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BACKGROUND

BUDGET 2017 HELPS BUSINESSES CREATE JOBS, GROW AND COMPETE

The Province is phasing out provincial sales tax (PST) on electricity purchases as recommended by the Commission on Tax Competitiveness. The commission found that eliminating PST on business costs like electricity could significantly improve B.C.'s overall economic performance.

In its report, the commission specifically pointed to PST on electricity as hindering competitiveness for B.C. businesses, noting that no other North America jurisdiction levies a similar retail sales tax on electricity. Residential and farm customers already do not pay PST on electricity.

Effective Oct. 1, 2017, the tax rate on electricity will be reduced to 3.5% from 7%. Effective Apr. 1, 2019, electricity will be fully exempt from PST. PST paid on electricity represents a significant cost to many of B.C.'s industries. In 2015-16, PST cost:

- Manufacturing sector: \$46 million.
- Primary industry (agriculture, forestry, mining, etc.): \$21 million.
- Wholesale and retail: \$21 million.
- Accommodation and food services: \$11 million.

Eliminating PST on electricity is also estimated to save small and medium sized businesses about \$50 million per year. These savings will allow business owners to reinvest in additional equipment, increase wages for employees or adopt new technologies. The PST exemption also applies to the public sector, providing savings to municipalities, hospitals and schools.

The PST exemption may also provide an added incentive for businesses to switch to clean B.C. hydroelectric power over other more carbon intensive fuels, supporting B.C.'s Climate Leadership Plan.

Other *Budget 2017* measures to improve competitiveness and support economic development include:

- Reducing the small business corporate income tax rate reduced to 2% from 2.5%.
- Extending and enhancing sector tax credits for the tech, scientific research and economic development, and venture capital to support innovation and commercialization.
- Providing \$6 million to fund three government trade and investment offices in ASEAN countries.

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