

Pages 1 through 13 redacted for the following reasons:

S13

STATEMENT

For Immediate Release

Ministry of Finance

Aug. 26, 2011

Government announces action plan for PST re-implementation

VICTORIA – Finance Minister Kevin Falcon issued the following statement today, responding to the announcement from Elections BC on the outcome of the HST referendum:

“I want to start by acknowledging the passion and dedication so many people put into this referendum, whatever side they were on.

“Democracy is built on participation in the voting process, and we thank all those who took the time to vote. The size of this vote is a reflection of their engagement.

“As determined by the results of the referendum, the seven per cent PST will be reinstated in B.C. Permanent PST exemptions will return with the re-implemented PST.

“We will work as fast as we responsibly can to put the PST back in place. We have been clear from the start of this process—and as the independent panel reported—dismantling the provincial HST and reinstating the PST will take time to do properly. We are not setting a firm transition date yet, but we are targeting March 31, 2013.

“Where it makes sense, we may make some minor administrative changes to streamline and improve the PST, and we may look at what administrative improvements are possible for businesses that collect the tax within the time available.

“The HST will continue to apply at the full 12 per cent rate until the PST is re-implemented. The policy changes announced pending a “No” result in the referendum will not proceed.

“The return to the PST creates significant pressure on the government budget. In May I outlined the approximately \$3 billion-hole created in the fiscal plan over the coming years if we return to the PST.

“The lower revenues and higher cost of administering the tax in the context of increasing global economic uncertainty are an added challenge for us to manage.

“This uncertainty reinforces the need to focus on economic stability. B.C.’s economy is on solid footing thanks to 10 years of strong fiscal management. We will continue to reduce our deficit and balance our budget, and we will protect priority programs like health and education while keeping overall spending in check.

"This September, the Standing Committee on Finance and Government Services will undertake the annual budget consultation process. I will also be consulting with British Columbians on how we can best manage the loss of revenue.

"I would also like to speak directly to the financial markets. We have worked hard as a government to restore a triple-A credit rating—and we will keep it. We will continue to manage the financial pressures that face us. And we will meet our balanced budget commitment for 2013/14.

"I want to acknowledge in particular the many staff at the Ministry of Finance who worked long hours and hard days to design and implement the B.C. HST to serve the needs of British Columbians, and who are now working to return us to the PST.

"British Columbians have decided, and we will honour that decision. British Columbians can turn our focus to growing our economy and creating jobs, delivering high quality and affordable services like health care and education, and balancing our budget in a time of global economic uncertainty."

-30-

Contact:

Matt Gordon

Communications Director

Ministry of Finance

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HST Yes Vote

Aug. 26, 2011

Event: what is it?

- **Minister's statement on yes vote – HST referendum**
- **5 minutes**

Audience: who are they?

Victoria legislative press gallery

Audience: what do they want to hear?

Reaction to HST yes vote and steps to move forward.

KEY THEME: Vote results will create budget challenges for government but we have a plan to move forward.

KEY MESSAGE: Today we are taking steps to honour the results of this vote and transition back to the PST/GST but it will take time.

Text:

Aug. 25, 2011

Writer: Greg Dickson

HST yes statement

Slide 1

Thanks for joining me here this morning.

I want to start by acknowledging the passion and dedication so many people put into this referendum...

Whatever side they were on.

Democracy is built on participation in the voting process.

And we thank all those who took the time to vote, regardless of which way they voted.

I am disappointed by the result, but not altogether surprised.

We recognize we started from a place where 85 per cent of BCers opposed the HST, in large measure due to our own mis-handled introduction of the Tax.

Now is the time to put this behind us. The public has spoken and it's time to move forward. That is what British Columbians expect and that's what we will do.

HST yes statement

Slide 2

As determined by the results of the referendum, the seven per cent PST will be reinstated in B.C.

Permanent PST exemptions will return with the re-implemented PST.

And we will work as fast as we responsibly can to put the PST back in place.

We have been clear from the start of this process—and as the independent panel reported in May—

HST yes statement

Slide 3

That dismantling the provincial HST and reinstating the PST will take time to do properly.

We are not setting a firm transition date yet, but we will in the near future.

Slide 4

Where it makes sense, we may make some minor administrative changes to streamline and improve the PST...

And we may look at what administrative improvements are possible for businesses that collect the tax within the time available.

The HST will continue to apply at the full 12 per cent rate...

Until the PST is re-implemented.

I should also reiterate that the policy changes we announced to be introduced as part of a “No” result in the referendum will not proceed.

HST yes statement

Slide 5

The return to the PST creates significant pressure on the government budget.

You'll remember that in May I outlined the approximately \$3 billion-hole...

Created in the fiscal plan over the coming years if we return to the PST.

The lower revenues and higher cost of administering the tax...

Especially in the context of increasing global economic uncertainty...

Are an added challenge for us to manage.

This uncertainty reinforces the need to focus on economic stability.

B.C.'s economy is on solid footing thanks to 10 years of strong fiscal management.

We will continue to reduce our deficit and balance our budget.

And we will protect priority programs like health and education while keeping overall spending in check.

This September, the Standing Committee on Finance and Government Services...

Will undertake the annual budget consultation process.

HST yes statement

I will also be consulting with British Columbians on how we can best manage the loss of revenue.

“I would like to speak directly to the financial markets.

We have worked hard as a government to restore a triple A credit rating—and we will keep it.

We will continue to meet the financial pressures that face us.

And we will meet our balanced budget commitment for 2013/14.

Before I wrap up, I want to take a moment to acknowledge the many staff members at the Ministry of Finance...

Who worked long hours and hard days to design and implement the B.C. HST to serve the needs of British Columbians...

And who are now working to return us to the PST.

They are public servants with an incredible dedication.

To the people of British Columbia...

You have decided and we will honour that decision.

Together we can now turn our focus to growing our economy...

And creating jobs, delivering high quality and affordable services like health care and education...

HST yes statement

And balancing our budget in a time of global economic uncertainty.

Thank you and I'll take your questions now.

-END -

August 26, 2011

Ministry of Finance

MEDIA ADVISORY

VICTORIA – Finance Minister Kevin Falcon will respond to the results of the HST referendum and outline the government's plan to reinstate the PST.

Event Date: Friday, August 26, 2011

Time: x:xx p.m.

Location:

Legislative Press Theatre,
Victoria, B.C.

Special Instructions:

Media unable to attend in person can listen by phone to the Minister's presentation. Questions will not be taken from the phone line. A conference call will be held later for media to ask questions:

Toll-free dial in number:

S15, S17
S15, S17

Participant Pass Code:

A follow-up conference call for media unable to attend in person will take place at x:xx p.m. Questions will be taken on this call.

To participate in the follow up conference-call:

Toll-free dial in number:

S15, S17
S15, S17

Participant Pass Code:

Contact:

Matt Gordon
Communications Director
Ministry of Finance
250 896-4923

NEWS RELEASE

For Immediate Release

2011FIN0067-001048

Aug. 26, 2011

Ministry of Finance

Action plan in place to return B.C. to 12% PST/GST

VICTORIA – The Province will reinstate the combined 12 per cent PST and GST tax system following the referendum decision by British Columbians to extinguish the HST in B.C., Finance Minister Kevin Falcon announced today.

An action plan has been established to guide the transition process and help ensure an effective and orderly transition from the HST to the PST plus GST system in B.C.

The PST will be reinstated at seven per cent with all permanent PST exemptions. The Province may make some common sense administrative improvements to streamline the PST.

The transition period is expected to take a minimum of 18 months, consistent with the report of the independent panel on the HST. During this period, the provincial portion of the HST will remain in place at seven per cent. Eligible lower-income British Columbians will continue to receive the B.C. HST Credit until the PST is re-implemented. The B.C. HST credit will then be replaced by the re-implemented PST credit.

During the transition period, the Province will provide quarterly updates on the progress of returning to the PST.

Quote:

Minister of Finance Kevin Falcon—

“British Columbians have made their choice and we will honour that decision. Now more than ever, government must provide British Columbians economic stability and focus our attention toward growing our economy to create jobs and balancing our budget in a time of global economic uncertainty.

“We will work as quickly as we responsibly can to return to the PST. We have always been clear that, as the independent panel found, dismantling the B.C. HST and returning to the PST will take time to do properly.

“I can assure British Columbians PST will not be applied to such items as restaurant meals, haircuts, bikes and gym memberships – just as it was before the HST was introduced in B.C.”

Learn More:

For more information about the return to the PST, visit: www.gov.bc.ca/fin

BACKGROUND

Action Plan to Re-implement PST

An action plan has been established to ensure an effective and orderly transition to the PST. Key phases in the transition process are described here.

Federal Transitional Rules and Systems:

- A letter from the provincial finance minister to the federal finance minister is conveying the referendum results and advising the federal government that B.C. will re-implement the PST.
- The Province will work with the federal government to develop HST transition rules and to make any necessary changes to systems and processes.
- The provincial government will begin discussions with the federal government about exiting the Comprehensive Integrated Tax Coordination Agreement (CITCA) including the return of the funding received for adopting the HST.

Provincial Legislation and Transitional Rules:

- The provincial government will develop legislation and regulations necessary to re-implement the PST in B.C. and may make some administrative changes to streamline and improve the PST.
- Provincial PST transition rules to mirror federal HST transition rules will be developed.
- The provincial government will develop other legislation and administrative programs necessary to support the full reimplementation of the PST (e.g. hotel room tax, etc.).

Provincial Systems Development:

- The Province will develop and establish appropriate reporting, data gathering, billing, remittance/collection, audit, assessment and appeal processes, and supporting computer systems to properly administer the PST and other related taxes (e.g. hotel room tax, etc.) in B.C.

Provincial Administration:

- The Province will re-establish its capacity to administer the tax in the areas of registration and close of business, field and desk audit, appeals, rulings, provincial tax information phone lines, billings and remittances, collections and refunds. This will include staffing, facilities and equipment, and staff training to administer the PST and related taxes. This also includes developing appropriate administrative reporting forms and other information and communications material required to support the transition.

Provincial Business Registration and Outreach:

- The provincial government will register approximately 100,000 businesses as tax collectors before the PST is re-implemented and provide information and training on the tax application, collection, compliance and reporting rules related to the PST. By the time the PST is re-implemented, there will be an estimated 30,000 new businesses in B.C. with no PST experience. These businesses will need to be registered and provided with detailed information and training to enable them to comply with the tax law.

Business Transition:

- Businesses will need to change their own electronic and manual systems and processes to assess, collect, report and remit the PST and other related taxes to the provincial government.

Other Key Stakeholders:

- The provincial government will consult with key administration stakeholders once provincial transition rules are completed. The Province relies on partner agencies to help ensure efficient tax collection, reporting and compliance. These agencies will need to make a number of systems and process changes, as well as receive information and training to help complete the PST transition.

Contact:

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Connect with the Province of B.C. at www.gov.bc.ca/connect

*As presented May 25, 2011
To be updated for Q1 report in Sept.*

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
	<u>\$ millions</u>			
Budget 2011 Fiscal Plan	<u>(925)</u>	<u>(440)</u>	<u>175</u>	<u>1,050</u>
Impacts of Scenario 2				
Repayment of federal transition funding ¹	(1,599)			
Debt interest costs	(42)	(85)		
One-time implementation/training		(18)		
Net impact of returning to PST ²	<u>-</u>	<u>-</u>	<u>(531)</u>	<u>(645)</u>
Scenario 2 Plan	<u>(2,566)</u>	<u>(543)</u>	<u>(356)</u>	<u>405</u>
Plan requirements to balance			356	-
Contingencies	600	450	450	450
Forecast Allowance	350	350	350	350

¹ Based on preliminary advice from the Office of the Comptroller General

Plan impacts may be different depending on negotiations with the federal government

² The Independent Panel's Report, *HST or PST/GST? It's Your Decision*, May 4, 2011

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Re-implementation of PST

August 26, 2011



Trusted financial and economic leadership for a prosperous province



PST to be Restored

- PST will be restored at 7%
- Target date is 18 months, consistent with independent panel window of 18-24 months
- Permanent exemptions return, may make some administrative improvements
- \$230 HST low-income credit replaced with \$75 PST credit
- Discussion with federal government on exiting CITCA and return of transition funding
- Public consultation on fiscal plan impact



Action Plan in Place

- Federal/Provincial discussions
- Federal transitional rules and systems
- Provincial legislation and transitional rules
- Systems development and implementation
- Provincial administration (additional resources)
- Business registration and outreach
- Business transition
- Other key stakeholders
- Quarterly updates to British Columbians on progress

Target Timeline to Re-implement PST (est. months)

Federal Transitional Rules and Systems (approx 10 mos.)

Target 18 Mos.

Provincial Legislation and Transitional Rules (up to 18 mos.)

Provincial Systems Development and Implementation
(18 mos. plus ongoing post target date)

Provincial Administration – Resources
(9 mos. plus 2 years post target date)

Provincial Business Registration
& Outreach (6 mos.)

Business Transition (6 – 9 mos.)

Other Key Stakeholders (e.g. ICBC)
(up to 12 mos.)

PST Reimplementation Date

Independent Panel Report - 18 – 24 Months For Transition



Public Consultation

- Budget Consultation process initiated with release of First Quarterly Report, Sept. 2011
- Finance minister consultations

Next Steps – Budget and Fiscal

- Q1 Report – by Sept. 15
- Select Standing Committee Budget consultations – begin by Sept. 15, completed by Nov. 15
- Minister of Finance Consultations
- Second Quarterly Report – by Nov. 30
- Economic Forecast Council – Dec. 10
- Budget 2012 – Feb. 21, 2012

