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0.5% TAX = TOTAL CONFUSION 17

Both Yes and No sides want the province to clarify how a transit tax will be applied well before the plebiscite

With just six weeks to go before Metro Vancouver residents receive their ballots for an upcoming transportation funding plebiscite, confusion continues to reign over the proposed 0.5-per-cent "congestion improvement tax."

The confusion, which includes questions over how the tax will be administered and to what it would apply, is raising fears of tax creep among local retailers and, in some cases, bolstering the No campaign.

The Retail Council of Canada and B.C. Restaurant and Food Services Association, for instance, say they will vote No in the plebiscite, which is slated for a mail-in ballot between March 16 and May 29, unless the provincial government scraps the idea of a separate "congestion tax" in favour of adding the 0.5 per cent to the existing provincial sales tax in Metro Vancouver.

This is what Metro Vancouver mayors' council had initially proposed last month, but the province insisted there be a separate "congestion tax" dedicated to Metro Vancouver transit projects.

The province said Thursday it is considering reversing its decision and blending the two taxes.

"The retailers' suggestion of a single tax line of 7.5 per cent is under consideration as work continues to design the best way to collect revenues required to fulfil the mayors' plan for congestion improvements in Metro Vancouver," the finance ministry said in an emailed statement. Retailers are opposed to adding a third tax line, on top of the PST and GST, on their receipts saying it could create logistical problems for businesses and result in customers leaving to shop in cities outside Metro Vancouver. Others also question how the tax would affect people who live in Metro Vancouver and buy big ticket items such as cars outside the region.

"We're retailers so we're never going to be in favour of a sales tax," said Greg Wilson, director of government relations with the Retail Council of B.C. "This one is more alarming, partly because of the precedent and because there are so many levels that make it difficult for retailers. We feel retailers deserve to know more."

The situation is compounded by the fact the province has not made exemptions to the proposed congestion tax, which is "intended to match the PST as closely as possible — as long as it's administratively feasible," the ministry's email stated.

The PST covers the purchase of new or used goods in B.C., software, accommodation and telecommunication services, as well as higher-taxed items such as cars, boats and alcohol.

The 0.5 increase would mean vehicles would be taxed at 12.5 per cent and alcohol at 10.5 per cent respectively, pushing the tax on a \$40 bottle of wine, for instance, up 60 cents to \$4.20.

Ian Tostenson, president and CEO of B.C. Restaurant and Food Services Association, said he's also concerned the proposed congestion tax would also be in addition to the five-per-cent goods and services tax that is charged on liquor sold in restaurants and bars. This means a \$40 bottle of wine, taxed at 15.5 per cent, would have a \$6.20 tax hit.

"That's getting expensive. We're quite concerned about that because there's always been a concern about alcohol prices in general," Tostenson said. "The sector has so many cost pressures right now."

Tostenson said his members have not yet taken a Yes or No side stance, noting "until they come out with some clarifications we're going to stand on the sidelines." He said he's not even sure Point-of-Service (POS) registers can accommodate a third tax.

Max Cameron, a political scientist with the University of B.C., said it makes sense to have a single tax — with the 0.5 per cent applying only to Metro Vancouver — to avoid tax creep among residents who are feeling tapped out.

"The lesson from the GST debacle is people don't want to see this and be reminded every time they buy a pack of gum," he said. "Really it's too bad because what we're talking about is a small tax that's being applied to the public good. The more our decisions are driven by the income in our pockets, the harder it is to put a value on the price of the public good."

Blair Qualey, president and CEO of the New Car Dealers Association of B.C., said while he supports a good transportation and transit network for Metro Vancouver, the proposed tax could have a huge impact on local dealerships, especially if people go outside the region to buy a vehicle, or want to buy a fleet of cars for a company.

"It's fraught with all sorts of challenges," he said. "Ours is a very competitive industry. For our guys, most have said 'look I'm going to eat this.' In a business with a very small margin, something has to give."

Qualey said the province must make the tax simple and easy to manage if it is to succeed. He said the province has said it will clarify the situation before the ballot goes out.

The finance ministry noted in its email that additional work is being done to clarify the design of the tax, noting "the mayors are simply at the stage of asking their citizens about the proposed tax as a concept."

Iain Black, of the Better Transit and Transportation Coalition, which is promoting the Yes campaign, said he shares retailers' concerns, noting for some the move will be inconsequential but for others, especially small businesses with older POS systems, it could be a harder hit.



"It's very understandable that small businesses are all trying to get a clear message of where this tax applies and where it doesn't," he said. "The government is working on that; hopefully we will get that sooner rather than later."

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