestic Product (GDP). This raises legitimate questions, which could be the subject of future studies, on whether the tourism sector is being taxed fairly compared to other sectors of the economy.

This report, like all reports, is not perfect. The CTC would like to improve the timeliness of reports like these (the new report measures the taxation year 1998; the 1996 report covered 1992). Ideally, this report should be published annually. Also, this report breaks down the numbers by the level of government, but not by geographic region. In the future, statistics could be provided on a residual or provincial basis.

*Government revenue attributable to tourism, 1998*, as well as other research reports are available on the CTC’s web site, [canadatourism.com](http://canadatourism.com)