

From: Minister, FIN FIN:EX [<mailto:FIN.Minister@gov.bc.ca>]
Sent: April 29, 2011 12:31 PM
To: Andrea Glickman
Subject: RE: UBCIC Letter to Minister Falcon re. HST and BC First Nations

241407

Grand Chief Stewart Phillip
and Chief Robert Chamberlin
and Chief Marilyn Baptiste
andrea@ubcic.bc.ca

Dear Chiefs Phillip, Chamberlin and Baptiste:

Thank you for your letter of March 18, 2011, replying to the response of January 6, 2011, from Colin Hansen, former Minister of Finance and Deputy Premier. Your letter expresses concern about the lack of analysis on the impact of the harmonized sales tax (HST) on First Nations in British Columbia and the need for effective communications to First Nations about how the HST affects them. You also supply information to follow up on your request for financial assistance to fund a study of the impact of HST on First Nations in British Columbia. Your letter of April 15, 2011, reiterates your request for a response on the issue of financial assistance.

As indicated by the previous Minister, sales tax harmonization does not alter the application of section 87 of the *Indian Act* (Canada), so eligible First Nation individuals and First Nation governments continue to benefit from this tax exemption. In fact, the shift to the HST does not affect First Nations on reserve purchases because there has been no change to the exemption rules. The requirements for tax exempt purchases continue to apply under the HST in the same way that the exemption requirements previously applied, under both the goods and services tax (GST) and the former provincial sales tax (PST). As a result, the introduction of the HST has had no impact on First Nations making on reserve purchases.

To mitigate the impact of the HST on British Columbians with lower incomes, the provincial government is providing the British Columbia HST Credit which is issued quarterly together with the GST credit payments. Individuals earning up to \$20,000 and couples and families earning up to \$25,000 receive the full credit amount of \$230 per family member. The credit is gradually phased out for individuals and families with incomes above these thresholds. Partial credits are available to individuals earning up to \$25,750 and to couples earning up to \$36,500. Families with children can receive partial credits at much higher income levels. For example, a family with two children can earn up to \$48,000 before their HST credit is fully phased out, while a family with four children can earn up to \$59,500. About 1.1 million British Columbians will benefit from the credit.

The British Columbia HST Credit is available to all eligible low-income British Columbians including First Nations individuals and families residing both on and off reserve. This means that eligible First Nations families residing on reserve receive the credit even if they do not pay HST on some or many of their purchases. First Nations individuals and families residing off reserve receive the same benefits as other eligible British Columbians.

I would also like to point out that for about 80 per cent of consumer expenditures in British Columbia there has been no change in tax as a result of harmonization, either because there is no HST payable (e.g., residential rent, basic groceries, prescription drugs, and most health and education services), there is a provincial point-of-sale rebate or credit (e.g., motor fuels, books, and residential energy) or the good or service was previously subject to the seven per cent PST (e.g., car repairs, televisions, furniture, and most other goods).

Moreover, the basic design of the HST, with tax relief for residential rent and basic groceries, further reduces the impact on low-income individuals and families. British Columbia has also implemented a number of measures to mitigate the impact of the HST on individuals and families. These measures include point-of-sale

rebates on items such as motor fuels, children-sized clothing and footwear, children's diapers, children's car seats and car booster seats, books, and feminine hygiene products. British Columbia also provides a residential energy credit to ensure that harmonization does not increase the cost of residential energy for British Columbians.

I have reviewed your request for financial assistance to fund a study of the impact of HST. The Province has not undertaken any specific economic analysis of the impact of the HST on First Nations in British Columbia because there is no change in how the section 87 *Indian Act* exemption applies. However, in your previous correspondence you expressed concern primarily about the impact of the HST on persons generally with low incomes. Because of the British Columbia HST Credit, low-income families and individuals will generally be better off than they were under the PST. Moreover, First Nations individuals and families who do not pay HST on their on reserve purchases receive an even larger benefit. Given the low-income HST Credit, and the absence of change in the application of the tax exemption, there does not appear to be a need for further study of the impact of the HST on First Nations in British Columbia.

I would also like to address your concerns about effective communications on the HST to First Nations in British Columbia. The Canada Revenue Agency (CRA), as part of its communications surrounding the introduction of the HST, first published information in May 2010 explaining how the HST would affect First Nations in British Columbia (for details see <http://www.cra-arc.gc.ca/E/pub/gi/gi-072/gi-072-e.pdf>). The Honourable James M. Flaherty, Minister of Finance, Canada, in his November 19, 2009, and January 22, 2010, letters to you advised that the CRA would be producing public information materials and that CRA officials would be pleased to respond to any specific questions or concerns regarding public information for First Nations. The Province's HST Information Office also provides information on the impact of the HST on First Nations in British Columbia (see http://www.hstinbc.ca/making_your_choice/faqs/first_nations/).

To allow British Columbians the opportunity to have their say on the future of the HST, the Province will be holding a referendum this spring. By June 24, 2011, most British Columbians will have received their mail-in ballot which must be completed and received by Elections BC or a Service BC centre by July 22, 2011. The upcoming referendum provides an opportunity for all British Columbians to fully discuss and debate the issues surrounding this tax change.

We strongly believe that harmonization is the best way to ensure a strong and growing economy for all British Columbians today and for our children tomorrow. Although there will be adjustments required by British Columbians in the short term as a result of the introduction of the HST, the economic benefits it creates will pay dividends to all British Columbians in the years ahead.

I would like to thank you again for taking the time to write.

Sincerely,

Kevin Falcon
Minister of Finance and Deputy Premier