

Articles Program



The HST and you

It's been almost a year since the Government of Ontario revamped its sales tax system, blending what used to be the PST with the federal GST to arrive at a single "harmonized" sales tax, the HST.

During this implementation period, Ontario tried to lessen the pain for individuals and families with a series of rebates. But Chartered Accountant Douglas A. Robinson, Director, Taxation at DNTW Chartered Accountants LLP in Markham, says the HST is really a tax on consumption, paid mainly by the public. In the long run, it's likely that most of us will end up paying more than we get back.

Here are some of Robinson's tips for understanding the HST, what you're really paying for, and how to avoid shelling-out more of it than absolutely necessary.

HST increases as value is added – Think of a manufacturing process, like making cars. The manufacturer buys the parts and pays 13-per-cent HST on their cost. When the tires, windows and other parts are assembled, he sells the finished car and charges 13-per-cent HST to the purchaser, this time on the total value of the vehicle. The manufacturer deducts the HST already paid on the component parts and remits the incremental difference to the Canada Revenue Agency.

One set of rules, almost – Except maybe for the actual conversion process, administrative problems were never really a concern with the HST, Robinson says, because we already had the GST in place. For businesses particularly, blending the provincial and federal sales taxes have, for the most part, simplified things. Now there is really just one set of rules to know and apply, with only a few exceptions and exemptions.

Canada has become more business-friendly – Products for export are exempt from the HST. Previously, the taxes were imbedded in the goods and passed on to buyers outside the country as well as in. The HST means that Canadians themselves now pay what the government needs to raise, while holding the line on the prices of our exports. Cheaper exports mean a more competitive Canada.

Jobs stay in Canada – The cheaper our exports, the greater the market for our products and services. The greater the market, the more we export. The more we export, the more we create jobs here at home. More jobs mean more Canadians working and paying the HST.

Goods are exempt or not – As well as exported products, things like food, health care, education and several other categories of products and services are either exempt or "zero-rated" with respect to the HST. Some items, like books, children's clothing and

prepared food and drinks that sell for less than four dollars, are subject to the federal portion of the HST (five per cent) but not the provincial (eight per cent).

Grin and bear it – Health care, education, roads and infrastructure, and a whole host of other benefits that Canadians want and expect are not cheap to provide. We need to acknowledge the real cost of that standard of living we all enjoy, Robinson says, and that cost is income tax and the HST.

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