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Benefit Facts Article by Brian Bulger

Ontario's HST, Your Group Benefit Plan and My Rant

On July 1, 2010, the Ontario Provincial Government, in conjunction with the Federal Government, implemented a single 13% Harmonized Sales Tax (HST). HST will, for the most part, replace Ontario's current 8% Retail Sales Tax (RST) and the 5% Federal Goods & Services Tax (GST). This new single sales tax will be administered by the Federal Government and will be applicable on goods and services purchased in Ontario.

Despite this transition to a 13% single sales tax, Ontario has stated their intention to retain the existing RST on insurance at 8%, so for group insurance billings nothing will change. Firms will continue to be charged 8% Ontario RST and the levy will continue to be a non-refundable tax.

Firms that utilize **Cost Plus** as part of their Plan will see a slight change. The 8% RST will continue to apply to the claim amount and will be non-refundable as it is now. For the Administration Fee however, it appears an exemption will be provided for the 8% RST, and instead, the 13% HST will apply; Thankfully this is a very modest increase. Based on my understanding of the proposed legislation, some businesses will be entitled to recover this 13% HST as an input tax credit. This is a slight benefit to some, since previously, only the 5% GST was recoverable.

You may recall that it was Bob Rae's NDP Ontario Government that first applied tax to insurance in 1993. When they announced it's implementation, I remember thinking, how rotten can they get. Responsible people buy insurance so that they won't be a liability to the Province and they're now going to be penalized for it. Unfortunately, at the time Canada was in a recession and Bob and his crew were convinced that Ontario could spend their way out of it. The tax on insurance was a huge cash cow and was going to save the day. It might have worked, but the concept of reduced spending and paying down the debt with the additional millions coming in was somehow elusive to them.

For many small business owners in Ontario, myself included, the HST is another unwelcome and excessive tax that will provide no direct benefit to my business what-so-ever. It will push many business owner's marginal tax rate ever closer to 50% and will act as a disincentive to business growth. After all, why would anyone consider working any harder than they absolutely need to when 47% to 50% of their income is being taken away by taxes.

The ones who are benefiting the most financially from this additional tax are the Provincial Liberals, the Federal Conservatives and the underground economy. But what do I know, our elected representatives at Queens Park in Toronto and at the Parliament Buildings in Ottawa have such terrific business acumen and histories of unparalleled successful money management that I must surely be wrong.