

What is Tax Blending?

Beginning January 1, 2013, the City of St. John's will no longer require local businesses to pay Business Occupancy Tax. The Business Occupancy Tax will be blended into the Business Realty Tax and commercial property owners will only pay Business Realty Tax after this date. There will be no change to the Residential Realty Tax regime.

The elimination of the Business Occupancy Tax will require the City to increase its Business Realty Tax to recover revenue previously generated by the Business Occupancy Tax. Provincial amendments to the *City of St. John's Act* and the *City of St. John's Municipal Taxation Act* allow commercial property owners leasing property to a business to collect increased fees from their tenants in order to offset any tax increase.

How will this change tax revenue to the City?

The elimination of the Business Occupancy Tax and the resultant increase in Business Realty tax will not increase the overall amount of tax collected by the City. Please see the tables to the right for a visual illustration of the change. Again, the primary objective for the City is to collect the same revenue through a simpler system.

Why is the City of St. John's blending the Business Occupancy and Business Realty Taxes?

The City of St. John's has been working towards eliminating the Business Occupancy Tax for the past two decades. Newfoundland and Labrador is one of the last jurisdictions in Canada to have a Business Occupancy Tax.

The key reasons to eliminate the tax include:

- Eliminating the Business Occupancy Tax makes the commercial tax system more equitable as all parties pay the same mill rate;
- Increased efficiency at City Hall resulting from not having to produce and administer Business Occupancy tax rolls and tax collections;
- Simplify the tax system.

Current vs. Projected Revenue Current Tax System (based on 2012)

| Category | Revenue Budget | % of Total |
|--------------------|----------------|------------|
| Residential Realty | \$70,615,000 | 56% |
| Business Realty | \$29,625,000 | 24% |
| Business Occupancy | \$25,552,000 | 20% |
| TOTAL | \$125,792,000 | 100% |

Projected New Tax System

| Category | Revenue Budget | % of Total |
|--------------------|----------------|------------|
| Residential Realty | \$70,615,000 | 56% |
| Business Realty | \$55,177,000 | 44% |
| Business Occupancy | 0 | 0% |
| TOTAL | \$125,792,000 | 100% |

Was the business community involved in this process?

The City has worked with the business community throughout this process. In 2006 the City brought its third proposal to eliminate the Business Occupancy Tax to the St. John's Board of Trade and it was agreed at that time to hire independent consultants to conduct a study. The Tax Blending Steering Committee was established in 2006 with commercial taxpayers and City representation to provide assistance and advice to the consultants.

The consultant report was presented to the Steering Committee in 2008 and provided advice regarding the process of tax blending and ways to mitigate any issues which may arise.

The Steering Committee reviewed the recommendations in the consultant report, decided that it was in the best interest of all concerned to proceed with tax blending, and developed practical strategies for implementation.

The necessary provincial legislative changes took place in the summer of 2012 to allow tax blending to proceed. The City is currently moving forward with blending the Business Occupancy Tax into the Business Realty Tax, which will be enacted January 1, 2013.

How will the new Business Realty Tax Work?

The City of St. John's has worked with the business community through the Tax Blending Steering Committee formed in 2006 to address concerns brought forward regarding blending the Business Occupancy and Business Realty Taxes together. Some of the key changes include:

- Business Realty Tax will now be paid quarterly in arrears rather than twice annually in advance. The first payment in 2013 will be due April 30, 2013.
- Commercial Water Tax billed by units will also move to quarterly billing in arrears for commercial property owners.
- A vacancy allowance will be created to address vacant commercial space. It will also be applied to registered charities and other tax exempt parties. Vacant commercial land will receive a 50 per cent discount.
- In future, property owners will be able to apply for the vacancy allowance using an online web application on a quarterly basis.

Tax Blending

Business Occupancy and Business Realty Tax

**For Further Information on
Tax Blending:
Please Visit
www.stjohns.ca**

**Please Call
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