

OPINION-EDITORIAL

SALES TAX REFORM DRIVING B.C.'S COMPETITIVE ADVANTAGE

**By Colin Hansen
Minister of Finance**

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During tough economic times British Columbia must move boldly and dramatically to attract investment and keep British Columbians working. Cutting costs and reducing red tape hampering investment and economic growth is one of the most powerful tools at our disposal.

On July 1, 2010, British Columbia intends to adopt a Harmonized Sales Tax (HST), combining the seven per cent B.C. rate with the five per cent federal Goods and Services Tax (GST). At 12 per cent, B.C. will have the lowest HST rate in Canada.

Provincial Sales Tax (PST) is an outdated, inefficient and often hidden tax that is passed on to consumers and business in the form of higher prices. Over the years, as other jurisdictions have modernized their sales tax systems, the PST has become a burden, increasing the cost of new capital and hampering new investment.

PST significantly affects our ability to compete. It makes our goods more expensive, and our exports less competitive in global markets. And make no mistake, B.C. is competing with the world.

More than 130 countries, including 29 of the 30 Organisation for Economic Co-operation and Development (OECD) countries, have adopted a value-added tax. New Brunswick, Newfoundland and Labrador, Nova Scotia and Quebec have also adopted a value-added tax system. If B.C. did not move to an HST system all of these countries, as well as Alberta which does not have a provincial sales tax, and Ontario which plans to implement the HST in July 2010, would have a competitive advantage over B.C.

Critics will argue the harmonized tax moves the cost from business to consumers, and it will burden those who need help the most. In fact, low-income families and consumers in B.C. will be supported through a refundable B.C. HST Credit to help offset the tax on those with low incomes. In addition, British Columbians will not have to pay the provincial portion of the B.C. HST on 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.

We will also offer a partial rebate of the provincial portion of the tax for new housing to ensure that purchasers of new homes up to \$400,000 will bear no more tax than under the current PST system. Purchasers of new homes above \$400,000 will receive a flat rebate of about \$20,000.

The fact is, with one tax rate, one substantially harmonized tax base, and one set of administrative rules, the HST will help make our province one of the most competitive jurisdictions in the industrialized world.

It's estimated the HST will remove over \$2 billion in costs for B.C. businesses. That includes an estimated \$1.9 billion of sales tax removed from business inputs, which enhances competitiveness, increases investment and productivity and, ultimately, increases prosperity. For example, some savings would include about \$880 million for the construction industry, \$140 million for manufacturing, \$210 million for the transportation industry, \$140 million for the forestry sector, and \$80 million for mining and oil and gas.

In addition, B.C. businesses will also save an estimated \$150 million annually in compliance costs. Under the HST, businesses will save money—money better spent on investment, productivity enhancements and job creation.

This is the single biggest step we can take to improve our economy over the long term. As we emerge from a global economic downturn, it builds on the steps we have taken to reduce personal taxes and enhance business competitiveness. Since 2001, we have reduced taxes for B.C. families. Our overall tax burden is generally the second lowest in Canada and will remain so after harmonization. This dramatic shift to modernize our sale tax structure will pay dividends for future generations of British Columbians.

There is no better time to invest in British Columbia. Our decision to move to a harmonized sales tax, subject to approval from our legislatures, together with the previously announced decision to reduce the general corporate income tax rate to 10 per cent by 2011, demonstrates to the world that B.C. is a great place to live, work and do business.