



REJECTION OF HST IN BC: RETURN OF THE PST

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Agenda

- “ Timeline of events
- “ The politics
- “ B.C.’s new *Provincial Sales Tax Act*
- “ What’s taxable
- “ Rates, registration and administration
- “ Consequences of the new PST



Timeline of Events

- “ Prior to July 2010 . Goods and Services Tax (%GST+) and separate Provincial Sales Tax (%PST+) applied
- “ July 23, 2009 . BC announced intention to implement a Harmonized Sales Tax (%HST+)
- “ July 1, 2010 . BC HST implemented taking the place of both GST and PST
- “ August 24, 2011 . Referendum in BC . 55% in favour of bringing PST back
- “ May 31, 2012 . New Provincial Sales Tax Act received Royal Assent
- “ April 1, 2013 . New PST Act in force. HST ceased to apply. Back to GST and re-implementation of PST



The Politics

- “ Lack of public consultation
 - . Premier Gordon Campbell elected on May 12, 2009
 - . HST was introduced shortly after a provincial election
 - . Transition to HST was not a part of the campaign

- “ Political backlash
 - . Grassroots movement against the HST began
 - . Anti-HST campaign led by former Premier Bill Vander Zalm
 - . More than 700,000 signatures opposing the HST

- “ Premier Campbell decision to put the issue to the public in the form of a referendum
 - . 55% voted in favour of extinguishing the HST and reinstating the PST in conjunction with the GST
 - . 1.6 million voted out of about 3 million registered voters in BC

- “ \$1.6 billion repayment to federal government



New *Provincial Sales Tax Act*

- “ Effective April 1, 2013
- “ Completely redrafts the statute and regulations
- “ Most significant structural change is how the Act has defined the tax base
 - . Starts with defining a very broad tax base and contains very few exemptions
 - . Cabinet can pass or amend the PST Act Regulations
- “ New PST system was supposed to be essentially the same as the old PST
 - . Not the same. Quietly expands sales tax



What is Taxable under PST

- “ PST applies to taxable goods or services purchased, acquired or brought into BC, unless exemptions apply

- “ Tangible Personal Property (TPP)
 - . Purchase or lease of new and used goods
 - . Certain forms of real property
 - . Includes software

- “ Gifts of vehicles, boats and aircraft

- “ Certain services, including:
 - . Services related to TPP
 - . Legal services
 - . Accommodation
 - . Telecommunication services



B.C. PST Rates

- “ Generally, the PST rate is 7%

- “ Special rates for some items including:
 - . Accommodation
 - . Vehicles
 - . Boats
 - . Aircraft
 - . Liquor
 - . Manufactured buildings



Registration and Administration

- “ eTaxBC
 - . Online service, enrol for access at gov.bc.ca/PST
 - . System for filing returns, making payments and communicating

- “ Reporting periods based on PST collectable for year
 - . More than \$12,000 annual PST requires monthly reporting

- “ Tax return and payment is due on or before the last day of the month following the end of the reporting period

- “ Very helpful administrative support (CTBTaxQuestions@gov.bc.ca or toll free 1-877-388-4440)



Consequences of the New PST

- “ Increased cost of doing business
- “ Complicates corporate reorganizations
- “ Extra layer of tax filings
- “ Extra layer of audit exposure
- “ Uncertainty about extent and application of rules
- “ Different rules in different provinces confuses business people and consumers
- “ Situation unlikely to change in the next 5 years



Final Thoughts

- “ Rules are complex
 - . Presence in BC?
 - . Rules vary between industries
 - . Fact based analysis

- “ Important to seek advice

