



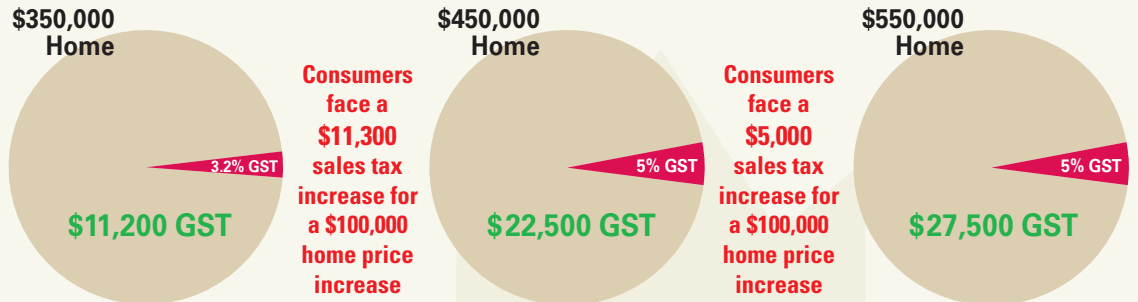
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# The Heavy Impact of GST on Housing Affordability



- In 1991 the federal government promised to index the GST Rebate Thresholds. It never happened and 21 years later housing affordability is suffering in Ontario and across the country.
- In 1991 over 90% of new homes across Canada qualified for full GST housing rebate. In 2011 only 37% qualified.
- The **GST tax structure is regressive** and is harmful to housing affordability for new home buyers, renters and seniors.
- A new home under \$350,000 receives a GST rebate of 36% of the GST. The rebate is phased out up to a \$450,000 threshold above which consumers pay the full 5% GST.
- A \$100,000 price increase on a new home from \$350,000 to \$450,000 results in \$11,300 in additional taxes on a consumer; **this specifically impacts middle-income new home buyers.**
- Since 1991, when the GST was introduced, the Statistics Canada New House Price Index has increased by almost 60%. Had the GST New Housing Rebate thresholds been adjusted to take account of this increase in new house prices, the thresholds would have increased from their current \$350,000/\$450,000 to \$560,000/\$720,000.



## A Progressive GST Rebate for Housing



- The provincial structure for the harmonized sales tax is a **progressive tax structure** where housing is subject to a 2% sales tax up to \$400,000 and 8% on the incremental value of the home above \$400,000.
- The Province of Ontario took an enlightened approach and recognized the value of improving the tax structure as new housing plays a critical role in upward socio-economic mobility and prosperity.
- The net GST on a \$450,000 new home is \$22,500, yet the Ontario provincial portion of net HST is only \$12,000.
- Based on the Ontario rebate model with a \$400,000 single progressive threshold, the Federal government would receive roughly \$400 million less in GST revenue in 2012.
- The HST in Ontario provides an opportunity for the federal government to **re-examine tax policy** on new housing across the country by implementing a progressive tax structure.

### MARGINAL FEDERAL GST TAX RATE FOR NEW HOUSING

