

Howard, Samantha A FIN:EX

From: Plummer, Glen GCPE:EX
Sent: Tuesday, March 6, 2012 2:33 PM
To: Howard, Samantha A FIN:EX; Sutherland, Aaron FIN:EX; Dickinson, Carolyn FIN:EX
Cc: Edwardson, Jamie GCPE:EX; MacLean, Shelley FIN:EX; Stewart, Janet GCPE:EX
Subject: RE: MEDIA REQ: S22 - impact of paying back HST transition funding - 06 Mar 12

Thanks.

Glen Plummer
Government Communications and Public Engagement
Ministry of Finance
250 387-3514 office
250 213-5667 cell

TEAMWORK CURIOSITY PASSION SERVICE COURAGE ACCOUNTABILITY
I N T E G R I T Y

From: Howard, Samantha A FIN:EX
Sent: Tuesday, March 6, 2012 2:33 PM
To: Plummer, Glen GCPE:EX; Sutherland, Aaron FIN:EX; Dickinson, Carolyn FIN:EX
Cc: Edwardson, Jamie GCPE:EX; MacLean, Shelley FIN:EX; Stewart, Janet GCPE:EX
Subject: RE: MEDIA REQ: S22 - impact of paying back HST transition funding - 06 Mar 12

Yes

Samantha Howard
Ministerial Assistant to the
Honourable Kevin Falcon
Minister of Finance and Deputy Premier
Phone: 250 387 2214

From: Plummer, Glen GCPE:EX
Sent: Tuesday, March 6, 2012 2:20 PM
To: Howard, Samantha A FIN:EX; Sutherland, Aaron FIN:EX; Dickinson, Carolyn FIN:EX
Cc: Edwardson, Jamie GCPE:EX; MacLean, Shelley FIN:EX; Plummer, Glen GCPE:EX; Stewart, Janet GCPE:EX
Subject: MEDIA REQ: S22 - impact of paying back HST transition funding - 06 Mar 12
Importance: High

OK to respond as below?

Reporter / Outlet / Contact: S22

Deadline: 4 p.m., Friday, Mar. 9

Request: reporter would like response from MKF on whether paying back the \$1.6 billion transition funding to the federal government will impact funding levels to provincial programs and services.

Recommendation / Response: suggest GCPE email following with attribution to MKF

- Repaying the \$1.6 billion HST transition payment does not directly impact funding to provincial programs and services, but does increase the provincial deficit this fiscal year.
- The B.C. government negotiated the best deal possible for repayment of the \$1.6 billion transition money. The federal government was not obligated to change the contract it signed with B.C., which mandated that the Province must keep the HST in place for a minimum of five years or the full \$1.6 billion had to be repaid.
- It should be noted the original agreement with the federal government said if B.C. didn't keep the HST for a minimum five years that the entire \$1.6 billion transition payment was due to be repaid March 31, 2012.
- Under this repayment agreement, the Province has five years to repay in full the transition funding, and Canada has agreed to waive interest charges over this period.
- We estimate that this extended repayment schedule will save the Province approximately \$118 million in debt servicing costs over the term of the repayment.
- This saving will help protect essential public services.

Date & Time of Inquiry: 12:58 PM, Mar. 6, 12

From: Sutherland, Aaron FIN:EX
Sent: Thursday, January 12, 2012 3:33 PM
To: Plummer, Glen GCPE:EX
Cc: Edwardson, Jamie GCPE:EX; Howard, Samantha A FIN:EX
Subject: Fwd: Cost to reinstate the HST
Attachments: Statement HST vote yes - V11 Aug 25.pdf; ATT00001.htm

Hey Glen,

Can I get the bullets on the cost to return to HST, and also the specific budget deficit number.

Thanks

Aaron Sutherland

Begin forwarded message:

From: "Barnett.MLA, Donna LASS:EX" <Donna.Barnett.MLA@leg.bc.ca>
Date: 12 January, 2012 3:03:47 PM PST
To: "Sutherland, Aaron FIN:EX" <Aaron.Sutherland@gov.bc.ca>
Subject: Cost to reinstate the HST

Dear Aaron,

I have been asked by the press how much it will cost to reinstate the HST. In the attached news release Minister Falcon says:

"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 local press would like to know if that figure still stands.

Sincerely,

Donna Barnett, MLA
Cariboo Chilcotin

STATEMENT

For Immediate Release
Aug.26, 2011

Ministry of Finance

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.

CHECK AGAINST DELIVERY

"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
250 356-2821

CHECK AGAINST DELIVERY

Dickinson, Carolyn FIN:EX

From: Lee, Chantal [CLee@leg.bc.ca]
Sent: Monday, January 23, 2012 3:43 PM
To: Dickinson, Carolyn FIN:EX
Subject: RE: I'm care for our province.

Thank you Carolyn.

Hope you are having a good Monday,
Chantal

From: Dickinson, Carolyn FIN:EX [mailto:Carolyn.Dickinson@gov.bc.ca]
Sent: January-23-12 3:12 PM
To: Lee, Chantal
Cc: Sutherland, Aaron FIN:EX
Subject: FW: I'm care for our province.

Hi Chantal,

Below are bullets to assist in your response to S22 and others' concerns pertaining to the HST. As always, please let me know if you have any further questions or concerns I can assist with.

Cheers,
Carolyn

- 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.
- 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.
- 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.
- During the transition period, the Province will provide quarterly updates on the progress of returning to the PST.
- The transition period is expected to take a minimum of 18 months, consistent with the May 2011 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.
- The independent panel report made clear to British Columbians the potential cost of returning to the PST.
- The Province has concluded an agreement with the Government of Canada for the orderly repayment of the \$1.6 billion in transition funding it received when B.C. moved to the Harmonized Sales Tax.

Carolyn A. Dickinson

Executive Assistant to the Honourable Kevin Falcon
Minister of Finance and Deputy Premier

From: Lee, Chantal [mailto:CLe@leg.bc.ca]
Sent: Wednesday, December 7, 2011 12:37 PM
To: Sutherland, Aaron FIN:EX
Cc: Fedora, Aaron LASS:EX
Subject: FW: I'm care for our province.

Hello Aaron,

I am forwarding the following email from S22 regarding HST for your office's review.

By the way, S22 Our new CA here is another great Aaron – Aaron Fedora!

Hope you are having a nice day,

Chantal Lee
Constituency Assistant to
Hon. Dr. Margaret MacDiarmid, M.L.A.
Vancouver-Fairview
Ph: 604-660-7061

From: S22
Sent: December-06-11 11:09 PM
To: MacDiarmid.MLA, Margaret
Subject: I'm care for our province.

Dear Mrs MacDiarmid,

As I become more involved with politics I find myself often writing emails that I don't send. I worry that what I write may not be correct. I have been sitting on this email for quite some time and I feel that even though a month or two has passed since I originally wrote it, it is still correct and I still feel the same way.

I just found out that the HST has been defeated. If it was really a VAT then it is unfortunate, as I believe a VAT is a great idea. My question to the house is why did they not educate the people properly? i spent weeks trying to find information that wasn't based on a non-scientific, non-falsifiable report by a man from alberta. I was so confused by the hstinbc.ca website I wound up not voting. The information the government provided was not sufficient. Running advertisements with a statistic that says this many accountants think it's a good idea is not an educative advertisement.

Many of my friends did not vote because the whole thing was handled poorly. We believe the best course of action would have been a public apology by the Liberal party for the way in which the HST was brought in. That would have eased the emotional side. (Many people voted against because they think the Liberal party was being sneaky and can't be trusted.) Follow the apology with a full scale VAT education process.

In fact, I think if this is to be attempted again, it should be advertised as a VAT. something that would make us a Global Competitor. If the government of BC were to introduce a VAT i would vote yes, provided they get someone who knows something about education in advertising to run the campaign. And why was Elections BC allowed to write such a confusing ballot?

Nowhere in the campaign was anyone informed of the price tag attached to abolishing the HST and reinstating the PST. Those of us who care know it won't be free, so what will it cost? Why was the fact that a VAT will lower the cost of administration in the government not used as a selling tool?

Now I fear a new problem has come to light. Please oppose the implementation of the omnibus crime bill in BC. As the bill goes through senate the Ontario Courts are working on a case that would render this crime bill irrelevant and unconstitutional. Ontario and Quebec have both refused to pay for any additional costs associated with this bill. According to several polls, the majority of British Columbians believe *Canabis sp.* should be legal, a direct contradiction to the mandatory minimum sentences for people in possession of marijuana as proposed by the omnibus. Please let science, research, experts and other countries experience with these types of bills play a part in your decision to NOT support Harper's Omnibus crime bill in BC.

I apologize for the double topic but I feel very strongly about both of these issues, and I thank you for taking the time to read them.

Kindest regards,

S22

Citizen

Part 2: TAX MEASURES

Table 2.1 Summary of Tax Measures

	Effective Date	Taxpayer Impacts	
		2012/13	2013/14
		(\$ millions)	
Income Tax Act			
• Introduce BC Seniors' Home Renovation Tax Credit	April 1, 2012	(27)	(27)
• Introduce Children's Fitness Credit and Children's Arts Credit	January 1, 2012	(9)	(9)
• Remove medical expense credit expenditure limit for other dependents	January 1, 2012	*	*
• Increase the enhanced dividend tax credit rate	January 1, 2012	(7)	(7)
• Extend BC Training Tax Credits for three years to December 31, 2014	January 1, 2012	(31)	(31)
• Introduce training tax credits for shipbuilding and ship repair industry employers	Regulation	-	(3)
• Extend Book Publishing Tax Credit for five years to March 31, 2017	April 1, 2012	(2)	(2)
• Allow full Film Incentive BC tax credits for eligible interprovincial co-productions	January 1, 2012	(2)	(2)
• Clarify tax credits for cutscene productions	September 1, 2010	*	*
Small Business Venture Capital Act			
• Increase equity tax credit budget by \$3 million per year for investments in eligible new small businesses	Regulation	(3)	(3)
Medicare Protection Act			
• Increase Medical Services Plan premiums by about 4 per cent and enhance premium assistance	January 1, 2013	22	87
Carbon Tax Act			
• Clarify tax rates continue at \$30 per tonne after June 30, 2013	July 1, 2013	*	*
• Clarify commercial marine services refunds	February 22, 2012	*	*
Carbon Tax Act and Motor Fuel Tax Act			
• Streamline obligations related to fuel imported by ship	May 1, 2012	*	*
Motor Fuel Tax Act			
• Exempt jet fuel used in international flights	April 1, 2012	(12)	(12)
Insurance Premium Tax Act			
• Clarify classes of insurance definitions	July 1, 2012	*	*
Home Owner Grant Act			
• Increase home owner grant phase-out threshold	2012 tax year	*	*
• Raise thresholds for income-tested home owner grant	2012 tax year	*	*
• Introduce low-income veteran's supplement	2012 tax year	*	*
• Extend home owner grant for individuals moving into a residential facility	2012 tax year	*	*
School Act			
• Set provincial residential school property tax rates	2012 tax year	*	*
• Set provincial non-residential school property tax rates	2012 tax year	*	*
Taxation (Rural Area) Act			
• Set provincial rural area property tax rates	2012 tax year	*	*
• Clarify exemption for property held in trust for a First Nation	2012 tax year	*	*
Taxation (Rural Area) Act and School Act			
• Provide authority for certain partial property tax exemptions	2011 tax year	*	*
Police Act			
• Streamline approval of police tax administration fee	2012 tax year	*	*
Land Tax Deferment Act			
• Remove fire insurance requirement for home owners with sufficient equity	2012 tax year	*	*
• Clarify eligibility of leaseholders to defer tax	2012 tax year	*	*
Property Transfer Tax Act			
• Introduce general refund provision	Royal Assent	*	*
• Exempt re-registration of certain life estates	Royal Assent	*	*
Subtotal		(71)	(9)



Table 2.1 Summary of Tax Measures – Continued

		Taxpayer Impacts	
	Effective Date	2012/13	2013/14
(\$ millions)			
Transition to provincial sales tax			
Income Tax Act			
• Eliminate BC HST Credit	April 1, 2013	-	315
• Re-implement BC Sales Tax Credit	January 1, 2013	(13)	(53)
• Reverse basic personal amount tax credit enhancement	January 1, 2013	36	195
• Introduce BC First-Time New Home Buyers' Bonus	February 21, 2012	(24)	-
Sales Tax			
• Increase BC HST New Housing Rebate threshold to \$850,000 from \$525,000 **.....	April 1, 2012	(60)	-
• Eliminate BC HST **	April 1, 2013	-	(6,326)
• Re-implement provincial sales tax	April 1, 2013	-	5,819
• Continue tax on private sales of vehicles, boats and aircraft	April 1, 2013	*	*
Motor Fuel Tax Act			
• Re-implement motor fuel tax on propane	April 1, 2013	-	4
Tobacco Tax Act			
• Adjust tobacco tax rates to keep total tax constant	April 1, 2013	-	75
Subtotal		(61)	29
Total		(132)	20

* Denotes measures that have no material impact on taxpayers.

** These measures will require changes to the *Excise Tax Act* (Canada).

Tax Measures — Supplementary Information

For more details on tax changes see:

www.sbr.gov.bc.ca/msbr/budget/budget.html

Income Tax Act

BC Seniors' Home Renovation Tax Credit Introduced

Effective for the 2012 and future tax years, the government intends to introduce a Seniors' Home Renovation Tax Credit. The credit will be a new refundable personal income tax credit to assist with the cost of permanent home renovations that provide individuals age 65 and over with increased independence, allowing them the flexibility to remain in their own homes longer.

The maximum credit will be \$1,000 annually calculated as 10 per cent of eligible expenditures. The credit will be available to individuals who incur eligible expenditures on or after April 1, 2012. The credit can be claimed by seniors, whether they own their home or rent, and by individuals who share a home with a senior relative.

Legislation will be introduced later this year at which time a list of eligible expenditures will be available. However, the government intends to include the following as eligible expenditures:

- upgrades to improve accessibility, including handrails, grab bars, walk-in bathtubs and wheel-in showers;
- wheelchair ramps, lifts and elevators;
- motion-activated lighting; and
- certain renovations to allow a first-floor occupancy or secondary suite for a senior relative.

SECTION 2 – Fiscal Plan

Q1 Table 1.2 shows fiscal plan changes since *Budget 2011*. You show the 3-year cumulative impact of reverting back to the PST system at \$2.1 billion (for 2011/12 to 2013/14). But in your first Quarterly Report, you said the impact was \$2.3 billion – Why the difference?

A1 **Key Messages:**

- The Q1 Report and the Independent panel Report did show the 3-year impact at \$2.3 billion, including \$0.2 billion expenses, mainly reflecting debt interest costs, assuming that the entire \$1.6 billion of HST transition payments would be repaid in 2011/12.
- The recent agreement with the federal government allowing a 5-year no-interest repayment schedule reduces debt servicing costs significantly.
- Impacts excluding debt servicing and administrative costs shown in *Budget 2012* are consistent with the estimates provided in the first Quarterly Report and the Independent Panel Report.

Q4 What is the change in sales tax revenue in returning to the PST/GST system.?

A4 **Key Messages:**

- **Table 2.1 (Summary of tax measures) shows that total PST revenue in 2013/14 is \$5,819 million, compared to \$6,326 million forecast if HST were to continue.**
- **This \$507 million difference is partially offset by more than \$400 million in savings through**
 - **the reversal of the basic personal amount tax credit enhancement; and**
 - **the net impact of eliminating the BC HST tax credit and re-implementing the BC PST credit.**
- **The \$507 million difference is lower than previously estimated reflecting a lower outlook for HST from housing due to recently released estimates by CRA for 2010 and a reduced growth outlook for residential investment in 2012 and 2013.**

S13

Feulgen, Sabine FIN:EX

From: Plummer, Glen GCPE:EX
Sent: Monday, October 3, 2011 4:13 PM
To: Feulgen, Sabine FIN:EX
Subject: For review/input - draft issues note
Attachments: IN_cost to return to PST_29 Sep 11_DRAFT.docx

Hi Sabine,

Could you please review the attached draft issues note and let me know if you have any additional input or require any edits?

If you could get back to me on this by 10:30 tomorrow that would be greatly appreciated.

Thanks,

Glen Plummer
Government Communications and Public Engagement
Ministry of Finance
250 387-3514 office
250 213-5667 cell

TEAMWORK CURIOSITY PASSION SERVICE COURAGE ACCOUNTABILITY
I N T E G R I T Y

ADVICE TO MINISTER

CONFIDENTIAL
DRAFT GCPE-FIN ISSUE NOTE

Ministry of Finance
Date: September 29, 2011

Minister Responsible: Kevin Falcon

Cost to return to PST

DRAFT

ADVICE AND RECOMMENDED RESPONSE:

- The \$2.3 billion cost of returning to the PST/GST system in the Q1 report includes the \$1.6 billion in transition funding B.C. must repay to the federal government.
- The other \$700 million includes the costs to rebuild, retrain and re-staff a PST tax administration office, lower tax revenues under the PST, higher debt servicing costs, and slower economic growth.
- In addition, the May 2011 Independent Panel Report predicted a net revenue loss of \$645 million for fiscal 2014/15 if the Province returned to the PST/GST system, bringing the total impact to approximately \$3 billion.
- Q1 does not include fiscal 2014/15. Forecasting beyond 2012/13 is impractical since discussions with the federal government are ongoing.

S13

Communications Contact: Glen Plummer
Program Area Contact: Don Epp
File Created:
File Updated:
File Location:

250 387-3514
250 387-9008