

# Business Times



**A TAXING QUESTION**

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## OPINION

# Harmonized Sales Tax: Friend or foe to biz?

**CHARLES WAUD**

## BOARD'S VIEW



on.ca. There is also an informative video entitled "Ontario's Single Sales Tax and Tax Reform Package Explained" recently presented by Stuart Johnston, vice-president, Policy & Government Relations of the Ontario Chamber of Commerce. He talked to the Ajax Pickering Board of Trade.

### WHAT IT MEANS

Johnston recently shared, "unfortunately, many stories in the media are not terribly successful in describing harmonization, and what it means to the consumer and business. It does not mean all prices will go up by 8 per cent; in fact in many cases, prices will go down; and it is not a tax grab by the province; it will actually cost the provincial

treasury about \$2.3 billion over three years... It does mean that most businesses will have the benefit of reclaiming sales taxes paid, thereby reducing the cost of doing business."

And that's only part of the story.

Another advantage of HST is that it will also stimulate both foreign and domestic investment - and decrease business costs dramatically as they will not have to administer the cumbersome provincial sales tax. Each year, business in Ontario pays approximately one third - or \$5-billion - of all PST to the government.

That means \$5-billion of costs are embedded (unseen) in the consumer price for goods and services. It is estimated that between two and eight per cent of the costs of ALL goods and services are from the cascading effects of PST embedded in business costs throughout the supply chain. If you're presently paying PST or trying to decipher the rules and regulations - this is good news!

The province has also agreed to an annual \$260 Ontario Sales Tax Credit for low to medium level earners in the province and will be sending out cheques quarterly to every household member who qualifies. In addition, the province has lowered Personal Income Tax rates for the lowest income tax bracket.

### OTHER MEASURES

Other significant tax measures that were introduced in March's provincial budget will result in a net reduction in direct taxation to business and a net reduction in indirect costs to business. Here are just a few of the highlights:

- Business Education Tax (previously

announced) - between now and 2014 the BET rate will drop down to a uniform rate of 1.52 per cent, saving Ontario businesses \$540 million - Brampton businesses are a net beneficiary of this tax reform.

- Corporate Income Taxes are also dropping beginning next year. By 2012 the general rate and the manufacturing/processing rates will drop to 10 per cent from 14 per cent and 12 per cent respectively.
- Part of this strategy was realized this year with the full harmonization of corporate income taxes. The federal government alone will collect, administer and audit all corporate income tax in Ontario. That's another \$200 million in annual savings to business.
- Small Business Surtax of 4.25 per cent will be eliminated altogether.
- The Small Business income tax rate will be lowered from 5.5 per cent to 4.5 per cent.
- Capital tax - already eliminated for manufacturers, will be eliminated for all business in July 2010. This means, as an example, businesses with \$20 million in capital will save \$30,000 annually.

The Ontario Chamber of Commerce along with other Chambers and Boards of Trade, including The Brampton Board of Trade, support this tax reform strategy believing it will benefit Ontario business over all.

We welcome your comments and feedback. If you would be interested in attending an information session with key policy makers to discuss your specific budget concerns, let us know.

*Charles Waud is the new president of the Brampton Board of Trade*