

# FACT SHEET: Harmonized Sales Tax (HST)

Beginning July 1, 2010, the two sales taxes Ontarians pay (GST & PST) will be combined into one tax: the Harmonized Sales Tax (HST). What will this mean for people on OW and ODSP in Ontario?

## What is the HST?

Currently Ontarians pay two taxes when we buy goods and services: the GST (a federal tax of 5%) and the PST (a provincial tax of 8%).

The HST will combine the GST and PST into one 13% sales tax. This means that we will pay the same total amount of tax for many things we buy as we did when we paid the GST and PST separately.

What's different is that we will have to pay the HST on some goods and services that we didn't have to pay PST on before. Some examples are home heating fuels and certain kinds of services.

## Doesn't this just mean I'll have less money?

Everyone in Ontario will pay tax on some items and services they weren't paying tax on in the past, so some things will cost more.

The government is making other changes to the tax system – higher tax credits and lower tax rates – that they say will help people deal with this extra expense. These changes are outlined on page 2.

There is one important thing to remember about the changes to the tax system – **you have to file an income tax return every year** to get the benefits of these changes.

## What about people who don't file tax returns?

The tax credits and reductions in personal income tax outlined on page 2 are meant to help make up for the new sales tax people will be paying.

**For those people who don't file taxes, the cost of the HST will be high.** They will have no tax credits or income tax reductions to balance the additional sales tax on goods or services.

Those people on social assistance who don't file tax returns will have to start doing so in order to get these benefits. **Information on help with tax returns is on page 4.**

## **Why is the government “harmonizing” sales taxes?**

The government says that harmonizing sales taxes will reduce the taxes of companies that manufacture things. They say that those companies will then reduce their prices or have money to hire more employees, which will benefit Ontarians.

## **What are the tax changes that will help with the HST?**

### **1) New sales and property tax credits**

- Instead of one sales and property tax credit, as is now the case, there will be two credits: a sales tax credit and a property tax credit.
- The sales tax credit will be up to \$260 per adult and child in low- and middle-income families, reduced by 4% of adjusted family net income over \$20,000 (for single people) and \$25,000 (for families).
  - This credit will be paid four times a year, starting in July 2010 – this is similar to the GST credit that many people on OW or ODSP receive now.
  - People getting OW or ODSP benefits will get either the maximum credit or a credit very close to the maximum, because of the low amount of income that is provided by OW and ODSP.
- The property tax credit will be based on either the amount of property tax you pay or 20% of your rent, up to \$250 for non-seniors or \$625 for seniors and 10% of occupancy cost. The credit will be adjusted by 2% of family net income over \$20,000 (for single people) and \$25,000 (for families).
  - This credit will reduce the amount of income tax you have to pay. This credit starts beginning with the 2010 tax return (that is, next year’s tax return).

### **2) New personal income tax reductions**

- The tax rate will be reduced by 1% for the lowest income bracket (earnings of up to \$36,848 a year), from 6.05% to 5.05% as of January 1, 2010.
- There is also a new Ontario Tax Reduction of up to \$205 per person (the person who files the tax return) plus \$379 per child, disabled or infirm dependent.

### **3) Transitional benefit**

- The provincial government will give people a short-term “transitional benefit” to reduce the impact of the HST while manufacturers sort out the prices of their goods.
- The maximum benefit will be \$300 for a single or \$1000 for single parents or couples.
- The transitional benefit will be paid in three installments, beginning in August 2010 and ending in June 2011. In other words, this is not a permanent benefit.

For people on OW or ODSP, the two changes that will help the most are the refundable sales tax credit and the transitional financial assistance benefit. Neither of these credits will be taken off people's OW or ODSP cheque – they are “exempt income”.

## **Which items are exempt from the HST?**

Books, diapers, children's clothing and footwear, children's car seats and car booster seats, fast food (costing \$4 or less), newspapers, and feminine hygiene products will be exempt from the **provincial portion (8%)** of the HST, so we won't have to pay that amount on these items.

Other items, such as basic groceries, prescription drugs, and child care, will continue to be fully exempt – we won't have to pay the 13% HST on these items.

For more information on which items are exempt, call Service Ontario at 1-800-267-8097, TTY toll-free at 1-800-268-7095, or in Toronto at (416) 326-1234. Or, check this website: <http://www.rev.gov.on.ca/en/taxchange/consumers.html>.

## **Overall, what does this mean for me?**

The Canadian Centre for Policy Alternatives (CCPA) released a report in December 2009 that looks at the impact of the HST and the tax changes intended to help make the HST more affordable. They found that overall **Ontarians will not be much better or worse off as a result of the HST:**

- Individuals or families with incomes between \$10,000 and \$20,000 will be better off by an average of \$90.
- Individuals or families with incomes between \$20,000 and \$30,000 will gain the most, with an average of \$136 more per year once credits and income tax changes are calculated.

Not every group in society is affected in the same way by the HST or the credits and income tax changes. However, since most people on OW or ODSP have incomes between \$7,000 and \$25,000, most people receiving social assistance will benefit from the tax changes.

But remember – in order to benefit from these tax changes, you have to file a tax return. See the next page for information on how to file your return.

## **Other impacts of the HST:**

There are many things we don't know about how much this change in sales tax will affect people. For example, we don't know how the economy will be over the next few years or how many jobs will be lost or created.

We don't know whether businesses will reduce prices on goods and services due to the money they will save from the HST, like the government says they will. And we don't know yet how much families will save at the cash register because of exemptions.

However, it is important to remember that taxes help us as communities to pay for the things we all need: health care, police, education, social services, and so on.

There is a debate going on about whether it is fair to increase “consumption taxes” (taxes that people pay on things that they buy) instead of making changes to “income taxes” (taxes that people pay on the money they earn). This is because low-income people end up paying more of their income when they buy things than higher-income people do when everyone pays the same 13% taxes.

ISAC will continue to monitor the implementation of the HST to see what impact the tax changes will have for people on OW and ODSP.

And ISAC is working with the 25 in 5 Network for Poverty Reduction, other partners, and officials in the Ministry of Revenue to make sure that the government takes action to help people file their taxes, and to reduce other barriers to tax filing.

## How do I file my taxes?

Filing your taxes is the best way you can make sure to receive the credits and income tax reductions you are entitled to under this new tax system.

ISAC and the 25in5 Network for Poverty Reduction have asked the government to fund income tax clinics across the province to help people on social assistance and other low income people get help in filing their taxes.

- ▶ General Income Tax and Benefit forms can be found at: <http://www.cra-arc.gc.ca/E/pbg/tf/5006-r/README.html>
- ▶ Some places in Ontario hold free income tax preparation clinics for people with low incomes. To find a place near you call 1-800-959-8281, or check these websites:
  - If your income is under \$25,000 (or under \$30,000 for a family with one child): <http://www.cra-arc.gc.ca/tx/ndvds/vlntr/clinics/on-eng.html>
  - If your income is under \$17,000 (or under \$25,000 for a family with one child): <https://ebusiness.icao.on.ca/taxclinics/taxclinic.cfm>

## How do I get more information about the HST?

- ▶ To read the entire report “**Not a Tax Grab After All: A Second Look at Ontario’s HST**”, go to <http://www.policyalternatives.ca/publications/reports/%EF%BB%BFnot-tax-grab-after-all>
- ▶ See the Ontario government’s explanation of how the tax changes will affect you, at <http://www.rev.gov.on.ca/en/taxchange/families.html>