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search Article | 1 July 2011

Consumer Impacts of BC's Harmonized Sales Tax: Tax Grab or Pass-Through?

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Publication: Canadian Public Policy • Volume 37, Number 2 • <https://doi.org/10.3138/cpp.37.2.139>


ABSTRACT RÉSUMÉ

Introduction of the harmonized sales tax has upset much of the BC public, particularly for its perceived impact on the cost of living. This study examines misconceptions over the coverage, operation, and consumer impacts of the HST relative to the retail sales tax that it replaced; the study explains their structural and operational differences. Previous forecasts of the consumer impacts are reviewed and tested by the first quantitative analysis for British Columbia based on data since the HST was implemented. The key finding is that the HST has raised BC's cost of living by 0.5 to 0.6 percent, which is consistent with businesses having passed through to consumers all of their tax savings related to in-province sales. The study offers policy options for offsetting even the small consumer impact of the HST and improving its public acceptance.

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