

OPINION

Let's make the GST holiday permanent

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The introduction of the GST in 1991 was devastating to the restaurant industry. An Ernst and Young report found that real restaurant sales dropped 11 per cent that year, much of that a direct result of the new tax.

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Starting this weekend, Canadians will be paying a little more for food in restaurants as the GST and HST holiday comes to an end. With the Trump administration's steel and aluminum tariffs to take effect March 4 and the threat of across-the-board levies

from our biggest trading partner still very much a reality, its likely that more cost-of-living increases are in store, including food price hikes. So the GST/HST holiday should be made permanent.

It has been a welcome if temporary relief for Canadians, but new data show it has also created jobs. The foodservice sector reached its highest employment level since the early days of the pandemic in January, according to the latest Statistics Canada Labour Force Survey, with the industry adding 34,600 jobs since November, 2024. A staggering one in six new jobs created in Canada is in the food-service industry.

The introduction of the GST in 1991 was devastating to the restaurant industry. An Ernst and Young report found that real restaurant sales dropped 11 per cent that year, much of that a direct result of the new tax. The food-service industry was forced to lay off 46,000 Canadians that year. Job creation in the industry slowed from an average of 31,135 jobs a year between 1976 and 1990 to just 17,387 between 1992 and 2006.

The big winners were grocery stores, whose products are mostly exempt from the tax. Prior to 1991, 42 cents of every dollar spent on food went to restaurants, a share comparable to that of the United States. However, after the implementation of the GST, Canada's food-service share dropped to 36.8 cents – and it has never fully recovered. By way of contrast, the restaurant share in the U.S. has now surpassed 50 cents.

Despite protest and campaigns over the years from the restaurant industry, the GST on prepared food was considered a done deal, politically, with no appetite to revisit the question. Until late last year.

When the GST/HST holiday was first proposed, it excluded restaurant meals but did include snacks and prepared food at grocery stores, which would have been a further blow to a sector that is already at the brink. Our industry was a last-minute addition, largely because of Restaurants Canada's advocacy for tax relief and affordability for Canadians, which included more than 50 meetings with MPs.

The reason is simple: Canadians have been going out to eat less often and spending less when they do because they are grappling with cost-of-living increases. In fact,

restaurants are one of the first things Canadians cut out of their budgets when they need to tighten their belts. As a result, more than half of foodservice businesses (53 per cent) are currently operating at a loss or just breaking even, compared with 12 per cent before the pandemic. Bankruptcies last year outpaced both 2022 and 2021 numbers.

Despite these difficulties, the foodservice industry is an economic behemoth and should not be dismissed as disposable. It is the fourth-largest private-sector employer, with nearly 1.2 million workers or 6 per cent of the national work force, serving 23 million customers daily and contributing almost \$120-billion annually to Canada's economy. For every \$1-million in sales, the restaurant industry creates 17.6 jobs, compared with an average of 7.4 jobs in other sectors. This is all without counting the tens of other industries that rely on restaurants for their own profitability, such as fisheries, agriculture and tourism.

And Canadians have been taking advantage of the tax holiday. They dined out on average 18 per cent more in the first two weeks of the holiday than they did during the same period in 2023, according to OpenTable data. Restaurants Canada's conservative estimate suggests restaurants could see an additional \$1.5-billion in sales during the tax break period.

Supporting job growth and stability in our sector will bolster local economies in every community across the country and allow us to be more resilient in the face of economic threats and upheaval. This should be priority No. 1 for a government facing one of the biggest economic battles of our country's history.

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