

HST Referendum Voters Guide



Included:

- ▶ **Government statement on the HST Referendum**
- ▶ **Position statement of the 'NO' side** with a commentary from the 'YES' side
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Government statement on the HST Referendum

On July 1, 2010, the Harmonized Sales Tax (HST) came into effect in our province. The HST, and the manner it was introduced, was not acceptable to many British Columbians. The result was the province's first successful initiative petition.

Although originally scheduled to take place in the fall of 2011, the B.C. government of Premier Christy Clark moved the referendum date forward, while also providing for a lower cost mail-in voting process. The details of the referendum voting process are provided from Elections BC in this guide on the back page.

In recent weeks, the government has taken some significant steps to ensure voters could discuss the HST before the vote. More than 275,000 British Columbians participated in tele-town halls held around the province so that we could listen to your suggestions on how to improve the tax system. By the time you receive this voters guide, significant changes based on citizen input will have been announced. As you review this guide, remember to also consider the new HST policy which you will find at www.HSTinBC.ca.

There is now an important and historic choice to be made by British Columbians: should we keep the HST or return to the system of two separate sales tax systems—the PST and the GST?

This voters guide was developed to assist your decision-making process and includes information from both the

'Yes' and 'No' sides, as well as the independent panel appointed to review the two referendum options.

The B.C. government does have a clear position on the HST Referendum.

It is the position of the B.C. government that the HST is better for jobs and the economy, creates more stable funding for government services such as health care and education, and is simpler to administer for business and government than the alternative two-tax PST and GST system.

Tax policy decisions are not easy ones to make.

The B.C. government respects this important exercise in our democratic process and will work with British Columbians to ensure the decision made is implemented in the best manner possible to keep the province moving forward.

There are implications to any tax choice—both benefits and drawbacks.

In addition to the information contained in this voters guide, British Columbians can find information from the referendum 'Yes' and 'No' sides, interested parties, and the government's official HST website www.HSTinBC.ca.

Remember, your official ballot from Elections BC should be arriving shortly.

Thank you.

The decision is now yours.

Important information for B.C. voters

Referendum position statement of the 'NO' side opposing the return of the PST and GST

HST benefits outweigh the costs

British Columbians have a powerful choice ...

... an HST that makes B.C. stronger with job security and job growth,

... or a PST/GST that is less generous to low-income families, burdens small businesses with higher costs, and increases red tape and bureaucracy.

The HST is a powerful tool building our economy, sparking job creation, and helping pay for better health care and education.

The HST protects jobs, creates jobs, better paying jobs

The HST safeguards the jobs we have and will help create an additional 24,400 jobs compared to the PST/GST (*Independent HST Panel Report*).

- ▶ Going back to the PST/GST makes exports like lumber and minerals more expensive, putting high-paying resource jobs at risk.
- ▶ B.C. will lose film production to places like Ontario and Hollywood because the PST/GST raises production costs.

"The HST has saved us around \$800,000 per year, and helps us remain viable when our product price is low. Savings like this help protect our jobs and our community, and encourage Thompson Creek to continue investing in British Columbia."

Bill Mracek, VP and General Manager, Endako Mines in Fraser Lake.

The HST helps small businesses grow

The HST supports small businesses, job security, and job creation.

- ▶ HST savings are being invested in new machinery, construction, vehicles and staff.
- ▶ Going back to the PST/GST means businesses will re-direct their money to onerous compliance costs and taxes.

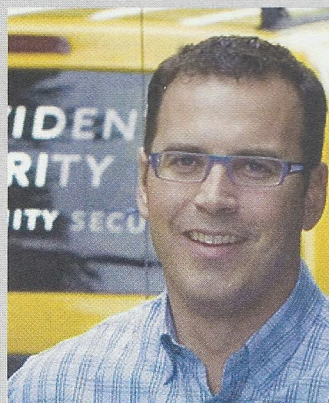
"Because of the savings that come with the HST, we bought more new trucks than we would have under the old PST. Anything that helps us provide the safest, newest equipment available is a win for our third-generation, family-owned business."

Greg Munden, President of Kamloops trucking company, Munden Ventures



Sarj Dhaliwal is a Chartered Accountant and Chief Financial Officer of Celayix Inc

"We've re-invested our HST savings in landing new sales for our family-owned software business and now we're recruiting new employees for our Vancouver office to help with the growth. Without the HST, the money to hire new staff would have gone to the government to hire tax collectors in Victoria."



Mike Jagger is President of Provident Security

"The HST has had a very positive impact on our small business. It has made us more competitive, improved our customer service, helped us invest in new equipment and hire two new employees."

The HST system protects seniors and low-income families

1.1 million low-income British Columbians are now getting HST rebate cheques.

- ▶ Low-income families' and seniors' spending is largely made up of HST-exempt items like groceries, prescriptions, and home heating. (*Kesselman, HST or PST? Report*, hstjobs.ca)
- ▶ Going back to the PST/GST will increase the burden for low-income households.

"The HST – combined with income-tax cuts, exemptions, and the rebate cheques – protects the poor from higher costs while getting more tax dollars from high-income earners with the biggest disposable incomes."

Woody Hayes, Chartered Accountant with Duncan-based Hayes Stewart Little and Co.

B.C. consumer demand remains strong

B.C. has the highest consumer confidence in the country (Conference Board of Canada, April 27, 2011).

- ▶ B.C. retail sales remained unchanged in the last six months of 2010 after the HST was implemented. (*Kesselman, HST or PST? Report*, hstjobs.ca)
- ▶ Companies are already competing to win customers with lower prices by passing on internal HST savings.

"The HST's impact on overall consumer prices in B.C. has been minimal. Research shows that the small price increases seen in some sectors have been offset by price decreases in other sectors as companies pass on their HST savings to gain a competitive edge."

Kevin Milligan, UBC Economist

Keeping the HST avoids a painful transition

Scrapping the HST means paying Ottawa back \$1.6 billion. That means higher debts, higher taxes or cuts to services.

- ▶ Taxpayers would need to hire 300 PST tax collectors at a cost of \$35 million a year to bring back the PST/GST.

"The HST is simpler and saves me time and grief – time our company of 10 can focus on growing our business which is optical fibre for lighting. The HST is going to help us keep growing."

Betty Lou Pacey, Owner of Vancouver-based BL Innovative Lighting Ltd.

Supporting the HST

The HST has the power to protect jobs, drive job creation, and keep families in B.C. The Smart Tax Alliance represents industries that employ more than one million working British Columbians, a number we want to grow. Find out more at www.hstjobs.ca.

Commentary from the 'YES' side on the submission from the 'NO' side

HST is a job and economy killer

The HST has done the opposite of what supporters claim. Unemployment is up. Prices are up. But the economy is down. HST proponents cannot name two jurisdictions where this tax has created jobs or improved the economy—because there aren't any.

Your chance to hold government to account

Voting to keep the HST would tell government they can mislead the public at election time and get away with it – they need only wait us out.

Killing the HST will save you 7% on hundreds of items

– thousands of dollars more over time than measly government rebates to low-income earners who must pay the HST in advance.

Removing the HST will save B.C. \$20 billion in taxes over the next 10 years - far more than any costs for cancelling it.

Vote "YES" to extinguish the HST and get a double benefit:

- ▶ Immediate tax relief for you and your family.
- ▶ A stronger, healthier democracy.

It's the bargain of the century.

Referendum position statement of the 'YES' side in support of extinguishing the HST and returning to the PST and GST

Vote "YES" to extinguish the HST and save hundreds to thousands of dollars in taxes now being paid!

Voting "YES" to extinguish the Harmonized Sales Tax [HST] and return to separate Provincial Sales Tax [PST] and Goods & Services Tax [GST] with the same consumer tax exemptions as before is the better choice for B.C. – because it will save British Columbians hundreds to thousands of dollars a year!

Under the HST there is an extra 7% tax on: restaurant food, basic cable TV and telephone, home repairs, maintenance and renovations, domestic airline tickets, concert and sports tickets, haircuts, gym memberships, realtor fees, new homes over \$525,000, home inspections and appraisals, vitamins, massage therapy, health food store products, taxi fares, parking, newspapers and magazines, accountant, architect, veterinarian, most financial services and consultant fees and much more.

By voting "YES" to extinguish the HST and return to the PST and GST, voters will remove the extra 7% HST tax on all of the above. We will save over \$1.9 billion per year in additional taxes they are now forced to pay under the HST.

That means potential yearly savings of **\$350** to as much as **\$1,000** for high-income B.C. families on routine items. [B.C. government Independent Panel on the HST, May 2011]

The HST has increased dramatically in Europe. It started at 6% but now averages 21% in most countries and is 25% in Sweden, Denmark and Hungary.

Newfoundland, Nova Scotia and New Brunswick have had the HST for years, yet unemployment and per capita debt are among the highest in Canada.

Here are the top reasons why the HST is bad for B.C. – and why voting "YES" to extinguish the HST and return to the PST and GST is the better choice:

The HST is not "revenue neutral" as the B.C. government claimed:

The B.C. government has said from the beginning that the HST is "revenue neutral," meaning it is a \$1.9 billion transfer of the tax burden from corporations to consumers with no new revenues for social programs like health care or education. (*Burnaby Now Interview with Colin Hansen* – Aug. 13, 2009)

The HST hurts democracy:

A "YES" vote to extinguish the HST in the referendum will change the way governments operate in B.C. forever. Never again will any government be able to mislead the people on a major tax policy at election time. (*B.C. Government adopted HST despite warnings of negative impact on economy* – Jonathan Fowlie – Vancouver Sun, Sept. 2, 2010)

The HST hurts families, seniors and low-income people most:

The HST is an unfair tax that forces middle-and-lower-income people to pay a greater proportion of their income to acquire the same goods and services as those with higher incomes. (*Impact of HST on Ontario and British Columbia Households*—Robert Murrell, PhD)

The HST kills jobs and hurts the economy:

Provinces with the highest unemployment – Newfoundland 12.4%, New Brunswick 9.8%, Nova Scotia 9.5%, B.C. 8.8% and Ontario 8.1%—all have the HST. The three provinces without the HST have the lowest unemployment—Manitoba 5%, Saskatchewan 5.4% and Alberta 5.7%. (*Statistics Canada* - February 2011)

The HST drives the economy underground:

The Institute for Fiscal Studies reports that "leakage" from HST evasion in the United Kingdom is up to \$30 billion annually. HST evasion means government loses twice—HST not charged, and income not reported. Worse, it encourages honest citizens to become "tax cheats." (*IFS Study - AT Fraud and Evasion* - Stephen Smith)

The HST is bad economics for B.C.:

B.C.'s big resource companies get most of their money from selling goods overseas and to the United States – which is new money coming in from consumers outside B.C. Exempting business from sales taxes means government is taking all of its sales tax revenues from consumers inside our economy and then transferring \$1.9 billion of it back to corporations, some of which are headquartered in Europe, Asia or the U.S. That doesn't make economic sense.

The HST harms consumption, reduces tax revenues and increases the tax burden:

The HST in B.C. takes \$1.9 billion per year out of our economy – an average of \$300-\$400 more from every man, woman and child. Reduced consumption cuts government tax revenues. Governments must then either cut spending, increase debt, or raise taxes. Under the HST, they often do all three. (*Beware the Value Added Tax* – Daniel Mitchell PhD – Heritage Foundation 2005. *Impact of the HST on provincial revenues in Atlantic Canada* – Patrick Blagrove – Department of Economics, Mount Alison University)

The HST is a loss of provincial sovereignty:

The HST gives the federal government considerable influence over B.C.'s sales tax collection and authority. It turns B.C. into the equivalent of a giant municipality, awaiting transfers of our own money back from Ottawa. We cannot change our tax rate, exempt any good or service, or redistribute sales taxes until July 1, 2012, at which time we, effectively, have to consult with Ottawa. (*Comprehensive Integrated Tax Coordination Agreement* - Ottawa/B.C.)

The HST is inflationary:

The extra HST paid by consumers will fuel a demand for higher wages. That creates inflation, driving the price of goods up, not down. (*Guardian UK – Business* Feb 2011)

The HST is unnecessarily complicated:

Under the HST, business accountants must track millions of transactions and remittances, and file thousands of quarterly reports to government, creating a giant bureaucracy. But none of that is necessary. Simply exempting business from sales taxes as we used to do with farmers, manufacturers and retailers would be far simpler.

Vote "Yes" to extinguish the HST!

Commentary from the 'NO' side on the submission from the 'YES' side

FightHST hesitates on PST/GST

FightHST admits in its April Truth Report that the "PST may not be (the) best tax" and bringing back the PST/GST could "begin the process of determining the best type of tax for British Columbia."

FightHST fails to talk about PST/GST benefits and appears to want to debate a third sales tax model. The upcoming referendum is about the real possibility of restoring the same PST/GST that no one really supports. And it means B.C. will lose:

- ▶ \$2.4 billion for better healthcare and education (\$820 million lost in additional HST plus \$1.6 billion repayment to Ottawa)
- ▶ 24,400 new jobs, needed to drive down unemployment and increase consumer spending; and
- ▶ Quarterly rebates supporting 1.1 million low-income families and seniors.

While the HST was poorly introduced, it creates new jobs for your family and community, grows the economy to fund healthcare and education, and helps 1.1 million low-income families...something the PST can't do.

An independent look at the HST and PST/GST

Summary of the independent panel report

There's been a lot of confusion and misinformation in the debate over the HST and the PST/GST. It's been hard to find an independent, unbiased analysis to help with your important decision in this referendum.

Our job was to fill that role. We are four citizens—an economist, a former B.C. auditor general, a banker and a former Alberta finance minister—asked to serve as an independent panel. Our job wasn't to tell you how to vote, it was to present the positives and negatives of each sales tax system to help you make an informed choice.

We can say this—your decision comes down to balancing the more immediate savings you and your family will get by going back to the PST against the important economic benefits that staying with the HST will bring you and other British Columbians in the years ahead.

Some of our findings:

- ▶ The HST means the average British Columbia family pays about \$350 more a year than it would have under the PST/GST.
- ▶ The HST will create more economic growth than the PST/GST system: About 24,400 more jobs by 2020 and a provincial economy about \$2.5 billion larger by 2020.
- ▶ Going back to the PST/GST system will create a revenue hole of \$531 million in the provincial budget in the first year and \$645 million the year after that. That means bigger deficits or new taxes will be needed to avoid cuts in public services such as hospitals and education.

The immediate impact of the HST on your family's pocketbook is clear.

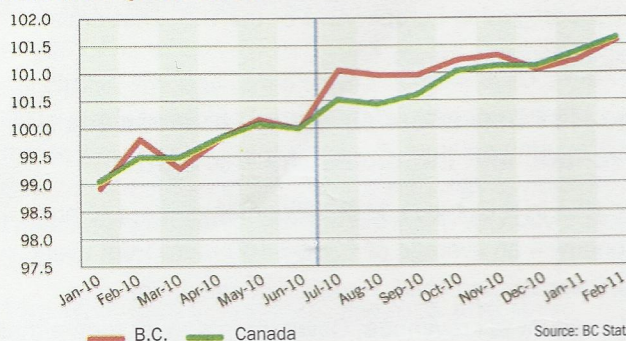
If you are among the 15% of individuals or families with an income under \$10,000—some single people, those on pensions or students—you actually see your sales tax burden drop by \$73 under the HST because of tax breaks and an HST rebate mailed out every three months.

For everyone else, the amount of sales tax paid goes up. It works out to about \$350 per family. And that doesn't include the sales tax you pay on occasional, big-ticket

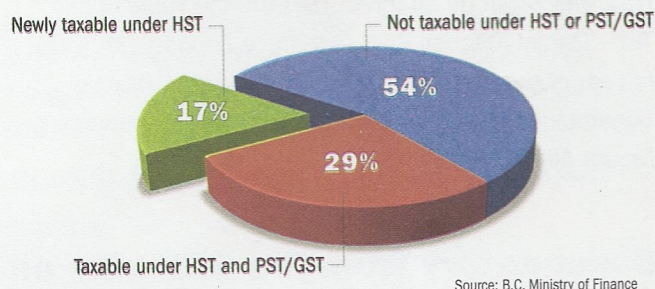
items like buying a newly built house or putting on a new roof, which are no longer exempt from the PST.

The panel has concluded that in 2011/12, with more items taxed than before, families pay \$1.33 billion more in sales tax after HST rebates and tax breaks are taken into account. There was an immediate, one-month increase in inflation when the HST was introduced but B.C.'s inflation rate now tracks the national average.

Consumer price index



What's changed at the cash register?



Overall businesses will pay close to \$730 million less in taxes under the HST. This reduces both operating and investment costs, making it cheaper to run their businesses and to make new investments to expand their operations. That will mean economic growth and better-paying jobs.

Going back to the PST/GST will save most consumers money at the cash register. But going back has longer-term economic consequences. It means turning away from the gradual future economic benefits expected with the HST. Those include a simpler sales tax system now used in more than 140 other countries. We agree with

the economic analysis that finds the HST increases economic growth, productivity and wages. It boosts exports, attracts investment and creates better-paying jobs.

Our panel acknowledges it's hard to put concrete numbers to these future benefits. However, our own analysis predicts staying with the HST will mean a B.C. economy in 2020 that will:

- ▶ Be \$2.5 billion larger than it would be under the PST.
- ▶ Produce \$1.2 billion more in the export of goods and services.
- ▶ Create an additional 24,400 better-paying jobs.

In the context of a \$200-billion economy, these are important—albeit modest—benefits. We urge you to read our independent panel's full report at www.HSTinBC.ca. We think it will help you make your decision.

The costs of going back

Sales tax has been a major revenue source for the provincial government since 1949. It raises as much revenue as personal income taxes, paying for public services such as schools, hospitals and highways. Sales taxes aren't going away. This referendum is about choosing to keep the HST or going back to the PST/GST. Going back to the PST/GST is possible but it will take at least 18 months to make the change. And it will have an impact on the provincial budget.

Since the HST raises more money by taxing a broader base of goods and services than did the PST, going back to the PST/GST will create a sales tax revenue loss for the province — \$531 million in the first year and \$645 million in the second year. That revenue loss would grow each year.

There are other costs, too.

The B.C. government would likely have to repay the \$1.6 billion Ottawa paid to help ease B.C.'s shift to the HST. The provincial government could borrow the \$1.6 billion to avoid program cuts or higher deficits. Borrowing the money, however, would cost taxpayers about \$85 million a year in interest costs.

Going back to the PST also means spending \$15 to \$20 million to rebuild the PST tax office and hire back 300 tax collectors. Once that's done, it's likely to cost about \$35 million a year to run the PST tax office, administration costs now absorbed by Ottawa.

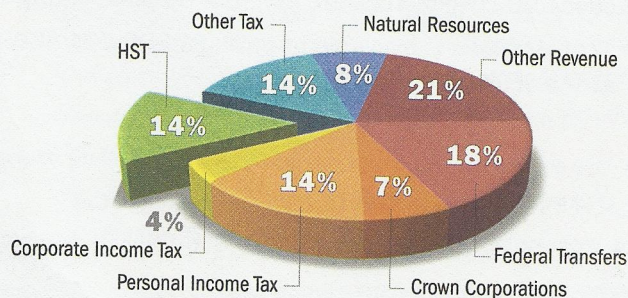
There are some savings to be had: Cancelling HST rebates to consumers would reduce government spending by about \$232 million. Another \$209 million would be saved if the B.C. government reverses tax breaks of \$80 introduced to cushion each British Columbian from the extra sales tax they pay under the HST.

The bottom line is going back to the PST/GST would mean a net revenue loss for the provincial budget of more than \$1 billion in the first two years. That trend would continue each year, meaning other revenues would need to be found or public services cut to avoid increasing future deficits. Balancing the provincial budget would be delayed by at least one year.

Impact of going back to the PST/GST on the provincial budget

	2013/14	2014/15
Sales Tax Revenue Loss	820	893
Revenue Loss due to Lower Economic Growth	32	80
Debt Servicing increase	85	85
PST Administration	35	35
<i>Elimination of tax relief</i>		
HST Rebate	- 232	- 232
Income Tax Break	- 209	- 216
Net Revenue Loss	(\$ millions) 531	645

How the province raises money 2011/12 \$43.3 billion



Source: B.C. Budget (2011)

Important notice to B.C. voters from Elections BC

The information contained in this HST Referendum Voters Guide does not include your ballot. The HST Referendum voting package will arrive shortly from Elections BC, a non-partisan, independent office of the legislature.

HST REFERENDUM INFORMATION

Elections BC is administering the HST (Harmonized Sales Tax) Referendum. The vote will be conducted by mail-in ballot.

Who can vote?

You can vote if you are:

- ▶ a Canadian citizen
- ▶ 18 years of age or older, on or before July 22, 2011
- ▶ a resident of British Columbia for at least six months immediately before July 22, 2011
- ▶ are registered as a British Columbia voter
- ▶ are not disqualified by the *Election Act* or other enactment or law

Register to vote or update your voter information by calling 1-800-661-8683 (toll-free) or online at www.elections.bc.ca.

Ballot question

Are you in favour of extinguishing the HST (Harmonized Sales Tax) and reinstating the PST (Provincial Sales Tax) in conjunction with the GST (Goods and Services Tax)? (Yes/No)

To receive a voting package:

An HST Referendum voting package will be mailed to each registered voter in B.C. beginning June 13 through June 24, 2011.

- ▶ if you do **not** receive a voting package between June 13 and June 24, call Elections BC at 1-800-661-8683 (toll-free) before midnight (local time) Friday July 8, 2011

Returning the ballot package:

Ballot packages must be received by Elections BC, a Service BC centre, or an Elections BC collection centre before 4:30 p.m., Friday, July 22, 2011.

A list of locations is available by calling 1-800-661-8683 (toll-free) or online at www.elections.bc.ca.

Chinese and Punjabi versions of this guide are available at the official HST website www.HSTinBC.ca

此文件的中文版本可於網站上覽閱。 www.HSTinBC.ca

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