

Bangon 2.6.10 - HST on Renovations

According to a recent news release by the Ontario Home Builders' Association, Ontario renovators expect an explosion in the amount of renovation work being done underground as consumers look for ways to save the 8 per cent HST. Our OHBA President James Bazely is quoted saying "Unfortunately, the underground economy is already thriving due to the GST and the new HST is like throwing gasoline on a fire."

"Unless governments approve a plan to discourage cash transactions, honest and legitimate renovators will struggle to compete with black market renovators – and that spells disaster for our industry with major job losses and ultimately dwindling revenue for governments," added Bazely.

In an Altus Report on Sales Taxation and the Residential Renovation Sector in Ontario released this past November, it was noted that the HST, as currently proposed, will result in substantial revenue loss to all levels of government as more and more consumers choose to pay cash to avoid paying any sales tax. It is estimated that governments will lose up to \$1.6 billion annually in income tax and another \$298 million every year in GST.

To curb growing activity in the underground economy, save jobs and stem government revenue losses, our industry has been asking both the provincial and federal governments to implement a permanent renovation rebate or tax credit for the sales tax. The current Home Renovation Tax Credit has been tremendously popular and encourages consumers to seek out legitimate contractors.

I'm sure that everyone can relate to a concern about jobs and understand our lobbying to preserve our industry. Not so sure that individually people are too concerned about preserving income for governments, although they should as ultimately it's the taxpayer who foots the bill. What all homeowners should be concerned about, if they understood, is the risk they unknowingly assume when they enter into a cash deal.

In conjunction with the federal government, our industry has been trying to educate and protect homeowners since the inception of the GST, some fifteen years ago. Yet every year we receive unsettling phone calls at the association office with heart breaking details of homeowners who have fallen prey to an unscrupulous contractor through the lure of avoiding taxes.

An article last fall in the Financial Post summed up the situation clearly.....'Paying cash for a renovation increases risk..... *You have no comeback if they wreck your house'*

At LHBA we continually advise homeowners to use professional RenoMark renovators. RenoMark is a relatively new program to London, having been introduced a few years ago, and it provides a new added level of comfort for homeowners wishing to renovate. Initially developed by BILD (formerly the Greater Toronto Home Builders' Association) it is now sanctioned by the Canadian Home Builders' Association and is being adopted by local home builder associations country-wide.

Our new RENOMARK symbol identifies those renovation contractors who have agreed to the LHBA Code of Ethics as well as a renovation-specific Code of Conduct, who provide warranties, who understand the value of customer service during and following projects, and who have access to information on current trends, the latest materials and new regulations.

RenoMark Renovators also carry liability insurance to protect homeowners should an injury occur and a key element, they provide a written contract that details the specifications of materials and design, important dates and responsibilities of the renovator and the homeowner.

RenoMark renovators are professional business people, who are earnest about their craft, serious about their reputation, and protective of their homeowners interests. Renovation isn't a hobby to them.

Below are a few examples of the risk of a cash deal. Without a written contract this could happen to you:

- A worker falls off the roof and is injured. Because your contractor doesn't carry the Workers' Safety Insurance required under provincial law and there is no proper contract, you (the homeowner) can be considered the legal employer and held responsible for the worker's medical and disability costs.
- A neighbour's child wanders into the construction site, falls and is injured. Your contractor doesn't carry workplace Liability Insurance, so you (the homeowner) face a potential lawsuit. Your homeowners insurance policy may well not cover you unless you purchased additional coverage ahead of time.
- You discover your contractor hasn't paid for materials and labour and because nothing was put in writing, you are responsible for these debts even if you have already paid the contractor.
- The work that your contractor did was poor quality and now your roof leaks and there is damage to your drywall and your beautiful new kitchen. You can't take legal action as there was no written contract and there is no record of your 'cash' payments. You will have to hire someone else and pay again.

Be Smart - Avoid such dangers by working with a professional RenoMark renovator!