

Brian Masse

Member of Parliament
(Windsor West)



Ottawa

1000 Valour Bldg.
House of Commons
Ottawa ON, K1A 0A6
brian.masse@parl.gc.ca

April 3, 2024

Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance
80 Wellington St.
Ottawa, ON K1A 0A3
Sent via email: Chrystia.Freeland@fin.gc.ca

Honourable Dominic LeBlanc
Minister of Public Safety, Democratic Institutions and Intergovernmental Affairs
c/o Public Safety Canada
269 Laurier Ave. W. Ottawa, ON K1A 0P8
Sent by email: ps.ministerofpublicsafety-ministredelasecuritepublique.sp@ps-sp.gc.ca

Dear Honourable Ministers,

I am writing today, following a recent meeting of all-party Members of Parliament representing border constituencies to address urgent issues at land border duty-free stores. It was clear following our meeting that the challenges confronting these small, Canadian, locally owned, independent duty-free enterprises need immediate attention and support.

Land border duty-free stores serve as exclusive export markets, catering solely to travelers crossing into the United States (U.S.). These establishments play a pivotal role in fostering local tourism, employment, tax revenue, and economic development throughout Canada. Additionally, they have significantly bolstered the economic vitality and social fabric of remote rural areas in provinces bordering the U.S.

It is crucial to recognize that duty-free shop sales are deemed exported by the Canada Border Services Agency (CBSA), with all transactions meticulously verified and approved as exports by CBSA. Duty-free stores are formally designated as the exporter by CBSA, underlining their integral role in facilitating cross-border trade.

Duty-free shops operate under licenses granted by CBSA and are regulated by the *Customs Act*, obliging them to adhere to strict regulations governing site management, inventory control, reporting, and storage to ensure compliance with export regulations. However, despite these rigorous standards, the main hurdle these businesses face stems

from interacting with different government departments - some of which may lack a comprehensive understanding of the export-only operations of duty-free shops. This discrepancy results in conflicting interpretations among various government entities regarding the export nature of these businesses.

Consequently, duty-free stores are increasingly subjected to domestic regulations that place them at a competitive disadvantage next to their U.S. counterparts. This results in substantial sales lost to U.S. retailers at the expense of Canadian businesses and border communities.

A notable instance of this disparity is the recent imposition of domestic excise taxes on vape products sold in Canadian duty-free shops. This marks the **first time a domestic tax has been applied to the Canadian duty-free industry** and this application of domestic taxes on goods destined for export has created an unjust competitive landscape, driving sales to U.S. retailers while failing to mitigate vaping consumption. Importantly, duty-free establishments are the sole export industry affected by this domestic tax scheme. Furthermore, this misapplied domestic tax directly contradicts the fundamental principles of the entire land border duty-free model.

The remedy to this issue lies in a **Ministerial Directive to all relevant Governmental Departments**, unequivocally affirming that land border duty-free stores are **EXPORT** businesses and must be treated as such in all regulatory matters. Such a directive would ensure consistent interpretation and treatment across government agencies, alleviating burdens on duty free enterprises and empowering them to thrive in a competitive marketplace and repatriate sales to Canada as mandated in the creation of the CBSA Duty Free Program.

Ultimately, the disparity needs government attention and duty-free businesses should be allowed to compete on equal footing with their U.S. counterparts. I thank you in advance for your time and attention to this matter and I would be happy to meet with you should you have any questions or concerns. Looking forward to your response.

Yours truly,



Brian Masse MP
Windsor West
NDP Industry, Canada-US Border and Great Lakes Critic
Vice-Chair, Canada-United States Inter-Parliamentary Group