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HST INCREASES RENOVATION COSTS, UNDERGROUND ECONOMY

VICTORIA – A new report, *The Potential Impacts of Sales Tax Harmonization on the Residential Renovation Sector in Canada*, published August 7, 2009 by the Altus Group says BC's Harmonized Sales Tax will increase the tax burden on homeowners and rental housing investors by \$212 million, and promote participation in the underground economy, causing loss of tax revenue for the government.

“The Altus Group report shows the HST will be a hardship for homeowners and professional contractors, while serving to expand the underground economy,” says Casey Edge, Executive Officer, CHBA-Victoria.

It is estimated total investment in home repairs and renovations reached just over \$53 billion in Canada, of which \$7 billion was spent in British Columbia. Approximately \$3 billion represents contractors' labour and overhead which will be taxed at 7% under the HST. This will increase the tax burden on homeowners and rental housing investors by \$212 million.

The report says, “The aggregate taxes levied on contractor renovations will rise from the existing \$104 million to \$316 million – a three-fold increase.” This will drive renovation activity underground, hinder tax revenue, and be counter-productive to government renovation programs encouraging energy efficiency.

The report says sales taxes are normally considered a consumption tax, and home renovations are, in large part, a capital investment in housing. Home renovations should not be subject to a consumption tax. It also says if the HST is introduced, the BC component should be 2.3%, not 7%.

“Home renovations are often an investment in energy efficiency and an affordable home improvement benefiting owners and the community,” says Casey Edge, Executive Officer, CHBA-Victoria. “The government should be working on ways to encourage, rather than hinder, this important activity.”

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Editor/News Director: Altus Report Attached.