

# Ontario tax reform and our seniors

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## GETTING MORE INFO:

- The electronic version of *Ontario Tax Reform and our Seniors* has web links you can click. Download it here: <http://tinyurl.com/yllhbj2>
- Need more paper copies? Call our office at (905) 569-1643.
- For *lots* more info on Ontario's tax cuts and the HST, join the *Mississauga Seniors Group* on Yahoo! It's free. <http://tinyurl.com/yfquybm>
- An independent study by the University of Calgary *School of Public Policy* says that Ontario's tax changes are the key to lasting prosperity for you, your children and your grandchildren. Read the brief report: <http://tinyurl.com/yfkd7q2>
- Try the Ontario Tax Calculator to see what difference Ontario's tax changes will make to you: <http://tinyurl.com/ykpm56r>

## Personal income tax cuts, better benefits for seniors highlight Ontario tax reform package

As of January 1, 2010, your personal income taxes **went down** permanently, and that's a good thing!

As of now, your Senior Homeowners' Property Tax Grant will **double**, from \$250 per year to \$500 per year, and that is also a good thing.

There is now a new, **refundable sales tax** credit of as much as \$260 per year for low- and middle-income earners will take effect. And that is a good thing, especially for seniors on fixed incomes!

To ease the transition to a Harmonized Sales Tax in Ontario, families earning less than \$160,000, and single



Since the spring Ontario Budget, I have visited seniors, business groups, neighbourhood meetings, and just about anyone else who wants to talk about tax reform in Ontario.

people earning less than \$80,000 per year are eligible for **transition payments** totaling **\$1,000 for families**, and **\$300 for singles**. These will be paid to you in three installments through 2010 and 2011.

Personal tax cuts and higher benefits for seniors are key parts in the comprehensive tax reform that Ontario implemented on January 1, 2010.

**More Info:**  
<http://tinyurl.com/zyzyvrr>

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If we do what we have always done, we will get what we have always got

The global economic downturn did not start in Ontario, and will not end in Ontario.

We have been through recessions before, and

Ontario has always come out stronger and more competitive. To do that following this recession, Ontario needs to ensure that our province is the cost

competitive place in the world to start, manage or relocate a business. That's how we will ensure high-value jobs for the generation of your children and grandchildren. That is why Ontario is changing.

*“If we were starting over, with a clean sheet of paper, we would never design the tax system we have today.”*

*“Why would you want to pay as much as 19 percent, or more, in compounded expense hidden in the price of things as embedded sales tax when all you really owe is eight percent. The Harmonized Sales Tax gets all that embedded sales tax out of your wallet”*

Step	2%	5%
1. Suppliers	2%	5%
2. Manufacturer	4%	10%
3. Wholesaler	6%	16%
4. Chain, franchise or channel	8%	22%
5. Retailer	10%	28%
6. Your purchase (8% tax)	19%	38%

People think all they pay is 8% sales tax. If between 2% and 5% of a business' total cost is embedded sales tax, look how much of your total purchase price might be compounded tax!

## If Ontario started from scratch on sales tax

When you go to the store and buy something today, on **one** transaction, you pay *two different* sales taxes, to *two different* levels of government, at *two different* rates, using *two different* sets of rules, dealing with *two different* sets of taxation bureaucrats.

We would never start from scratch and design the mish-mash of

different tax systems we have now.

That is nuts! Why do we do this? *Because we have always done it.* The rest of the world has a better idea, and it sucks less tax out of your wallets. Ontario will do business the way more than 130 other countries do it. As of July 1, more than 90 percent of Canadians will use a money-saving

value-added sales tax.

Ontario's move to a **Harmonized Sales Tax** will reduce tax revenue by more than \$2.3 billion over four years, because Ontario will collect *less tax from about 93 percent of us.*

That's a good thing.

**More Info:**  
<http://tinyurl.com/y1f5noh>

## Many of the products you regularly buy are coming *down* in price. Here's why!

Compound interest is a good thing to collect. Compound expenses are a rotten thing to pay. Yet that's what you do every day when you buy products you use all the time.

The half-century-old PST forces businesses to "eat" some (or much) of the PST they pay on things that are consumed in their own business: supplies, furniture, office equipment and so on.

In most businesses, this can add up to between two and five percent of the business' total expenses! With a modern value-added tax structure, like the GST and next year, the Harmonized Sales Tax, *all* of that "embedded sales tax" flows through the business. The

savings are enormous, especially combined with the permanent reduction in corporate income taxes.

Companies selling to large chain or franchise retailers will be under pressure from their large buyers to "flow through" the cost savings. Competitive pressures in a big market like Ontario will keep vendors' pencils sharp.

Consider a fairly typical scenario in which (1) suppliers make things used by (2) a manufacturer, who provides them to (3) a wholesaler, who sells them to (4) a franchise, retail chain or corporate buyer who transfers them to (5) a retail outlet, where (6) you buy it. The actual

process varies, but what's described is fairly common. Imagine *every entity in the first five steps* was able to pass through a **two percent saving**. At the end, you'll still pay the usual eight percent PST, but you will skip the *ten percent* embedded PST you no longer need to pay.

Ontario does not want to collect *about 19 percent* (with compounding) sales tax when all you *really* owe is *eight percent*.

That is what the harmonized sales tax is all about: paying only what you actually owe.

That's why prices on many things you buy all the time will come **down** in price. **More info:** <http://tinyurl.com/ykfuknt>

## How will Ontario help us make the switch?

On the day the Harmonized Sales Tax takes effect, *July 1, 2010*, it will take a while for the savings to flow through to us, as we buy goods and services.

Ontario will send one-time transition funding of **\$1,000** for families with income below \$160,000, and **\$300** to singles with income of

\$80,000 or less. Transition payments will be paid in two installments in 2010, and a third in 2011.

Your senior homeowners' property tax credit will be **doubled**, from \$250 per year at present to **\$500 per year** from 2010 forward.

A new, permanent

sales tax credit of up to **\$260** for low and middle income families takes effect in 2010.

A long list of items seniors buy regularly will be (or continue to be) tax-exempt, including drugs, groceries and many more. **More info:** <http://tinyurl.com/zyzyvrr>

## So who else is in favour of these tax changes?

These tax reform measures will make Ontario's businesses more competitive worldwide. Major business groups nationwide agree.

This includes the Ontario Chamber of Commerce; the C.D. Howe Institute; the TD Bank; and the Fraser Institute. Ontario's

major social services and poverty advocates are also supporters.

A [November 2009 report by Jack Mintz](#), of the University of Calgary's Palmer School of Public Policy estimates Ontario will benefit from **\$47 billion** in increased capital investment; increased annual incomes of

**\$29.4 billion** and more than **590,000** net new jobs.

Rotman School of Management Report <http://tinyurl.com/yzue2o3>

Ontario Ministry of Revenue web site: [www.rev.gov.on.ca](http://www.rev.gov.on.ca)

Ontario Chamber of Commerce web site: [www.occ.on.ca](http://www.occ.on.ca)

## Jobs for your children and grandchildren

Canada and the European community are trying to work out a free trade agreement. The USA won't get one! Why? Because to do free trade with the EU, a country *must* have a value-added tax system compatible with what is in place in Europe.

Will America adapt? Not as fast as we will.

Europe's market is *bigger* than that in the USA. And Ontario can sell what we make and do in Europe. Those jobs of tomorrow will come to Ontario, and enable the generations of your children and

grandchildren to learn here, work here, prosper here, and create high-value jobs here because Ontario will treat companies the way some 130 countries in the OECD do: with a harmonized sales tax.

It makes sense.

*"The argument against the Harmonized Sales Tax requires few of the facts. It is easy to make, and it is emotional. And it is **wrong!**"*

*"The case for the Harmonized Sales Tax requires listening to the facts. It takes some attention, and it is rational. And it is **right!**"*

*Try the Ontario Tax Savings Calculator at [tinyurl.com/lykpm56r](http://tinyurl.com/lykpm56r) and see what difference the Harmonized Sales Tax will make in your own life, using real numbers.*

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Obi-Wan and I are frequent visitors to our local seniors. The big guy turned ten in September, when this photo was taken, so he's getting to be a bit of a senior himself.

**Seniors on the Web!**

*Ontario has a site  
designed with you, and  
for you. Check it out!*

[www.seniorsinfo.ca](http://www.seniorsinfo.ca)

## How are residential rents and home sales affected?

### If you are a renter:

Leases and rent paid by residential tenants would be exempt in the same manner as under the federal GST.

If your landlord provides exempt residential rental housing, they would generally pay harmonized sales tax on their business expenses, but would not collect single sales tax on residential rents as under the GST.

Your landlord will also benefit from cost reductions in administration, as two tax systems become one, and

from tax reductions that are part of the Ontario tax reform.

### If you are a homeowner:

- The harmonized sales tax is not charged on sales of existing homes. Same as it is now;
- The first \$400,000 of the price of a new home is free of PST. That covers more than 75 percent of all Ontario homes;
- The vendor, and not the purchaser pays any applicable real estate fee.

More info: <http://tinyurl.com/ykyczbb>

## Thoughts from Bob on Ontario's tax changes

Why, some people have asked me, do this now? Because it's a good idea that saves you money, and if not now, then when?

Making these changes will give us a lasting competitive advantage over the USA. Why should you create jobs in Ontario? Because it's simply a better business decision!

There are few issues that I have dealt with since you sent me to Queen's Park about which I have such strong convictions. And in the end, what are we

really talking about? Is a monument being removed? An icon destroyed? No.

It's just a tax structure, and it is expensive, obsolete, cumbersome, and by today's standards, stupid. So Ontario is going to do the right thing and change it.

A few things are going to cost a bit more. Many more things are going to cost a bit less. Your taxes are going down. Your benefits are going up. And it will take about a year for the system to adjust.

We've all got a back-to-school season; Christmas and a tax filing to see how everything works out.

I favour going a step further and mandating *tax-included pricing*, or "what you see is what you pay" as they have in Europe and Asia. I realize after talking with major retailers that we need the feds (both major parties) to *show some backbone* and standardize Canada's ludicrous mish-mash of sales tax rules.

We will all do fine.