



September 1, 2009

BACKGROUND

HARMONIZED SALES TAX (B.C. HST)

British Columbia intends to harmonize its Provincial Sales Tax (PST) with the federal Goods and Services Tax (GST) effective July 1, 2010.

The HST will combine a seven per cent B.C. rate with the five per cent federal GST, for a combined HST rate of 12 per cent. Once implemented, B.C. will have the lowest HST rate in Canada. The rate in all other provinces with an HST, including the one proposed by Ontario, is 13 per cent.

The introduction of the B.C. HST will make British Columbia one of the most competitive jurisdictions in the world for business investment, reducing the effective tax on new business investment by 40 per cent and resulting in significant investment and job growth.

It is estimated the HST will remove approximately \$2 billion in costs for job-supporting B.C. businesses, helping enhance competitiveness, increase investment and productivity and promote job growth.

Savings include:

- \$880 million for the construction industry.
- \$210 million for the transportation industry.
- \$140 million for manufacturing.
- \$140 million for the forestry sector.
- \$80 million for mining and oil and gas.

Collecting, accounting for, remitting and administering PST is a costly and complicated process for both the business owner and the provincial government. The proposed HST eliminates the current duplication of meeting separate requirements for PST and GST.

B.C.'s businesses are expected to save \$150 million annually in administrative costs under the new streamlined HST tax system.

B.C. will provide point-of-sale rebates, which are similar to PST exemptions, for the provincial portion of the HST on a number of consumer products including: gasoline and diesel fuel for motor vehicles, books, children's-sized clothing and footwear, children's car seats and car booster seats, diapers and feminine hygiene products.

The B.C. HST also includes the following measures:

- A partial rebate of the provincial portion of the HST for new housing to ensure that purchasers of new homes up to \$400,000 bear no more tax than under the current PST system. Homes above \$400,000 will receive a flat rebate of \$20,000.
- A rebate for municipalities, charities and qualifying non-profit organizations so that, on average, they pay no more provincial sales tax under the HST than under the current PST.
- A B.C. HST Credit, paid quarterly with the GST and Low Income Climate Action tax credits, to offset the impact of the HST on those with low incomes.
- A temporary delay in the provision of input tax credits for certain purchases by businesses with taxable sales in excess of \$10 million.

The provincial government also proposes to provide a provincially administered HST exemption for residential energy use.

The federal government will provide British Columbia with \$1.6 billion in transitional funding to implement the B.C. HST. The full cost of B.C. HST administration will also be borne by the federal government, saving the Province an estimated \$30 million annually in administration costs.

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For the Finance Minister's speech and more details on the *September Budget Update 2009*, visit www.bcbudget.ca.

Visit the Province's website at www.gov.bc.ca for online information and services.

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