

Helping Business understand HST

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) set at a rate of 12%.

A broad range of business associations representing thousands of enterprises, are supportive of moving to the HST because like the Chamber, they 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, here are a few of those.

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 a 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 many of Campbell River's small to medium enterprises.

A healthy business sector is a vital part of any thriving economy and of critical importance to Campbell River's transitioning economic environment. By providing jobs and buying inputs from local suppliers, our competitive enterprises make a large contribution to Campbell River's tax base to pay for programs and services. Their success is critical to our future growth and prosperity.

While the Campbell River Chamber believes the level of support demonstrated by business and industry organizations is a clear demonstration of the benefits HST will bring to businesses, we do recognize that there are sectors who have expressed significant concern over the potential impact this initiative could have on their sectors. In particular, we acknowledge the concerns expressed by the food service, tourism and elements of the service sectors in particular. There may well be challenges ahead as the HST is implemented but overall, we believe it will generate positive economic results for businesses, consumers and workers alike in British Columbia in the years ahead.

Business Organizations & Associations in support of the HST

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