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IN THIS ISSUE

• Ontario's New HST

Ontario's New HST - What Does This Mean for Your Personal Finances?

On July 1st, 2010, Ontario will introduce a new 13% Harmonized Sales Tax (HST) that combines the current 8% Provincial Sales Tax (PST) and the 5% General Sales Tax (GST). While for the most part your day-to-day expenses will not be strongly impacted by the new tax, **you may pay more** for certain large purchases and services.

Impact on Purchases

Those items that have no sales tax on them, such as basic groceries, municipal transit and prescription drugs will continue to be purchased tax-free. Other products will be eligible for a point-of-sale rebate for the provincial part of the HST. This means you will only pay the 5% federal portion of the HST (equivalent to the current GST). These include print newspapers, books, diapers, children's clothing and footwear, children's car seats and booster seats, feminine hygiene products and diapers.

Around the house

Many household expenses that currently are not subject to the PST will be included under the HST. These include: basic cable TV, local residential phone, landscaping, lawn care, private snow removal, home renovations, and home service calls by an electrician, plumber or carpenter. In addition, for new construction home purchases, the Ontario government will offer a rebate of 75% of the provincial portion of the proposed HST on the first \$400,000 of the purchase price. This will provide a rebate of up to \$24,000 for new homes across all price ranges. Resale homes are not affected. You will also have to pay HST on real estate commissions. Home insurance and mortgage interest costs remain tax-free.

Travel

HST will now be charged on taxi trips, hotel rooms and any domestic air, rail and bus

travel originating in Ontario, effectively making many vacations 8% more expensive. Private resale of vehicles is also subject to HST, as is the price of gasoline or diesel.

Sports and health

Beginning July 1st, you will be charged HST on gym and athletic memberships, green fees for golf, sports and fitness lessons (ballet, karate, hockey, soccer, etc.), as well as hockey rink and hall rentals.

Massage therapy and fitness training are also subject to the HST.

Professional services

Legal fees, currently subject to just the GST, will be HST-taxable on July 1st. Funeral services will likewise be charging HST. These can present considerable additional expenses.

Tax relief

Many Ontarians will be receiving supplemental tax-free payments from the Ontario government in order to help the transition to the HST:

- Eligible **families** – including single parents and senior couples with net incomes \$160,000 or less will receive **three payments totaling \$1,000.**
- Eligible **individuals** with net incomes \$80,000 or less will receive **three payments totaling \$300.**

Tax-saving tip - Buy now, use later

Even if you prepay, HST will still be charged on services used after July 1. Products, however, aren't subject to this rule. If you are planning on making a larger purchase in the near future, you may want to buy it before July 1st, even if it sits unused. In fact, since HST adds 8% and the costs of borrowing are generally much lower, a short-term loan could be a worthwhile option.

