



PRESS RELEASE - FOR IMMEDIATE RELEASE
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BUSINESS COUNCIL APPLAUDS PLAN TO HARMONIZE SALES TAX

The Business Council of British Columbia today welcomed the Provincial Government's announcement that it intends to harmonize BC's sales tax with the federal Goods and Services Tax, effective July 1, 2010.

"We congratulate the Government for taking this important step," stated Virginia Greene, the Business Council's President and CEO. "The existing provincial sales tax (PST) is an outdated, inefficient fiscal levy that inhibits investment and imposes heavy compliance burdens on BC businesses. Shifting to a harmonized sales tax (HST) will deliver significant economic benefits to British Columbians."

"The Business Council has long argued that to become one of the best places in North America to invest and do business, BC needs to embrace the concept of 'smart taxation,' noted Jock Finlayson, the Council's Executive Vice President. "Today's announcement represents a bold move in that direction. A harmonized sales tax regime will stimulate investment, bolster BC's competitive position, and raise productivity - thus leading, over time, to higher real wages and incomes."

Mr. Finlayson added: "Because the PST is not based on a value-added model, it raises the cost of purchases of capital and many other intermediate inputs that companies use to produce goods and services. Removing this cost (approximately \$2 billion per year) will enhance BC's attractiveness as a place to invest and create jobs across a wide range of industry sectors, including those involved in manufacturing and exporting."

The Business Council also endorsed several other elements of the Government's HST plan:

- a refundable tax credit that will offset the impact of the harmonized sales tax on lower-income households;
- a partial rebate of the provincial portion of the HST for new housing;
- \$1.6 billion in new Federal funding to help facilitate the transition to the HST;
- the cost of administering the HST will be borne by the Federal Government, producing an administrative cost saving for BC taxpayers.

As further work is done to flesh out the details of the new HST, the Business Council will work with Government to address issues that may arise for particular industries.

Since 2001, the Provincial government has significantly reduced personal and business taxes and made the tax system more supportive of investment, job creation and entrepreneurship. The Business Council believes a harmonized sales tax regime will reinforce the advantages of investing and doing business in British Columbia.

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