

## HST vital to sustaining economic prosperity in BC

Last month, the BC government announced its intention to harmonize the provincial sales tax (PST) with the federal GST, effective July 1, 2010. This will result in the elimination of the PST and the establishment of a new, single harmonized sales tax (HST) initially set at a rate of 12%.

The business associations listed at the end of this document, and the tens of thousands of enterprises – large and small – that they represent, are supportive of moving to the HST because we believe it will mean a stronger economy, more jobs, and higher incomes over time.

There are a number of reasons why eliminating the PST and adopting the HST makes sense.

- **Increased competitiveness:** By removing the PST that companies now pay on their inputs, the HST will make British Columbia more competitive. While the PST is often viewed as a “consumption” tax, in fact it applies to both consumption and production. Approximately 40% of PST revenue is paid by businesses on goods and services which they purchase to run their operations – everything from equipment, machinery, vehicles, and building materials to office supplies, furniture, energy, legal services and more. As this PST-related tax burden is removed, the vast majority of businesses will be in a better position to invest, to grow, and to sustain and create jobs.
- **More investment:** A second and related reason to adopt the HST is that it will stimulate investment. Experience in Atlantic Canada and other jurisdictions confirms that shifting to a value-added sales tax like the HST paves the way for increased capital spending on machinery, equipment, structures, new technologies, and other productive assets. Additional business investment should lead to faster economic growth, more jobs, higher productivity, and greater exports – all of which are good for workers and consumers alike.
- **Reduced ‘paperwork’ burden:** As British Columbia integrates its sales tax with the federal GST, compliance and ‘paperwork’ costs will decline for tens of thousands of BC businesses. Under the present system of separate provincial and federal sales taxes, businesses are forced to deal with two different sets of tax rules, administrative authorities, and compliance requirements. Tax filing, compliance, and other regulatory costs will be significantly lower under the HST, which should be especially beneficial for smaller businesses.
- **Federal government funding:** By moving to a harmonized sales tax, the province is in line to receive \$1.6 billion from the federal government. This reflects a longstanding federal policy to encourage the provinces to integrate their sales taxes with the GST in order to strengthen the Canadian economic union. Additional federal dollars will be helpful in allowing the province to maintain important public services and to pay for measures that may be used to facilitate the transition to the HST for a small number of vulnerable industry sectors.
- **Aligning with other provinces:** Finally, the fact that Ontario plans to legislate its own version of the HST next year, and that Quebec and three Atlantic Canadian provinces did so in the late 1990s, is also an important factor. These provinces represent about 70% of the Canadian economy. The HST will put BC on a more even tax footing within Canada and ensure that needed investment dollars and jobs aren’t lost to other jurisdictions.

A healthy business sector is a vital part of any thriving economy. By providing jobs and buying inputs from local suppliers, competitive enterprises make a big contribution to the tax base that governments rely on to pay for programs and services. The HST promises to strengthen the foundations for BC's high standard of living by helping to expand the economic pie and spurring the creation of more good-paying jobs.

Consumption taxes are sometimes criticized for being "regressive," by disproportionately affecting lower income households. To address this concern, the provincial government has pledged to provide a new, refundable HST credit which will be paid quarterly along with the existing GST credit, to lower income individuals. We believe this represents a balanced and equitable approach to ensuring that lower-income citizens do not face an added economic burden from the HST.

In conclusion, while we recognize that a few industry sectors may face challenges as the HST is implemented, overall we are convinced the HST will generate positive economic results for businesses, consumers, and workers in British Columbia in the years ahead.

Business Council of BC  
BC Chamber of Commerce  
Institute of Chartered Accountants of BC  
Retail Council of Canada  
BC Technology Industry Association  
Canadian Manufacturers and Exporters  
Mining Association of BC  
Council of Forest Industries  
BC Trucking Association  
BC Road Builders and Heavy Construction Association  
Coast Forest Products Association  
New Car Dealers Association of BC  
BC Construction Association  
BC Pulp and Paper Steering Committee  
Truck Loggers Association  
Motion Picture Industry Association of BC  
Greater Vancouver Gateway Council  
Railway Association of Canada  
Independent Contractors and Businesses Association of BC  
Initiatives Prince George  
Canadian Association of Petroleum Producers  
Association of Mineral Exploration BC  
New Media BC

# Ten Things You Need to Know about HST in B.C.

1. The HST will mean a stronger economy, which will create more jobs and enhance job security for British Columbians.
2. Evidence in other countries, and provinces, with similar tax structures indicates that an HST in B.C. will lead to higher wages and a higher standard of living for British Columbians.
3. Many products will go down in price. Because farmers, manufacturers, and other businesses will receive a 12% tax credit for the HST they pay, the cost of making their products will go down. Economic research has shown that in other jurisdictions where an HST has been implemented, the overall prices paid by consumers on many products went down, as these lower costs were passed along to customers.
4. All businesses, including small, neighborhood businesses will benefit from reduced paperwork and lower costs by combining two taxes into one. The B.C. Government estimates these savings will add up to approximately \$150 million per year.
5. The B.C. Government is tailoring the HST to respond to the needs of fixed and low-income British Columbians. Several products, such as books and children's clothing, will be exempt from the HST, and low income individuals and families will receive a cheque four times a year to reimburse them for the HST they spend.
6. Brand new homes (sold by the builder to the first owner) up to \$400,000 will be HST-exempt, and new homes over \$400,000 will be eligible for an HST rebate of \$20,000. Re-sales of existing homes that are simply changing hands will not have HST applied to the purchase price.
7. Without a move to an HST, B.C. would not be able to keep pace with Ontario, Quebec, Nova Scotia, New Brunswick, Newfoundland, and the majority of developed nations with which we compete. These jurisdictions have an HST-style value added tax, and would be more attractive alternatives for investors.
8. B.C.'s forest industry is fundamental to our economic strength, and the HST will provide the industry with a needed boost. The forest industry employs 80,000 people and contributes \$17 billion to B.C.'s GDP. The HST will reduce costs on the industry and make it more competitive.
9. The HST will mean more exports of B.C. made products. B.C. has had the weakest growth in exports in Canada since the late 1980s. The HST will make our exports less expensive, will stimulate BC exports, and encourage more companies to engage in exporting. More exports mean more jobs.
10. Business associations representing more than 100,000 small, medium, and large businesses in sectors as diverse as forestry, mining, telecommunications, retail, small business, manufacturing, film and television, and many others believe that the HST will be good for the B.C. economy and good for the people their sectors employ. These associations include:

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