



EXECUTIVE SUMMARY – HST ISSUES, ECONOMIC IMPACT

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Basics:

Current rates: PEI: GST 5%, PST 10% on GST-included amount – effective rate 15.5%

NS, NB, NF: HST 13% (5% GST + 8% provincial component)

	PROS	CONS
1	<p>Business Issues</p> <p>Removes the ‘hidden’ cost of PST</p> <ul style="list-style-type: none"> • Infrastructure <p>Eliminates competitive disadvantage</p> <ul style="list-style-type: none"> • Outsiders selling into PEI not charging PST (e.g. professional services) <p>Reduces compliance costs</p> <ul style="list-style-type: none"> • One set of rules, one set of forms 	<p>Business Issues</p> <p>Certain sectors suffer</p> <ul style="list-style-type: none"> • Clothing - PST exemption • Real estate – 5% becomes 13% (however, cost of building should decrease as no more PST on materials)
2	<p>Consumer Issues</p> <p>Decreased costs of some items</p> <ul style="list-style-type: none"> • Most retail goods (especially noticeable in big-ticket items e.g. cars, appliances) 	<p>Consumer Issues</p> <p>Increased costs of certain items</p> <ul style="list-style-type: none"> • Electricity • Fuel • New housing (however, increased rebate offsets this somewhat) • Clothing / footwear • Services
3	<p>Government Issues</p> <p>Eliminate cost for separate PST department</p>	<p>Government Issues</p> <p>Possible loss in provincial revenue (depends on \$ of new services in tax base, & negotiations)</p> <p>No ability to provide relief to certain sectors via the HST itself (can offset this with other rebates)</p>