

Bangon 2.20.2010 - HST - It's the details that count

As our industry starts to prepare to accommodate the Harmonized Sales Tax, we are having to dig deep into the details to understand its full implications.

Even after a number of seminars offered by our local association and the Ontario Home Builders' Association and a number of articles in our provincial publication, confusion continues. Perhaps we should have anticipated the flood of registrations for a seminar LHBA has scheduled for next week. However, this is the first time we have ever had to cap registrations, leaving some 150 potential registrants a bit stressed.

While our industry is learning, we are also trying to help the public become educated, in the hope that there won't be any surprises come July 1st.

As per my column a few weeks ago, we have already learned that the July 1st implementation date, in relation to the construction of a new home, refers to the date of transfer of ownership and possession, not the signing date for an agreement of purchase and sale. Meaning that homes not fully constructed until after July 1st will be subject to the new HST rules based on a percentage of completion of the construction. Builders will have extra paperwork to complete and file as each home will have to be evaluated on July 1, against set government criteria to determine the percentage against which the new HST rules will apply.

On the renovation side of construction, again it is the details that tell the full story. We have learned a similar rationale as explained above for new homes, will also apply to renovations - but with a little twist. The Ontario government has added a May 1st deadline clause meaning that any renovation project ordered or agreed to by May 1st, and completed by July 1st will be charged at the current 5% GST. However, if the work is not completed by July 1, unlike the graduated scale enjoyed by new homes, the renovation will be subject to the full 13% HST. That's a full 8% dropped on top for tipping over July 1st.

According to Brian Wurts, an analyst at Price Waterhouse Coopers, "The government doesn't want a rush of renovations ordered on June 30, allowing homeowners to escape paying the HST. They don't want to lose all that money." The clause is directed mainly at contractors who pre-bill, he said, but the effect is likely to generate a rush of renovations in the spring.

I agree with Mr. Wurts about the potential rush. Stretching the family budget is just prudent money management so for families planning a renovation project, pay heed to the above dates.

Seems to me throughout this last year there has been a dizzying array of federal and provincial legislative changes. From different types and versions of energy rebate programs, the home renovation tax credit, a reduction in the GST rate, increases from HST, then all the fine details related to implementation dates and deadlines, it's no wonder there's confusion. Let's just keep a positive mind-set and with some time and energy, it will all sort itself out.