
City Council

Notice of Motion

MM38.4	ACTION			Ward: All
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Request Province of Ontario to Postpone its Proposal for a Harmonized Sales Tax (HST) - by Councillor Walker, seconded by Councillor Thompson

- Notice of this Motion has been given.*
- The Executive Committee currently has jurisdiction for this subject matter. A two-thirds vote is required to remove this matter from the Executive Committee's jurisdiction.*

Recommendations

Councillor Walker, seconded by Councillor Thompson, recommends that:

1. City Council urgently and strongly request the Province of Ontario to postpone until 2014 its current proposal to enact a Harmonized Sales Tax (HST) for Ontario.

Summary

Ontario is in a steeper economic downturn than the rest of Canada. In some respects, Toronto is in a deeper economic downturn than the rest of Ontario. Currently, Ontario's unemployment rate is 8.7% and Toronto's unemployment rate is 8.8%. More and more people everyday are unemployed or experiencing reduction in their work hours or reduction in wages: more and more people are facing the necessity of making due with less money.

In its 2009 Budget, Ontario's Provincial government announced its intention to harmonize the 8% Provincial Sales Tax (PST) with the 5% Federal Goods and Services Tax (GST): the 13% Harmonized Sales Tax (HST) will come into effect in July 2010.

Many purchases made by residents and businesses that were only subject to the 5% GST will now be subject to both GST and PST at 13%. Because the PST and GST will no longer be charged separately, thousands of goods and services that were exempt from the PST will be subject to the new, higher tax, such as: energy (gas, fuels, electricity); prepared foods under \$4.00; audio books for the legally blind; nicotine replacement therapy; personal services such as hair cutting; professional services such as lawyers, accountants, architects; car repairs; real estate commissions; membership fees such as fitness clubs and gyms; newspapers and magazines; taxi and limousine fares; internet access fees; live theatre admissions; vitamins; and new home sales.

At a time when the activity of our housing market is at an all-time low due to the failing economy but also due to the City of Toronto's Land Transfer Tax on top of the Provincial Land Transfer Tax, this Harmonized Sales Tax (HST) will impact the buyers of new homes of \$400,000 or more the most. Only GST is charged on new homes currently. As of March 2009, the average price of a house in Toronto was \$362,052 so there are many new home sales this new HST will impact negatively. The impact of the HST on resale homes is currently unclear.

On houses priced at \$400,000 or less, an exemption will keep the PST portion of the new HST to approximately 2 per cent. However, the HST will rise steeply on homes priced more than \$400,000 as the tax exemption is scaled back: a buyer of a \$400,000 home will pay \$8,000 in the PST portion of the HST, while the purchaser of a \$500,000 house will pay the full 8 per cent in new tax, or \$40,000 in the PST portion of the HST. Currently, the purchaser of a \$500,000 new home pays the 2% Provincial Land Transfer Tax (\$10,000), the 2% City of Toronto Land Transfer Tax (\$10,000) and 5% GST (\$25,000) for a total of \$45,000 in taxes. So, given that there will be \$40,000 in new tax due to the PST portion of the HST, the HST is nearly doubling the present amount of tax paid by such a purchaser, increasing the total tax amount from \$45,000 to \$85,000.

The 'closing costs' associated with the purchase of a home, new or old, will also increase by 8% with this new tax since fees for lawyers, home inspections, real estate commissions, et cetera, will be subject to the HST instead of just the GST.

Not only will this new HST serve to further deter new home purchases but it will also deter environmentally sensitive upgrades built into new homes. On average, "green" homes cost 10% more than homes built in the traditional manner. Traditionally built homes consume more resources and create a larger "carbon footprint"; it is the unsustainable energy consumption and the use of non-renewable resources in these traditionally built homes that has led the Federal, Provincial and City governments to all create policies and incentives for builders and homeowners to build "green" and depart from the traditional method of building homes. This new HST will add so much new cost to the price of a new home that any incentive to build "green" will be overshadowed and as well, the cost of building "green" will be increased because of the new HST's application to the cost of labour. Currently, builders pay no tax on labour. In effect, "green" initiatives and "green" jobs will be 'taxed to death'.

Everyday purchases by Toronto's residents, young or old, single or with a family, will also be negatively impacted by this new tax, although the Provincial government has increased the amount of income tax deductions available to mitigate this impact; it is certain that the HST will not be revenue neutral for many Torontonians, most particularly Toronto's families who are already struggling. Sales taxes such as the HST are regressive and as such negatively impact those of lower income disproportionately - so people and families on the brink will be pushed farther toward financial ruin by this new tax.

Small and large businesses in Toronto will also be impacted by this new tax, although the Provincial government has increased the amount of income tax deductions available to mitigate this impact; it is unclear whether the HST will in fact be revenue neutral for small businesses. It has been touted by some that small and large businesses will benefit from lower administration costs due to elimination of half the business paperwork associated with the current GST and PST. This is yet to be confirmed by experience but an overall reduction in purchase activity

may counter these potential savings because of the increased cost of goods and services for the consumer.

In today's context of the worst economic downturn since 1930, this is the wrong time to be installing a new tax such as the Provincial Harmonized Sales Tax. It is a move that proves the current Provincial government is out of touch with its citizens. It is a move that should be opposed with the aim of its elimination before it is enacted. It's the wrong tax at the wrong time.

As Toronto City Council, we need to stand against this tax. We need to stand for our citizens and do what is within our power on their behalf: petition the Provincial government to stop this new tax.

(Submitted to City Council on August 5, 2009 as MM38.4)