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Prince Edward Island: NW2012/11/27 — Province Takes Next Steps Towards Harmonizing the Island's Sales Tax

Finance, Energy and Municipal Affairs NEWS RELEASE
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PROVINCE TAKES NEXT STEPS TOWARDS HARMONIZING THE ISLAND'S SALES TAX

The Comprehensive Integrated Tax Coordination Agreement (CITCA) has been signed with the Government of Canada allowing us to take the next steps required to harmonize the sales tax in Prince Edward Island, said Minister of Finance, Energy and Municipal Affairs Wes Sheridan.

"We have reached a crucial point in the transition process," said the Minister. "With the CITCA signed, we can now focus on implementation details. The move to the HST will help grow the Island's economy, create more jobs and enhance Islanders' standard of living. It also gives us the flexibility to raise the funds needed to pay down our deficit and continue to provide the important programs and services Islanders depend on."

The CITCA provides the framework necessary for the implementation of the Harmonized Sales Tax (HST) in Prince Edward Island. It confirms the province's policy to eliminate the Provincial Sales Tax and replace it with a modern, value-added tax. This modernized tax will be implemented at a rate of 9 per cent and, combined with the Goods and Services Tax (GST), will create a 14 per cent HST, which will come into effect on April 1, 2013. It also indicates that the tax base for the HST in Prince Edward Island will be the same as the GST tax base.

This document confirms that the province will have the flexibility to provide point-of-sale rebates on up to 5 per cent of the GST base in P.E.I. The CITCA indicates that the province will provide specific point-of-sale rebates of the provincial portion of the HST for books, heating oil, children's footwear and children's clothing, as well as a 35 per cent rebate for charities and qualifying non-profit organizations.

The CITCA also details specific rules that will allow for recapture of a limited number of Input Tax Credits from large business for a restricted period of time and confirms the transitional HST assistance of \$39 million. It also confirms the HST will be administered by the federal government and provides for a human resource agreement to transfer impacted provincial employees to the federal public service.

With the signing of the CITCA, the province is now able to move forward with legislation that will allow for the transition to the HST. This legislation, the Retail Sales Tax Act, was tabled in the provincial legislature this afternoon and will be debated in the legislature in the coming weeks.

Details of the new Prince Edward Island Sales Tax Credit are provided in the new legislation. This tax credit represents an important component of the HST model and provides a rebate of up to \$200 to low and modest income individuals and families in Prince Edward Island. Together with point-of-sale rebates and a 1.5 percentage point sales tax rate decrease, this tax credit program will offset increases associated with the HST for individuals and families who are in the low and modest income category. The Prince Edward Island Sales Tax Credit program is in addition to any federal GST credits that are currently received.

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