



Netflix Tax: You'll Soon Have to Pay GST/HST on Digital Goods

Description

Canada's deficit is set to hit a record \$381 billion this year. And it looks like the Trudeau government is coming up with some creative ways to pay for it. As part of its fiscal snapshot update, Trudeau's team announced they'd be levying GST/HST on digital services like **Netflix**. Until now, only two provinces — Quebec and Saskatchewan — had actually forced digital giants to collect sales tax on digital goods.

While [GST/HST](#) is nothing new, you may not have been paying it on some American digital goods. If that's the case then you'll have to pay a tax on these goods going forward — likely as soon as 2022.

Will this actually affect you?

While a new tax on digital goods sounds like a downer, the truth is that many foreign digital vendors are already collecting it voluntarily. As part of my research for this article, I took a look at some receipts for digital goods I'd purchased recently. Here's what I found:

- **Nintendo** is actively charging GST/HST on all digital game sales.
- **Adobe** doesn't provide detailed receipts, but the price I paid on a digital service of theirs (US\$60 on a service with a US\$53 list price) implies that GST/HST was baked into the cost.
- **Alphabet** did not charge any sales tax on a purchase I made in the Google Play store, but that was five years ago.

Of the three digital vendors I mentioned above, two appear to be collecting sales tax already. One did not, but the purchase I made with it was a long time ago. Finally, a credible report from an **Apple** fan site said that Apple [began collecting GST/GST in 2018](#). So, many U.S. and overseas vendors seem to be ahead of the feds on sales tax.

Nevertheless, if you're a mega consumer of digital goods, Trudeau's new GST/HST collection policy could hit you in the pocketbook. While some American vendors are already charging the sales tax, others aren't. Netflix and AirBnB were singled out in media reports as being among those "not paying their fair share." If you use those services, then the sales tax is going to be passed on to you.

Possible implications for investors

The GST/HST collection policy could have implications if you invest.

Many Canadian companies make money off U.S. sales to Canada, and revenues could be impacted by this new policy.

Consider **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), for example. It's a Canadian company, but many of its vendors are American. And plenty of them sell digital goods. Those that sell to Canadians may have to start collecting and remitting the sales tax.

That could impact Shopify itself. When vendors are forced to collect GST/HST, they usually respond by passing the cost on to consumers. The result is higher prices for consumer goods. If previously GST-exempt American suppliers have to collect sales taxes when selling to Canada, their prices won't be as attractive. That might result in fewer sales — not a positive for Shopify.

With that said, it's not clear that the federal government will be going after foreign small businesses for sales taxes. There's already a \$30,000 exemption for small suppliers in Canada. Perhaps the same will be brought in for foreign vendors. As of right now, the details have yet to be worked out. Clarity should be coming soon, though, as Trudeau wants this new policy implemented by 2022.

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