



The Business Voice Of Europe

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
90 Elgin Street
Ottawa, ON K1A 0A2

Toronto, March 2nd, 2023

Dear Deputy Prime Minister,

EUCCAN – the European Union Chamber of Commerce in Canada - wishes to respectfully express its concerns and those of the European automotive manufacturers, including BMW, Mercedes-Benz, Volkswagen and Volvo Cars, about the implementation of the luxury tax by the Canadian government.

As the European Union Chamber of Commerce, we are strongly committed to deepen the economic and business relation between the EU and Canada and to promote the CETA trade agreement. Today, we need to express our concerns about the application of the Canadian luxury tax to European products because of its negative impact on EU-Canada trade flows and imports of European vehicles. This tax contravenes the spirit of CETA and the objectives shared by both Canada and Europe to strengthen our economic and commercial ties. Furthermore, and as the European manufacturers are dominating the premium and luxury automobile market, we are concerned with this tax targeting nearly exclusively the European manufacturers.

The tax appears problematic when viewed alongside Canada's climate objectives and greenhouse gas reduction targets. As manufacturing costs and consequentia of electric vehicles are consistently higher than those of vehicles with combustion engines, the luxury tax – which applies above a defined threshold – is likely to apply more frequently and in excess amounts to the purchase of electric vehicles compared to ICE (Internal Combustion Engine) vehicles. Canada has recently renewed its ambition to fight climate change during the COP 27 and COP 15 conferences. Supporting the manufacturing and widespread adoption of zero-emission vehicles is a crucial driver in the fight against climate change and the application of the luxury tax to electric vehicles has a deterring effect to the purchase and use of such vehicles by Canadian consumers.



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Finally, I very much welcome the significant European investments in the automotive sector in Canada including the construction of electric battery plants and sourcing of critical minerals that have been announced recently. Nevertheless, I would like to underline that the adoption by the United States of America of the Inflation Reduction Act raises many questions for investors in Canada, creating uncertainty and adding to the concerns already expressed by investors about the luxury tax some months ago. As you know, a transparent, stable and sustainable business environment is key for European companies and investors in Canada.

For those reasons, I would like to ask you to consider updating the luxury tax for introducing an exemption for the purchase of electric vehicles.

I would like to thank you for your consideration and would be happy to meet with you and your team to further discuss this topic.

Sincerely,

Adrian Thomas
EUCCAN's President