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HST INCREASES COSTS, UNDERGROUND ECONOMY

The Canadian Home Builders Association is a nonprofit organization dedicated to education, professionalism, consumer awareness, and housing affordability.

A new report has been released on the Harmonized Sales Tax called, *The Potential Impacts of Sales Tax Harmonization on the Residential Renovation Sector in Canada*, by Altus Group consultants.

The report says the HST 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.

Total investment in home repairs and renovations was 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 starting July 1, 2010 at 7% under the HST. This will increase the tax burden on homeowners and rental housing investors by \$212 million.

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

That is what happened when the HST was introduced in Atlantic Canada.

The report says sales taxes are normally considered a consumption tax, and home renovations are normally 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. The government should be working on ways to encourage, rather than hinder, this important activity.

Of course, there are ways to effectively address some of these problems. The professional renovators and builders from the Canadian Home Builders Association are here to assist the public and government with solutions to these residential construction issues.

For more information on CHBA-Victoria go to www.chbavictoria.com, www.careawards.com or email info@chbavictoria.com.

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