



Mitigating the HST tax threat

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TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE TORONTO SUN

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Being in the dog days of winter, I'm certain a lot of people are dreaming longingly of summer weather, backyard barbecues, and long weekends. For many Canadians, Canada Day is always the unofficial start of the summer season. Unfortunately, this year, Canada Day is also the start of something a little less inspiring: the provincial government's new Harmonized Sales Tax (HST). Not exactly a nice way to celebrate our nation's birthday.

What does the HST mean for you? In a nutshell, this tax will expand the provincial eight percent sales tax to apply, as of July 1, 2010, to the things that are currently applicable to the federal Goods and Services Tax (GST). This means that home buyers will have to pay PST on numerous items that they currently do not, including home inspection fees, legal fees, moving costs, home appraisals, and real estate service fees or commissions. For the average home buyer in the Greater Toronto Area, the HST will mean about \$2,000 in new taxes.

Fortunately, however, there is still action that the provincial government can, and should, take to soften the HST's blow, particularly for home buyers. Most importantly, the provincial government should take a serious look at its current Land Transfer Tax (LTT), which, if left as-is, would mean that home buyers are paying, not two sales taxes (provincial and federal), but three!

The provincial LTT is, essentially, a sales tax on home buyers, which is calculated as a percentage of the purchase price of their home. For the average GTA home buyer, the provincial LTT costs about \$4,000, up front. That's a pretty hefty sales tax. To make things worse, if you're buying a home in the

City of Toronto, you also have to pay a Municipal Land Transfer Tax of about the same amount.

REALTORS® have always voiced concern about land transfer taxes. Simply put, these are unfair taxes that target home buyers. Furthermore, land transfer taxes are bad policy because they make home ownership more difficult to achieve.

When the provincial government first proposed the HST, provincial politicians said that the HST was not intended to generate more revenue for the Province and that, in fact, it would be revenue neutral because of the credits that businesses would be able to claim under the new system. Well, REALTORS® strongly believe that the government should also take action to ensure that the taxes charged to home buyers also remain neutral. With the HST heading towards implementation, the best way for the government to offset its impact on homebuyers would be to take action on its unfair Land Transfer Tax.

For months, the provincial government has been going to great effort to convince Ontarians that the HST is not a tax grab and is simply a re-design of the tax system to improve efficiency and economic competitiveness. Whether or not that is true is debatable, but it's clear to REALTORS® that, by taking action on its Land Transfer Tax to offset the HST on homebuyers, the government has a clear opportunity to put its money where its mouth is.

Tom Lebour is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area.