
INFORMATION BULLETIN

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Ministry of Finance

Government commits to 10 per cent HST

VICTORIA –The Province is committing to bold, responsive, and balanced changes to the Harmonized Sales Tax to make British Columbia families better off while ensuring government can meet its commitment to balanced budgets, Finance Minister Kevin Falcon announced today.

The plan, which is to be confirmed by legislative motion, is to reduce the total HST rate to 10 per cent from 12 per cent in two stages. The provincial portion would be cut by one percentage point to six per cent from seven per cent on July 1, 2012. A further one percentage point reduction would take effect on July 1, 2014.

All British Columbia families will benefit from these changes and, on average, pay less on their routine expenditures under the 10 per cent HST than going back to the PST and GST. To help offset the costs of the HST before the rate reduction in 2012, one-time transition cheques of \$175 per child would be issued to families with children under 18 years old. In addition, low- and modest-income seniors will receive a one-time transition cheque of \$175. The cost of the transition cheques is expected to be \$200 million, and they will be issued by the end of the year.

The independent panel that reviewed the HST and the PST plus GST tax systems recently estimated that families now pay an average of \$350 more in sales tax under the HST than they paid with the PST plus GST system. With a 10 per cent HST rate, instead of paying \$350 more tax, B.C. families will on average pay \$120 less tax than under the PST.

The independent panel also noted that while consumers are paying more, businesses are saving money. Furthermore, the Province remains committed to balancing the budget in 2013/14 while reducing the HST burden on families and modest income seniors. To help meet this commitment, government will increase the general corporate income tax rate to 12 per cent from the current 10 per cent on Jan. 1, 2012, and postpone the reduction in the small business tax rate planned for April 1, 2012. The measures would be temporary until the fiscal situation allows for further reductions.

Proposed changes to the HST will only take effect should British Columbians vote to keep the HST.

For more information about the HST, visit: www.HSTinBC.ca

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BACKGROUND

HST policy change details

The Province plans to reduce the total HST rate to 10 per cent from 12 per cent in two stages should British Columbians vote to keep the HST in this summer's referendum. The provincial portion of the HST would be cut by one percentage point to six per cent from seven per cent on July 1, 2012, and cut one more percentage point to 5 per cent on July 1, 2014. The rate reduction will benefit all B.C. families. The Independent Panel estimated that, on average, harmonization costs B.C. families \$350 more per year on their typical expenditures. By reducing the HST rate to 10 per cent, the \$350 average cost now becomes a \$120 average benefit for B.C. families.

10 per cent HST

Family Income	Net increase (Decrease) Per Independent Panel	Net increase (Decrease) With 10% HST rate (07/14)
\$10,000 or less	(\$73)	(\$170)
\$10,001-20,000	\$32	(\$159)
\$20,001-40,000	\$129	(\$155)
\$40,001-60,000	\$366	(\$81)
\$60,001-80,000	\$527	(\$53)
\$80,001-100,000	\$657	(\$61)
Over \$100,000	\$1,029	(\$45)
Average	\$350	(\$120)

2011 Transition Payments

All B.C. families will receive \$175 for each and every child under 18, and low and modest income seniors will also receive a cheque for \$175.

HST Referendum Details

British Columbians will be voting in a mail-in referendum on the HST. Ballots will be mailed in June and must be returned to Elections B.C. or a Service B.C. office by 4:30 p.m. on Friday, July 22, 2011.

For more information about the HST, visit: www.HSTinBC.ca
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