



February 18, 2014

BACKGROUND

PROPOSED LNG INCOME TAX

The proposed LNG taxation framework will deliver long-term benefits for British Columbia, provide industry with the certainty it requires to be successful, and provide a fair return for British Columbians. The tax regime is based on four core principles that ensure a fair, balanced approach:

A fair share for British Columbians:

- Natural gas is a publicly owned non-renewable natural resource. British Columbians deserve an appropriate return.
- Government will receive the revenues to invest in the priorities of British Columbians, including programs and services that benefit taxpayers, helping make family life more affordable, and reducing Provincial debt.

Competitiveness:

- B.C. taxpayers, workers and companies will benefit from the jobs, investment, and economic activity that come with the establishment of this new industry.
- The overall taxation framework including all taxes will be competitive with similar jurisdictions for this type of LNG investment.
- B.C.'s advantage is based on more than just a competitive tax rate: a skilled workforce, proximity to markets, large natural gas reserves, and a cooler, northern temperature.

Predictability:

- Provide proponents with a clear description of the fiscal regime prior to final investment decision.
- Proposed tax is subject to approval of the legislature.

Level playing field:

- All proponents subject to the same framework.

Government has consulted with industry to better understand LNG proponent business models, cost structures, and competitiveness issues. Government has considered this input in designing a tax model that keeps B.C. competitive with other comparable jurisdictions while ensuring a fair share of revenues for British Columbians.

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