



Harmonized Sales Tax Would Hurt Home Buyers

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REALTORS® have been calling for governments at all levels to take action on the economy, and, next week, the provincial government will have an opportunity to do its part when it reveals the details of its annual budget. Ironically, given some of the talk coming from Queen's Park lately, what the Province doesn't do may be even more important than what it does.

In recent months, Premier McGuinty has been publicly talking about the possibility of combining the five percent federal Goods and Services Tax (GST) with the eight per cent Provincial Sales Tax (PST), to create a single Harmonized Sales Tax (HST). On the surface, this may seem rather benign, but the key point to remember is that these two taxes are not levied in the same way, so many things that are currently only subject to one tax, would, under this scheme, start paying both taxes.

Unfortunately, home buyers and sellers would be one of the hardest hit groups under this proposal, which is why REALTORS® are strongly opposed to it. Currently, the purchase price of re-sale homes is not subject to PST or GST (unlike new housing, which is subject to GST), and it is not expected that the proposed HST would change this, but it would add significant tax to the many services that home buyers and sellers rely on, such as moving costs, legal fees, home inspection fees, mortgage insurance premiums, title insurance, and REALTOR® commissions. For example, for an average GTA home priced at approximately \$360,000, a HST could add over \$2,000 in upfront taxes on closing costs. This is a substantial barrier to home buyers at a time when they can least afford it.

The prospects are even worse for new housing, which is currently subject to a reduced GST of about 3.2 per cent, instead of the usual 5 per cent, on the purchase price. Under this proposal, the purchase price of newly constructed homes could also be subject to the eight percent PST. According to a study recently conducted for the Building Industry and Land Development Association (BILD), a HST could mean a tax increase on a newly constructed home in Toronto of a whopping \$46,676.

As I've pointed out numerous times in this column, the housing industry is critical to the economy. Hundreds of thousands of jobs depend on it, both directly and indirectly. For example, a recent study conducted for the Canadian Real Estate Association, found that every re-sale housing transaction results in over \$33,000 in spin-off spending on things like renovations, appliances and furniture. By adding significant costs to home buying, a HST risks this type of spending, and runs completely contrary to the Province's efforts on the economy.

REALTORS® believe that governments at all levels have to take action on the economy; however, sometimes what is not done is just as important as what is done. We hope the provincial government will heed this advice when it comes to the possibility of a HST.

Maureen O'Neill is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area.