Position Paper on the Payment of the B.C. Provincial Sales Tax by Non-Resident Companies Working in Northeast B.C.

September, 2016

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Executive Summary

The Northeast B.C. Resource Municipalities Coalition (Coalition) is a coalition of municipal governments and business organizations in Northeast B.C. established to ensure that the objectives of the citizens and businesses of the region are taken into account in decisions concerning the management and development of natural resources in the region. The Coalition supports resource development in the region and strives to ensure that such development enables communities, residents and businesses of the region to enjoy a share of the benefits associated with such development. As much of the resource development is undertaken by producers and companies based outside of B.C., the Coalition wishes to ensure that companies in B.C. are provided with the opportunity to compete fairly for the provision of goods and services to producers working in B.C.

Oil and gas service companies, contractors and suppliers based in Northeast B.C. are experiencing difficulty competing with companies based in Alberta and other provinces for work being undertaken in Northeast B.C. on behalf of major oil and gas producers. This is due, in large part, to non-resident companies failing to comply with B.C. tax laws for the payment of the provincial sales tax (PST) thereby providing them with an unfair advantage. The major concern relates to Alberta based companies given (1) their proximity to Northeast B.C., (2) the close business relationship between Alberta based companies and producers operating in Northeast B.C. and (3) the recent downturn in the Alberta economy.

The inability of B.C. businesses to compete fairly is having predictable consequences in Northeast B. C. Reduced business activity and revenue have led to reduced investment, declining employment and the prospect that many B.C. based businesses may not be able to "weather" the current decline in the oil and gas industry. The provincial government is also forgoing economic and financial benefits due to reduced employment and tax revenue.

There are two reasons for the non-payment of the PST by non-resident companies. These are:

- Willful avoidance of the PST on the part of non-resident companies to gain an advantage in a highly competitive market.
- Failure, on the part of non-resident companies, to fully understand and comply with the complex requirements and procedures for payment of the B.C. PST -- particularly Alberta based companies that are not subject to a provincial sales tax in their province.

This issue can be addressed by (1) amending existing provincial legislation, policies and procedures to enable the Ministry of Finance to increase compliance with B.C. PST legislation and (2) increase resources for increasing the awareness and the enforcement of B.C.'s PST legislation. An excellent precedent for the revision of B.C's PST legislation, regulations and policy can be found in the legislation of Alberta's other neighbor –Saskatchewan. In Saskatchewan, PST legislation, regulations and policy as they relate to non-resident companies have proven to be effective in reducing the rate of non-compliance by non-resident companies.

The Coalition recognizes and accepts that the tax regimes of the two provinces are different and that non-resident companies, particularly those based in Alberta ,may enjoy an overall tax advantage. The Coalition also supports the removal of barriers to inter-provincial trade, investment and labour mobility and does not oppose competition from non-resident companies as it is confident in the ability of Northeast B.C. businesses to compete on quality, service and price. However, it is the contention of the Coalition that the non-compliance of non-resident companies with B.C. tax law is a major issue in the ability of B.C based companies to compete fairly with non-resident companies.

The Coalition believes that (1) amendments to the B.C. PST Act, (2) increased efforts to increase awareness of B.C.'s tax requirements and (3) increased monitoring and enforcement would greatly serve to reduce the incidence of non-compliance by nonresident companies. In its attempt to better understand the legislation, regulations and policies surrounding the PST issue, the Coalition has leaned heavily on Ministry of Finance staff that has been extremely helpful, professional and accessible.

Summary of Recommendations

The following recommendations are made by the Coalition:

Recommendation # 1 – Increase Level of Monitoring and Enforcement of B.C. Tax Laws

Increase the level of monitoring and enforcement of B.C. tax laws as they relate to the payment of the PST by non-resident companies working in B.C. Specifically:

- Increase B.C. Ministry of Finance staff resources, particularly field staff located within the communities of Northeast B.C., to increase the level of monitoring and auditing of non-resident firms.
- Establish policies and procedures that provide for greater coordination in the enforcement of the PST laws and regulations among the Ministry of Finance, the B.C. Oil and Gas Commission, the RCMP, WorkSafe B.C. and the Ministry of Transportation and Infrastructure.
- Establish a formalized process to enable citizens and B.C. based companies to report cases where non-resident companies are suspected of not complying with the tax laws of the Province.

Recommendation # 2 – Develop and Implement Public Awareness Program

Develop and implement a public awareness and education program directed to non-resident companies working in B.C. in order to increase the awareness of non-resident companies with B.C.'s tax laws, regulations, policies and procedures.

Recommendation # 3 - Establish a Process to Enable the Public to Access Non-Confidential Information

Implement a process whereby the public can access non-confidential information respecting the payment of the PST by non-resident companies including identification of non-resident companies that have been fined for non-payment of the PST.

Recommendation # 4 – Review and Amend Existing Legislation and Regulations to Enhance the Ability of the Ministry of Finance to Monitor and Enforce the Payment of the PST by Non-Resident Companies

Amend the B.C. Provincial Sales Tax Act to enhance the ability of the B.C. Ministry of Finance to better monitor and enforce the Provincial Sales Tax Act as it relates to the payment of the PST by non-resident companies working in B.C. as follows:

- Require the registration of non-resident companies working in B.C. with the Ministry of Finance in order to file returns and report the PST.
- Require non-resident companies working in B.C. to deposit with the Ministry of Finance a Guarantee Bond of 7% of the total contract amount to secure payment of the PST.
- Require non-resident companies working in B.C. to obtain a clearance letter from the Ministry of Finance upon completion of the contracts in B.C.
- Require contracting parties such as general contractors and oil and gas producers to assume liability for payment of the PST in cases where the non-resident company fails to comply with the PST Act.

1. Introduction

The Northeast B.C. Resource Municipalities Coalition (Coalition) is a coalition of municipal governments and business organizations in Northeast B.C. established to ensure that the objectives of the citizens and businesses of the region are represented in decisions concerning the management and development of natural resources in the region. The Coalition supports resource development in the region and strives to ensure that such development enables communities, residents and businesses of the region to enjoy an appropriate share of the benefits associated with such development. The various initiatives of the Coalition to ensure that an appropriate share of benefits remain in the region is in response to the growing reliance of the oil and gas, mining and forest industries on transient workforces and the procurement of goods and services outside of the region in which they are working. While the communities and the municipalities in the region must contend with the economic, social, financial and environmental costs associated with resource development, a disproportionate share of the benefits often leaves the region.

The overarching objective of the Coalition is to protect and enhance existing resource municipalities and rural communities and the residents and businesses that reside in them so that they continue to develop as "permanent, sustainable, economically diversified and socially vibrant communities providing a high quality of life for existing and future residents and that will continue to develop and prosper in the long term."

The downturn in the oil and gas industry has impacted not only the major producers but also the businesses that provide services to them including those based in B.C. Sharp reductions in business activity, employment, profitability and investment are evident in all regions of Canada whose economies are heavily based on the oil and gas industry including Northeast B.C.

The downturn in the industry has served to bring into focus a number of long standing issues related to non-resident (i.e. outside of B.C.) businesses undertaking work in Northeast B.C. These include differences in provincial tax policy, provincial regulations relating to transportation and other matters. While the Coalition accepts the reality of differences in tax policy and regulations, it is extremely concerned about the increasing lack of compliance of non-resident firms with B.C. law and regulations. These include lack of conformance to B.C. labour laws, not reporting to WorkSafe and the failure to comply with B.C.'s tax laws including fuel taxes and the Provincial Sales Tax (PST). The failure of non-resident businesses to comply with the PST is of great concern to the Coalition particularly as it concerns Alberta based businesses given (1) their proximity to Northeast B.C., (2) the close and long standing business relationships between Alberta based service companies and Alberta-based producers operating in Northeast B.C. and (3) the recent downturn in the Alberta economy.

While it is evident that many Alberta based firms comply with the tax laws, there is growing evidence that an increasing number of firms are not compliant. The non-payment of the PST by Alberta based business is allowing such firms to gain an unfair advantage in competing for contracts in B.C. which, in turn, is threatening the viability of many of the region's oil and gas service companies. This has predictable adverse impacts on local and regional economic growth and employment threatening the economic health of individual communities.

In view of its importance, the Coalition has devoted its resources to addressing this issue and, in the last six months, has requested access to the expertise of senior Ministry of Finance staff involved in the administration of the PST. Staff has been of great assistance in the Coalition's understanding of the PST issue which has enabled us to more accurately represent the interests of the businesses and communities of Northeast B.C.

The Coalition believes that there are a number of measures that can be taken by the Ministry of Finance, similar to those taken by the Province of Saskatchewan, which would address the issue of non-payment of PST by non-resident firms. Such measures would enable fair competition for B.C. based firms which in turn would enable such firms to increase employment and contribute to the economic health of their communities and the region as a whole. Such measures would also enable the provincial government to reduce its own revenue losses and enable it to achieve important provincial employment and economic development objectives.

2. The Importance of Requiring Non Resident Companies to Pay the Provincial Sales Tax

Under the provisions of the B.C. Provincial Sales Tax Act, S.B.C. 2012, c. 35 ("PST Act"), all persons are required to pay PST[1] in respect of non-exempt tangible personal property (TPP) that is sold or leased in B.C. (PST Act ss. 37, 39) or brought into B.C. and used or consumed whether under lease (PST Act s. 41) or otherwise (PST Act s. 49).[2]

The obligation to pay PST applies to persons in B.C. whether they are (i) a B.C. resident, or (ii) a person or entity resident outside B.C. who is using or consuming the TPP in B.C. in the course of the person's business, whether or not the business is carried on in B. C[3].

Reporting of PST payable by persons other than collectors[4] is on a self-reporting basis. B.C. residents are generally aware of their obligations under the PST Act and will usually report their PST transactions within the context of their other business income or corporate taxation reporting obligations. Non-resident businesses on the other hand may (i) be unaware that there are PST implications associated with conducting business activities in B.C., (ii) be unaware of the self-reporting obligations or procedures in B.C., or (iii) simply choose not to comply with reporting and payment obligations. This creates a less than level "playing field" because:

- non-residents would not bear administrative costs of reporting and paying tax in B.C.;
- non-residents would not pay taxes to which B.C. residents are equally subject;
- non-residents would only be subject to prevailing taxes in their home jurisdiction which in the case of Alberta would include no provincial sales tax rather than 7% PST in B.C., in addition to the 5% GST payable in both provinces; and
- non-residents would have had the benefit of doing business in a B.C. economy supported and regulated at the cost of the B.C. taxpayer potentially without contributing to the payment of those costs (such as road and other infrastructure) through payment of B.C. taxes.

In addition to the apparent unfairness of an unequal tax treatment, the non-payment of PST by many non-residents creates an incentive for B.C. residents to (i) avoid B.C. taxes by not reporting in order to

1 This paper uses the acronym PST for both B.C. and Saskatchewan provincial sales tax.

2 TPP that is in B.C. fewer than 6 days is not subject to taxation under s. 49 of the PST Act (s. 53 and PST Regulation s. 17).

3 Section 5 of the PST Act defines "carrying on business" in the province based on factors including whether a person's name is advertised or in a telephone directory with a B.C. telephone number or address or has employees, representatives, warehouse, office or place of business in B.C. Specific provisions apply to non-residents carrying on business in B.C. The obligation to pay PST exists if TPP is used or consumed in B.C. in the course of the person's business regardless of whether the person is technically "carrying on business" in B.C.

4 Collectors are entities registered under the PST Act or otherwise obligated to collect PST in connection with commercial transactions as an agent of the Crown (PST Act s. 178).

overcome the preference that could be seen to be given to non-residents due to their lower cost (reduced tax) structure, or (ii) consider relocating to Alberta so that they can also enjoy the advantage of non-residents in doing business in B.C. as well as having easier access to the Alberta resource economy.

The implications of PST non-payment by non-resident businesses adversely impact the B.C. regional and provincial economies in a number of ways:

- employment of B.C. workers is lower because non-resident businesses are seen as more competitive due to lower costs.
- local, regional and provincial indirect and induced economic benefits are reduced because B.C. businesses and workers would spend more in local communities than non-resident businesses;
- local and provincial government revenues are reduced because B.C. businesses and workers pay B.C. provincial (particularly income tax) and local taxes that non-resident businesses and workers would not pay in B.C.;
- non-resident businesses impose a cost on B.C. through support and regulation of a business environment to which non-resident businesses are making a much lower (if not zero) financial contribution compared to B.C. businesses; and
- the non-payment of PST by non-resident business results in a direct revenue loss to the B.C. provincial government.

The focus of the Coalition on this issue is to promote a "level playing field" where B.C. businesses are not at a competitive disadvantage in their own province due to the non-reporting and non-payment by Alberta and other non-resident businesses of their tax obligations under the PST Act.

3. The PST Problem in More Detail

The Coalition is not able to provide hard data or analysis as a basis for determining the extent to which non-resident companies are non-compliant with B.C.'s PST requirements. This is due to two factors:

- **The reliance on self-assessment and reporting for the payment of B.C.'s PST, as is the case in other provinces**. This means that it is difficult to identify companies that are non-compliant as there is limited ability to determine compliance or the extent of compliance by those avoiding payment.
- **All tax information provided by non-resident as well as resident companies to the Ministry of Finance is confidential.**

However, the information and growing volume of evidence provided by B.C. based companies competing for contracts with Alberta based companies cannot be dismissed. The evidence tends to confirm that non-compliance of Alberta based companies with B.C.'s PST requirements is a result of two causes.

- **Willful avoidance in paying the B.C. PST by Alberta based companies to gain an advantage in a highly competitive market**. Evidence confirms that Alberta based companies are increasingly bringing goods, materials, fuel and vehicles into B.C. without payment of the full PST excluding the exemptions to which they are entitled.
- **Failure on the part of non-resident companies to fully understand and comply with the complex requirements and procedures for payment of the B.C. PST including the self-reporting obligations.** This is potentially a greater source of non-compliance by Alberta-based firms particularly smaller firms that have not worked extensively in B.C.

A further issue relates to the fact that B.C. PST legislation does not require the payment of the PST on some services that may be provided in Alberta but which have an impact on the ability of B.C. companies to compete fairly with Alberta companies. Examples include:

- PST is not payable on certain types of equipment (e.g. safety equipment, radios) that is installed in vehicles in Alberta. While the vehicle is subject to the PST, usually based on a temporary use formula, the equipment itself is not.
- PST is not payable on major repairs undertaken in Alberta to equipment that may be working in B.C.

There is also evidence that certain companies with offices in both provinces avoid payment of the PST by taking advantage of their Alberta-based operations to avoid payment of the PST on major repairs, refitting and other maintenance carried out on equipment working in B.C.

A more fundamental issue is the need to provide the legislative, regulatory and policy basis that would strengthen the ability of the Ministry of Finance to monitor and enforce compliance with the PST Act. The Province of Saskatchewan has enacted a number of provisions which have enabled the province to increase compliance with its PST Act. These include:

- Requiring the registration of non-resident companies with the Ministry of Finance.
- Posting of guarantee bond or cash by non-resident companies as security for the payment of the PST.
- Requiring non-resident companies to obtain a clearance letter indicating that the PST has been paid.
- Requiring contracting parties such as general contractors and oil and gas producers to assume liability for payment of the PST in cases where the non-resident company fails to pay the PST.

A comparison of the PST legislation in both B.C. and Saskatchewan provides an indication of how B.C. PST legislation could be strengthened.

4. Differences between the Approaches of BC and Saskatchewan in Dealing with Companies based in other Provinces

B.C. and Saskatchewan are similarly positioned to the large and dominant oil and gas industry in Alberta and both provinces have similar challenges in the application of their provincial sales tax regimes to ensure that their domestic businesses are not unduly disadvantaged to Alberta businesses doing business in B.C. and Saskatchewan.

Under both the PST Act and the Saskatchewan Provincial Sales Tax Act, R.R.S. 1978, c. P-34.1 (SK. PST Act) there is an obligation on non-resident businesses to report and pay PST in respect of TPP brought into and used or consumed in Saskatchewan and B.C., respectively. Saskatchewan has, however, responded to challenges by implementing administrative provisions in relation to reporting and security for payment of PST.

Sections 9 (general) and 9.1 (temporary) set out the provisions related to the reporting of TPP brought into Saskatchewan. Section 9.1 provides as follows for TPP brought into Saskatchewan temporarily for the purposes set out in s. 9 [5]:

" (9.1) Every person residing or ordinarily resident or carrying on business in Saskatchewan who, on a temporary basis, brings into Saskatchewan or receives delivery in Saskatchewan of tangible personal property for a purpose or in a capacity described in subsection (9) shall:

(a) immediately report the matter to the minister or the minister's appointee;

(b) forward or produce to the minister the invoice, if any, with respect to the property and any other information required by the minister with respect to the property; and

(c) pay tax with respect to the consumption or use of the proportionate part of that property, determined in the manner prescribed in the regulations, that is attributable to its consumption or use within Saskatchewan, at the rate that would be applicable if the property had been purchased at retail in Saskatchewan. "

In addition, the Saskatchewan PST regime requires non-resident contractors who operate in the petroleum industry to:

- register with the Revenue Division to file returns and to report PST (Saskatchewan Tax Bulletin PST-13 (SK TB PST-13) section A);
- deposit with the minister or post a Guarantee Bond of 5% of the total contract amount to secure payment of the tax imposed by the SK PST Act in respect of TPP consumed or used pursuant to or in carrying out the contract (SK PST Act, s. 29(1)); and
- obtain a clearance letter from Revenue Division upon completion of their contracts in the province (SK TB PST-13, PST-38 section G(c))

The party contracting with the contractor is personally responsible for the payment of PST owing in the event that the contractor fails to do so (SK PST Act, s. 29(2)). It is standard practice for contracts to have a holdback of 5% which the contracting party will then release to the contractor once the clearance letter issued by Revenue Division is received.

A comparison of the key provisions relating to non-resident (Alberta) companies' obligations under B.C. and Saskatchewan PST regimes is set out in Table 1.

Adoption of provisions B-E in Table 1 from the Saskatchewan PST regime would provide much enhanced rigour that should cause non-resident businesses to comply more fully with the intent of ss. 41 and 49 of the PST Act and restore some levelling in the playing field between B.C. and Alberta companies operating in B.C. [6]

[5] " for his own consumption or use, or for the consumption or use of other persons at his expense, or on behalf of or as agent for a principal who desires to acquire the property for consumption or use by the principal or other persons at his expense

[6] Ministry of Finance legal counsel can be counted on to ensure that no issues arise in drafting legislation, regulation or policy in regard to trade agreements and treatment of trading partner entities.

Table 1 - Comparison of Provisions of British Columbia and Saskatchewan Related to Taxation of Taxable Tangible Personal Property brought into the province by Alberta Companies

	British Columbia	Saskatchewan
A. Obligation of AB companies to pay PST on TPP brought into the province	**Yes** PST Act ss. 39, 41 for leased TPP PST Act s. 49 for unleased TPP	**Yes** SK PST Act s. 5 (9) and (9.1)
B. Required to register with Revenue Division to file returns and to report PST	**No** May register, but focused on collectors of PST	**Yes** SK TB PST-13
C. Required to deposit with the minister or post a guarantee bond of 5% of the total contract amount	**No** Would be 7% in B.C.	**Yes** SK PST Act s. 29(1) SK TB PST-13
D. Required to obtain a clearance letter upon completion of contracts in the province	**No**	**Yes** SK TB PST-13, PST-38
E. Contracting party to assume responsibility for payment of PST if non-resident company fails to pay	**No**	**Yes** SK PST Act s. 29(2)

Notes
(1) PST Act = Provincial Sales Tax Act, S.B.C. 2012, c. 35.
(2) SK PST Act = The Provincial Sales Tax Act, R.R.S. 1978, c. P-34.1.
(3) SK TB denotes a specific Saskatchewan tax bulletin.

5. What General Principles and Criteria Should Be Used in Identifying Solutions

The solution to the non-payment of PST by non-resident companies must take into account with the principles and criteria which have been established not only by the Government of British Columbia in its own initiatives but also in various agreements that have been negotiated between the Government of B.C. and other provincial governments. While the inter-provincial agreements address only the procurement of goods and services by governments and government agencies, they also provide some guidance to the objectives of the provincial governments on inter-provincial trade, investment and labour mobility in general. The principles established in the following agreements and documents might be appropriate in the evaluation of solutions to address the non-compliance of non-resident firms to B.C.'s PST requirements.

- Various inter-provincial agreements including the New West Partnership Trade Agreement between the provinces of B.C., Alberta and Saskatchewan which came in effect in 2010 and the Trade, Investment and Labour Mobility Agreement between the Government of B.C. and the Government of Alberta that came into effect in 1995.
- The B.C Government's terms of reference for the Commission on Tax Competiveness established in 2016.

The various trade agreements embody key principles such as (1) enhancing competiveness, economic growth and stability, (2) eliminating barriers that restrict or impair trade, investment or labour mobility and (3) increasing opportunities and choice for workers, investors, consumers and businesses. While the agreements deal with procurement by governments and government agencies, they are also relevant as broad principles for procurement by private companies. The Coalition fully supports the objectives established in the trade agreements as well as the principles embodied in them not only as they relate to public sector procurement but also procurement by private companies. The Coalition fully supports increasing competitiveness, reduction in trade barriers and increasing opportunities and choice for individuals and businesses. It is not concerned about increased competition from non-resident firms as it is confident in the ability of B.C. based businesses to compete on both quality and price.

While the trade agreements promote inter-provincial trade, investment and procurement, they also point to the need for provincial governments to recognize the need and reconcile differences in their standards and regulations which impact fair competition.

The recently established Commission on Tax Competitiveness is addressing the reform of the PST in detail and is evaluating various options for reform based on a number of importance criteria which include:

- competiveness of B.C. businesses;
- business investment;
- economic growth;
- tax policy principles;
- impact on provincial government revenues; and
- impact on British Columbians in general.

The Coalition interprets the various principles set out in inter-provincial trade agreements and in recently prepared terms of reference for the reform of the PST as follows:

- While the provincial government wishes to reduce barriers to inter-provincial trade, investment and labour mobility in order to increase competiveness and economic growth, it also wishes to ensure that B.C. based businesses remain competitive so that they are able to invest in their businesses and increase overall economic growth and employment opportunities in the province.
- The provincial government wishes to ensure that options for the reform of the PST reflect important tax policy principles. Commonly held principles include equity and fairness, simplicity, certainty, transparency, neutrality, stability and the ability to produce required government revenues.

It is clearly the objective of the provincial government to ensure that non-resident businesses comply with the laws of the Province in the payment of the PST to ensure equitable and fair treatment of all businesses that undertake work in the province.

The Coalition and the businesses it represents welcome competition from non-resident companies provided that such companies comply with the laws and regulations of the Province in all respects including the payment of the PST. Furthermore, it is the Coalition's expectation that the provincial government will ensure that its policies, procedures and regulations respecting the payment of the PST are sufficient, effective and clear in promoting compliance by non-resident companies. Finally, it is the expectation of the Coalition that sufficient resources will be deployed by the provincial government to enforce its laws and regulations.

6. Recommendations

The following recommendations are made by the Coalition consistent with its understanding of current issues related to the payment of the PST by non-resident companies and the principles it believes are relevant to the development of solutions.

Recommendation # 1 – Increase Level of Monitoring and Enforcement of B.C. Tax Laws

Increase the level of monitoring and enforcement of B.C. tax laws as they relate to the payment of the PST by non-resident companies working in B.C. Specifically:

- Increase Ministry of Finance staff resources, particularly field staff those located within the communities of Northeast B.C., in order to increase the level of monitoring and auditing of non-resident firms.
- Establish policies and procedures that provide for greater coordination in the enforcement of the PST laws and regulations among the Ministry of Finance, the B.C. Oil and Gas Commission, the RCMP, WorkSafe B.C. and the Ministry of Transportation and Infrastructure.
- Establish a formalized process to enable citizens and B.C. based companies to report cases where non-resident companies are suspected of not complying with the tax laws of the Province.

Recommendation # 2 - Implement Public Awareness Program

Develop and implement a public awareness and education program directed to non-resident companies working in B.C. in order to increase the awareness of non-resident companies with B.C.'s tax laws, regulations, policies and procedures.

Recommendation # 3 - Establish a Process to Enable the Public to Access Non-Confidential Information

Implement a process whereby the public can access non-confidential information respecting the payment of the PST by non-resident companies including identification of non-resident companies that have been fined for non-payment of the PST.

Recommendation # 4 – Review and Amend Existing Legislation and Regulations to Enhance the Ability of the Ministry of Finance to Monitor and Enforce the Payment of the PST by Non-Resident Companies

Amend the B.C. PST Act, regulations and policy to enhance the ability of the B.C. Ministry of Finance to better monitor and enforce the PST Act as it relates to non-resident companies working in B.C. Specifically, implement similar measures to those enacted by the Province of Saskatchewan:

- Require the registration of non-resident companies working in B.C. with the Ministry of Finance in order to file returns and report the PST.
- Require non-resident companies working in B.C. to deposit with the Ministry of Finance a Guarantee Bond of 7% of the total contract amount to secure payment of the PST.
- Require non-resident companies working in B.C. to obtain a clearance letter from the Ministry of Finance upon completion of the contracts in B.C.

- Require contracting parties such as general contractors and oil and gas producers to assume liability for payment of the PST in cases where the non-resident company fails to comply with the PST Act.

7. What would be the Impact of the Recommended Changes to the Government of B.C.?

Revenue Impacts

Adopting changes in the B.C. PST regime to encourage non-resident companies to comply with the provisions of ss. 41 and 49 (payment of PST for non-exempt TPP brought into and used or consumed in B.C.) should have a positive impact on the amount of revenue collected by government through:

- direct government revenue from increased PST payments by non-resident companies;
- local and provincial government revenue from indirect and induced employment and spend of B.C. business as the comparative advantage of non-resident businesses is reduced and B.C. businesses can compete on a more level playing field;
- reduced incentive for B.C. businesses not to comply with PST reporting or payment as non-resident companies comply more fully; and
- reduced incentive for B.C. businesses to re-locate to Alberta to address an un-level playing field.

Ease and cost of administration

Adopting changes in the B.C. PST regime to encourage non-resident companies to comply with the provisions of ss. 41 and 49 (payment of PST for non-exempt TPP brought into and used or consumed in B.C.) will increase administration of the PST system to:

- design and distribute reporting materials (distributed and submitted electronically);
- communicate with taxpayers to ensure correct provision of information and payments;
- receive, process and release security deposits and guarantee bonds (involve Provincial Treasury or Cash Management services);
- process returns and payments; and
- spot audit returns and resolve resulting compliance issues.

While there is some increased cost associated with adopting elements of the Saskatchewan PST regime, they should be relatively modest compared to the benefits of (1) direct government revenue from increased PST payments (and possibly greater compliance from B.C. companies and reduced incentives to leave the jurisdiction), (2) indirect and induced benefits (employment, income and government revenue) from impacts on B.C. companies and workers; and (3) helping to level the playing field between B.C. and non-resident companies providing services in B.C.

Some effort will be required to educate B.C. oil and gas companies possibly through the Canadian Association of Petroleum Producers or other industry associations of application of PST regime changes to both non-resident companies and the BC oil and gas companies.