

**MINISTRY OF HEALTHY LIVING AND SPORT  
INFORMATION BRIEFING DOCUMENT**

Cliff # 796775

**PREPARED FOR:** Grant Main, Deputy Minister - **FOR INFORMATION**

**TITLE:** Harmonized Sales Tax (HST) Implementation: Opportunities and Mitigation Strategies for ActNow BC Initiatives

**PURPOSE:** Identify opportunities and potential mitigating strategies for healthy living for British Columbians as a result of the implementation of the HST, with a particular focus on ActNow BC.

**BACKGROUND:**

A harmonized sales tax (HST) will replace the goods and services tax (GST) and the provincial sales tax (PST) in British Columbia on July 1, 2010. The introduction of the HST is expected to impact the Ministry's healthy living agenda through key Ministry initiatives, such as ActNow BC.

The HST will have a pricing impact on a range of items associated with ActNow BC pillars, and potentially with associated healthy living outcomes. For example, a rise in tobacco prices is expected to reduce tobacco use, whereas a rise in the cost of bicycles and bicycle helmets may reduce the purchase of these items and negatively impact levels of physical activity.

This briefing note outlines eight impacts chosen from across the ActNow BC streams and provides information related to broader healthy living initiatives by:

- summarizing the price impact and resulting behaviour influences due to the introduction of the HST;
- analyzing any specific associated health outcomes for children, women, seniors and low income British Columbians; and
- proposing mitigation strategies when indicated.

**DISCUSSION:**

Pricing influences people's choices and decision-making. The global evidence base indicates that pricing policies are effective measures for governments to employ in order to reduce cumulative costs resulting from unhealthy behaviours in a population.

Literature on price "elasticity" – a measure of responsiveness in demand for a product as a result of a change in price – indicates that pricing and taxation are particularly effective in altering population consumption of alcohol and tobacco. Some of the factors affecting elasticity which influence people's decision-making are percentage of income required to pay for the product, the number of substitute products available, and the level of necessity of the product in the person's life. The demand for tobacco and alcohol is considered to be "elastic."

Pricing and taxation policies have been used in many jurisdictions for decades to reduce population consumption of tobacco and alcohol (by raising the price), as well as more recently to promote physical activity and healthy eating (with price incentives for purchase of health-enhancing products). The HST will make some healthy choices the easy choices (i.e., choosing cigarettes less often due to a higher cost), while making other healthy choices more challenging.

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### **FINANCIAL IMPLICATIONS:**

The introduction of the HST will impact a number of client groups within the Ministry mandate including women and families, seniors, recreation and sport participants and service providers (i.e., municipalities). The strategies/opportunities have not been costed. Additional health promotion programming would result in costs to the Ministry.

### **CONCLUSION:**

The HST will have an impact on the ability to support the healthy choice as the easy choice. It will benefit healthy living in the province by increasing the cost of 'junk food' and tobacco products but poses challenges to the promotion of healthy living by increasing the costs for physical activity, supplies to support healthy pregnancies, injury prevention as well as nicotine replacement therapy. Programs, policies and promotions need to be developed to promote positive behaviours and mitigate any negative impacts of the HST. Additional support (i.e., through exemptions) to help children and families lead healthier lives would reduce barriers and challenges for British Columbians to make healthy choices.

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## HST:

### Healthy Eating and Food Security

Basic groceries are zero-rated<sup>1</sup>--fruits and vegetables, breakfast cereals, most milk products, fresh meal, poultry, fish, eggs and coffee beans.

restaurant meals, excluding alcohol, have not been subject to PST, but will be subject to the new HST.

### GST/HST on Foods and Beverages in Canada's Food Guide:

- ☐ Soy or rice beverages (not considered to be milk or milk-based beverages)
- ☐ Single-serving beverages under 600 mL
  - ☐ Single serving drinkable yoghurt (Note yoghurt drinks with milk as a main ingredient are exempt)
  - ☐ Single serving flavoured milks, e.g. chocolate milk
- ☐ Single-serving puddings (made with milk) under 425 g
- ☐ Salted nuts and salted seeds
- ☐ Mixtures of nuts
- ☐ Snack mix containing cereals, nuts, seeds and dried fruit
- ☐ Trail mix
- ☐ Unpopped popcorn kernels
- ☐ Fruit based snack foods such as fruit bars, rolls or drops that are 100% fruit or have fruit as a significant ingredient. (A cereal bar with fruit filling is not a fruit bar).
- ☐ Bottled water

### NOTE:

- ☐ Supplies of food and beverages sold through a vending machine are taxable—including those normally zero-rated when not purchased through a vending machine such as a single serving of unflavoured white milk or an apple.
- ☐ Salads are taxable unless they are canned or vacuum sealed.

HST will be applied to food products that are not considered "basic groceries" - which essentially is all the food products that currently have an applied GST. These foods tend to be less healthy, higher in fat, sugar or sodium. Or, have been produced for immediate consumption and packaged in individual serving sizes. HST will also apply to meals/foods prepared and sold in restaurants or other eating establishments. Both these taxables will significantly increase costs as they were previously exempt from PST. This will affect low income families and seniors that have poor cooking skills and tend to rely on both fast food bought in "restaurants" and convenience type meals sold in grocery stores and other eating establishments. Seniors especially rely on pre-prepared, single packaged foods and so the HST will significantly impact their food security. I'm not sure about meals coming from organizations such as Meals On Wheels - these meals fit the description as those foods to be taxed, but I'm not sure if they are included?

Agriculture and fishing products/services are exempt from GST and will also be exempt from HST - so there should be no increased cost at the upper end of the supply chain. Gas is exempt, so there will be no increased cost for food distribution (I need to do more research to confirm that this is true).

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<sup>1</sup> Zero-rated means subject to GST/HST at 0%.

There is an HST tax refund for low income families - this is good. I can get you more information if you need.

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I need to look into this more - but there are my thoughts for now.

**Exempt:**

most food or beverages sold in an elementary or secondary school cafeteria primarily to students of the school and most meal plans provided in a university or public college

Taxable: