

**New Housing Is Different:  
Implications for Sales Tax  
Harmonization on New Home  
Buyers in Ontario**

Independent Real Estate Intelligence

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**New Housing Is Different:  
Implications for Sales Tax  
Harmonization on  
New Home Buyers in Ontario**

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## EXECUTIVE SUMMARY

Sales tax reform involving the merging of the provincial sales tax (PST) with the federal Goods and Services Tax (GST) into a new harmonized sales tax (HST) has the potential to generate long-term benefits to the Ontario and Canadian economies. Such a tax change is generally worthy of support but with one important caveat. It would be irresponsible to subject the full price of new homes to the HST. New housing is unique from personal expenditure on goods and services in that it is an investment good providing a stream of consumption for 50 to 75 years or more into the future. It also provides a stream of annual property tax payments over the life of the structure. New housing is also the target of a number of onerous charges and other taxes including development charges, land transfer taxes and land dedications.

Taxing new housing in the Greater Toronto Area (GTA) at the full rate of the new HST would have severe consequences on new homebuyers, as well as the new housing industry and the economic sectors dependent on it.

Housing affordability would deteriorate and new residential construction would decline. The housing industry is an important engine of job growth directly or indirectly providing an estimated 325,000 jobs in Ontario in 2007. Care has to be taken not to compromise these jobs in any HST implementation.

In order to avoid a negative impact on housing affordability, the preferred HST treatment for new homes would be to apply a tax rate of approximately 2% to the price of new homes. This is the estimated tax rate on new homes under the present PST resulting from the taxation of building materials.

If the relief were to be provided in the nature of a GST-style new housing tax rebate, the price thresholds for qualification should be realistic and updated for inflation in the future, unlike the GST price thresholds, which have not changed since 1991 when the tax was introduced, despite promises from the Federal Government at the time.

When the GST was introduced in 1991, about 85% of new homes in the GTA qualified for the full rebate. Today, because of the Federal Government's failure to increase the price thresholds for inflation, only half of GTA buyers are eligible for the full GST rebate and a quarter of buyers do not get any rebate at all.

While the focus of this paper is on new ownership housing, the concerns and commentary also apply to new rental housing and to renovation work done by contractors.

## INTRODUCTION

Sales tax reform has become topical in Ontario. Many market-oriented macro economists and economic think tanks are advocates of broadening the base of the existing Provincial Sales Tax (PST) to that of the Federal Government's Goods and Services Tax (GST) and merging the two taxes into a single harmonized sales tax (HST). This would enlarge the base of the provincial tax significantly from a tax now largely on building materials used in new home construction to a tax on all components of the costs of new home, including land, labour, materials, overhead and profits.

The new housing and renovation sectors are important generators of jobs in both the GTA and in Ontario. It is estimated that the housing industry directly or indirectly has generated more than 300,000 person-years of employment annually since 2002. In 2007, the estimated jobs generated are about 325,000. Considerable care should be taken when designing a HST not to compromise the job-creating quality of the new housing industry.

Figure 1

### Total Employment Generated by the Housing Industry, Ontario<sup>1</sup>

	2002	2003	2004	2005	2006	2007
	<i>Person Years of Employment</i>					
Direct (Construction)	161,418	166,311	171,428	173,664	175,326	172,574
Indirect	142,365	146,681	151,194	153,166	154,632	152,205
Total	303,783	312,992	322,622	326,830	329,958	324,779

<sup>1</sup> Includes new construction, renovations and related activities.

Source: Altus Group Economic Consulting based on data from Will Dunning Inc.

This paper starts with a brief examination of the economic reasoning for sales tax harmonization in Ontario. It then turns its attention to what it would mean for the new housing market, with a focus on the Greater Toronto Area (GTA).<sup>1</sup>

It argues that any HST tax must consider the atypical attributes of housing in its application in order to minimize damaging impacts on the purchasers of new homes, homebuilders and the general economy. This also holds for the residential renovation sector. This means that new homes, both ownership and rental, and substantial renovations need to be provided with significant relief from the full weight of any HST.

<sup>1</sup> Background statistical data for Ontario municipalities outside the GTA are contained in the Appendix. These include Hamilton, London, Ottawa, Sudbury, Waterloo and Windsor.

## THE ECONOMIC RATIONALE FOR SALES TAX HARMONIZATION<sup>2</sup>

The blending of the GST and Ontario's PST into a new HST is anticipated by proponents to have a number of significant longer-term benefits for the province and its businesses and residents:

- Lower tax administration costs resulting from the merging of the two existing taxes;
- Lower production and capital investment costs by businesses because of reduced taxes on business inputs which encourages more efficient production and exports; and
- Greater employment and incomes over the longer term than under the current sales tax regime in the province.

These benefits would all come at a cost to Ontario consumers since they would face a higher sales tax burden from a shift in taxes from businesses to consumers (assuming the new HST is designed to produce the same total tax revenue as the existing two sales taxes).

As I will demonstrate, this added tax burden on consumers would be especially onerous for the purchasers of new homes. There would also be significant additional taxes levied on homeowners hiring contractors for renovation work.

I generally support the economic rationale for sales tax harmonization in Ontario with one notable exception. The configuration of a harmonized sales tax must take into consideration the unique nature of new housing and provide this important economic sector with appropriate relief from the brunt of the new HST.

<sup>2</sup> While there has been a raft of economic analyses and reports on the topic of sales tax harmonization in Canada over the past 25 years, we have centered on three recent reports for background on the case for sales tax harmonization:

- The Centre for Spatial Economics, *Made in Ontario The Case for Sales Tax Harmonization*, prepared for the Ontario Chamber of Commerce, 2009;
- Peter Dungan, Jack Mintz, Finn Poschmann, and Thomas Wilson, *Growth-Oriented Sales Tax Reform for Ontario: Replacing the Retail Sales Tax with a 7.5 Percent Value-Added Tax*, C.D. Howe Institute Commentary, September 2008; and
- Michael Smart, *Lessons in Harmony: What Experience in the Atlantic Provinces Shows About the Benefits of a Harmonized Sales Tax*, C.D. Howe Institute Commentary, July, 2007.

## HOW NEW HOUSING IS TREATED UNDER SALES TAXES AT PRESENT IN THE GTA

The present combined GST and PST tax burden on new homes in the GTA ranges between 5.3% and 6.9% of the median price (half below, half above), according to estimates from a recent study commissioned by CMHC<sup>3</sup> (see Figure 2).<sup>4</sup> The dollar quantum ranges from \$10,431 for a one-bedroom condominium apartment to \$49,895, for a single-detached home, depending on location.

These estimates relate to the tax on a typical median priced home for three particular housing types in three GTA municipalities surveyed in the study.

<sup>3</sup> Ray Tomalty and Andrejs Skaburskis, *Government-Imposed Charges on New Housing in Canada*, January 2009. At the time the study's research was done, the GST rate was 6%. For our report, the GST estimates have been readjusted to the current 5%.

<sup>4</sup> As already noted, comparable data for several municipalities outside the GTA are contained in the Appendix.

Figure 2

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**Current Sales Taxes as Percent of Median New House Price Excluding GST**

	Single-Detached House	Town-house	One-Bedroom Apartment
<b>Toronto</b>			
GST <sup>1</sup>	5.0%	3.2%	3.2%
PST	<u>1.6%</u>	<u>2.3%</u>	<u>2.1%</u>
Total	6.6%	5.5%	5.3%
<b>Vaughan</b>			
GST <sup>1</sup>	5.0%	n.a.	3.2%
PST	<u>1.9%</u>	n.a.	<u>2.3%</u>
Total	6.9%	n.a.	5.5%
<b>Mississauga</b>			
GST <sup>1</sup>	4.6%	3.2%	3.2%
PST	<u>1.9%</u>	<u>2.5%</u>	<u>2.2%</u>
Total	6.5%	5.7%	5.4%
<b>Total Current Sales Taxes</b>			
Toronto	\$ 49,895	\$ 16,297	\$ 10,431
Vaughan	\$ 32,156	n.a.	\$ 16,801
Mississauga	\$ 27,583	\$ 14,825	\$ 12,710

<sup>1</sup> GST has been adjusted to 5 percent from the 6 percent used in the Tomalty and Skaburskis study.

Source: Altus Group Economic Consulting based on data in Ray Tomalty and Andrejs Skaburskis, *Government-Imposed Charges on New Housing in Canada*, Final Report, January 2009

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The GST is the most onerous of the two sales taxes even for homes qualifying for the full GST rebate:

- The GST is a 5% tax levied on the total price of new homes exclusive of the GST; and
- New homes priced at less than \$350,000 qualify for a 36% reduction in the GST rate (from 5% to a rate of 3.2%) with homes priced at \$350,000 to \$450,000 qualifying for a progressively smaller rebate and homes above \$450,000 not getting any rebate.

Thus, the GST rate on new housing in the three GTA municipalities, based on median prices, varies between 3.2% and 5%, depending upon type of home and location.

People may be surprised that there is a PST component on new homes because new homes are not subject to this tax at the time of purchase. The tax is paid by homebuilders and subcontractors - it is largely levied on the

building materials used in the construction of new homes, which represents only about 25-30 percent of the total costs of new single-detached houses built in the GTA. Thus, under the PST, the majority of the input costs of new homes, including land and labour, overhead and profit are not taxed.<sup>5</sup>

Based on the assumption that the PST is shifted forward to new homebuyers, the existing tax is estimated in the CMHC-commissioned study to vary between 1.6% on a median priced single-detached home to 2.5% of the median price for a townhouse. This is considerably below the PST tax rate of 8% applied to retail purchases because of the above-noted exclusions. The tax on renovations is also limited to the costs of materials used with labour, overhead and profit excluded.

## **HOW TAXES ON NEW HOMES WOULD INCREASE IF SUBJECTED TO THE FULL BRUNT OF A HARMONIZED SALES TAX**

As a hypothetical worst case scenario, I calculate the sales tax burdens on new homes under the assumption that the Province applies its tax under the joint HST to the full prices of new homes. The sharp increases under this scenario clearly demonstrates why it would be horrific to even think about subjecting buyers of new housing to the full new provincial tax.

While we have no information on what rate the Province would apply under a new HST, it seems reasonable to think it could be at 8%, the same rate as the existing PST, which would bring the total HST rate to 13% (8% + 5%).<sup>6</sup>

As Figure 3 shows, this tax change at the provincial level would result in a very large dollar increase in the sales taxes imposed on new homes in the absence of some sort of relief measure such as a lower tax rate or a rebate.

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<sup>5</sup> Profits are subject to income tax, which is not considered here.

<sup>6</sup> The 2009 study done for the Ontario Chamber of Commerce, for example, assumes a 13% HST consisting of the 5% GST and an 8% provincial tax.

Figure 3

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**Sales Taxes on Median New House Prices Under a 13 Percent HST with No Provincial Rebate for New Housing**

	Single-Detached House	Town-house	One-Bedroom Apartment
<b>Toronto</b>			
GST <sup>1</sup>	5.0%	3.2%	3.2%
PST	8.0%	8.0%	8.0%
Total	13.0%	11.2%	11.2%
<b>Vaughan</b>			
GST <sup>1</sup>	5.0%	n.a.	3.2%
PST	8.0%	n.a.	8.0%
Total	13.0%	n.a.	11.2%
<b>Mississauga</b>			
GST <sup>1</sup>	4.5%	3.2%	3.2%
PST	8.0%	8.0%	8.0%
Total	12.5%	11.2%	11.2%
<b>Total Sales Taxes</b>			
Toronto	\$ 96,571	\$ 32,272	\$ 21,371
Vaughan	\$ 59,292	n.a.	\$ 33,371
Mississauga	\$ 52,149	\$ 28,391	\$ 25,739
<b>Increase in Taxes from Current Taxes</b>			
Toronto	\$ 46,676	\$ 15,975	\$ 10,940
Vaughan	\$ 27,136	n.a.	\$ 16,570
Mississauga	\$ 24,566	\$ 13,566	\$ 13,029

<sup>1</sup> GST has been adjusted to 5 percent from the 6 percent used in the Tomalty and Skaburskis study.

Source: Altus Group Economic Consulting based on data in Ray Tomalty and Andrejs Skaburskis, *Government-Imposed Charges on New Housing in Canada*, Final Report, January 2009

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The sales tax burden on new homes would rise by between \$10,940 on a one-bedroom apartment in Toronto (to \$21,371) and \$46,676 on a single-detached home in Toronto (to \$96,571) under the typical homes in the CMHC-commissioned study. In percentage terms, this represents an 84.4% to 104.9% increase over the current level of sales taxes levied on new homes.

## WHY NEW HOMES SHOULD NOT BE HIT WITH THE FULL HARMONIZED SALES TAX – NEW HOUSING IS DIFFERENT

The GST, as well as the proposed HST, is a tax on personal expenditure on goods and services (consumption). A harmonized sales tax on the full

purchase price of new homes would be a tax on investment (future shelter services), not a tax on consumption.

Taxing the full price of new housing would fail to recognize that new housing is an investment good. A new home provides shelter service not only in the year of purchase but for many years into the future (typically 50 to 75 years or more). Full taxation of new housing also is in conflict with the non-taxation of business purchases of buildings, machinery and equipment, which is touted as a significant benefit of the HST over the existing PST.

New homes generate a stream of taxes (property taxes) annually over their life span, unlike other goods and services taxed under a HST. Property taxes generated by a typical new single-detached homes range between \$3,679 and \$5,902 per year in the three GTA municipalities examined in the CMHC-commissioned study (in 2006 dollars). In present value terms, the same study estimates the stream of future property taxes generated by a new single-detached home varies from about \$36,800 in Mississauga to \$59,200 in the City of Toronto.

The HST would not apply to sales of existing homes and this would put new housing at a competitive disadvantage to the resale market. An upward shift in resale prices, because of the added demand, would give present homeowners a capital windfall at the expense of new homebuyers and generate no tax revenues for the Provincial or Federal Governments.

## **REVENUE NEUTRALITY FOR NEW HOMES WOULD BE ACHIEVED WITH A 2% RATE ON THE PROVINCIAL PORTION OF HST**

There is an argument that there should be no tax on new homes when they are built given that new housing is a type of investment rather than consumption. However, since there is approximately a 2% tax built into the price of new homes in the present PST because of the taxation of building materials, the Province would probably want to maintain the sales tax revenues now being generated from new homes.

There is some variation in the amount of existing sales tax revenues incorporated into the final price of new housing by housing type and location, as Figure 2 illustrates. A rate of 2% would be a reasonable average approximation of the existing tax burden on all new housing under the PST.

A policy of revenue neutrality is the preferred policy from a housing affordability perspective since a higher tax rate would put upward pressures on new home prices.

## **A PROVINCIAL REBATE LIKE THE GST NEW HOME REBATE WOULD NOT PROVIDE ENOUGH RELIEF FOR NEW HOMES**

The Federal Government acknowledged the unique nature of new homes (and “substantial renovations”) when it introduced the GST in 1991 by providing a new housing rebate. The analysis in this section looks at a hypothetical situation whereby the Province decides to provide relief from the full new HST in the form of a new home rebate the same as the existing GST rebate.

For new homes qualifying for the full provincial rebate (36% of the assumed 8% tax) and the full GST rebate, there would still be a significant increase in the total tax burden on new homes – for instance, nearly 3 percentage points from about 5.3% – 5.5% at present to 8.3% for one-bedroom condominiums under the HST (compare Figure 2 and Figure 4). For single-detached houses not qualifying for any rebate the tax burden would almost double under the HST, (the combined rate would remain 13%, the same as in Figure 3).

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<sup>7</sup> Substantial renovation to existing residential property is eligible for the new housing rebate. Extensive modifications must be made to meet the definition of substantial renovation.

Figure 4

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**Sales Taxes on Median New House Prices Under a 13 Percent HST with Up to a 36 Percent Provincial Rebate for New Housing**

	Single- Detached House	Town- house	One- Bedroom Apartment
<b>Toronto</b>			
GST <sup>1</sup>	5.0%	3.2%	3.2%
PST	<u>8.0%</u>	<u>5.1%</u>	<u>5.1%</u>
Total	13.0%	8.3%	8.3%
<b>Vaughan</b>			
GST <sup>1</sup>	5.0%	n.a.	3.2%
PST	<u>8.0%</u>	n.a.	<u>5.1%</u>
Total	13.0%	n.a.	8.3%
<b>Mississauga</b>			
GST <sup>1</sup>	4.5%	3.2%	3.2%
PST	<u>7.2%</u>	<u>5.1%</u>	<u>5.1%</u>
Total	11.7%	8.3%	8.3%
<b>Total Sales Taxes</b>			
Toronto	\$ 96,571	\$ 23,973	\$ 15,875
Vaughan	\$ 59,292	n.a.	\$ 24,790
Mississauga	\$ 48,832	\$ 21,091	\$ 19,120
<b>Increase in Taxes from Current Taxes</b>			
Toronto	\$ 46,676	\$ 7,676	\$ 5,444
Vaughan	\$ 27,136	n.a.	\$ 7,989
Mississauga	\$ 21,249	\$ 6,266	\$ 6,410

<sup>1</sup> GST has been adjusted to 5 percent from the 6 percent used in the Tomalty and Skaburskis study.

Source: Altus Group Economic Consulting based on data in Ray Tomalty and Andrejs Skaburskis, *Government-Imposed Charges on New Housing in Canada*, Final Report, January 2009

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This hypothetical provincial rebate would ameliorate some of the sharp rise in the HST resulting from the Province's tax for new homes under \$350,000 in prices – GTA townhouses and one-bedroom condominium apartments in the CMHC-commissioned study. The tax burden rises by a sizeable \$5,444 - \$7,989 rather than \$10,940 - \$16,570 under the full HST rate for these housing types.

However, there would be little or no relief for new single-detached houses as their median prices are above the \$450,000 threshold for the rebate. The sales taxes on these typical homes in the City of Toronto and Vaughan would rise sharply to \$96,571 and \$59,292 under an HST with a GST-type rebate, respectively, or by 84% - 94% more than the existing taxes paid.

## WHY THE EXISTING GST REBATE IS FLAWED

It would not be enough for the Province just to replicate the existing GST rebate in the provincial component of a new HST because the current price thresholds for the rebate calculations are not reasonable in higher cost urban areas like the GTA.

The GST rebate is inherently flawed because the price thresholds of eligibility for full or partial GST tax relief for new homes have not increased since the GST was introduced in 1991. This is in direct conflict with the Federal Government's promise at the time that:

“the government remains committed to ensuring that the GST not pose a barrier to affordable housing. As a result, the housing rebate will remain a key element of the GST proposal”.<sup>8</sup>

According to the Department of Finance at the time, over 90% of new home purchases across Canada would be eligible for the full rebate.

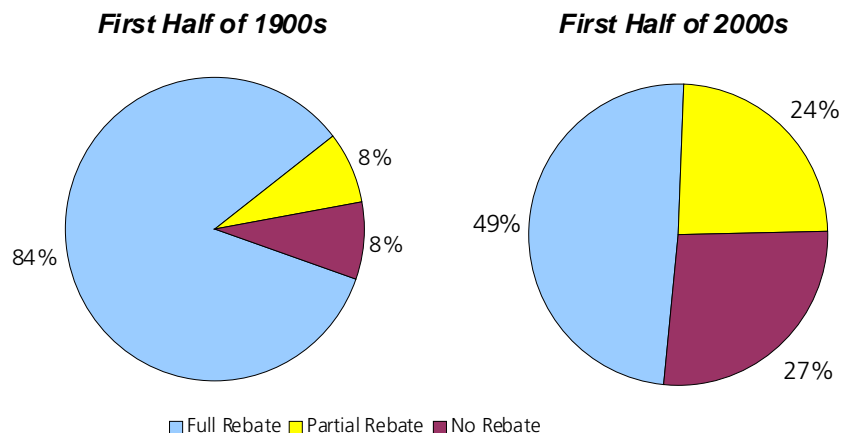
Figure 5 indicates that what the Department of Finance said more or less held for GTA new home purchasers in the years immediately after implementation of the GST in 1991. Nearly 85% of GTA buyers in the first half of the 1990s qualified for the full rebate, with only some 8% of buyers not receiving any rebate.

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<sup>8</sup> Canada Department of Finance, *Goods and Services Tax*, tabled in the House of Commons by the Honourable Michael H. Wilson, Minister of Finance, pp. 66 and 68.

Figure 5

## Percentage of New Homes Sold in the GTA Qualifying for Full or Partial GST Rebates



Source: Altus Group Economic Consulting based data from the 1996 and 2006 Censuses of Canada

Flash forwarding to the current time, now only about half the buyers of new homes in the GTA qualify for the full rebate with more than a quarter of buyers not getting any rebate.

The reason for this marked decline in buyers qualifying for the full rebate is the rise in the prices of new homes in the GTA (38% according to Statistics Canada's New Housing Price Index between 1991 and 2008). If the GST price thresholds has been updated over time (by 38%), it is noteworthy that the percentage of new homebuyers in the GTA qualifying for the full rebate in the early 2000s would have been the same as in the early 1990s.

If the Federal Government had updated its 1991 price thresholds by a 38% rise in new housing prices, the thresholds in 2008 would be:

- Full rebate would apply to all new homes priced under \$483,000;
- A progressively declining rebate would apply until a price of \$621,000 is reached; and
- There would not be a rebate for new homes prices above \$621,000.

It is important for the Federal Government to update its rebate price thresholds from 1991 to 2008 and to adjust these annually in the future.

## NEW HOMES ARE HIT WITH NUMEROUS FINANCIAL LEVIES BEYOND SALES TAXES

While the thrust of this paper is on sales taxes levied on new homes in the GTA, any decision by the Province regarding the relief to be provided to new home buyers should take into consideration the heavy financial burden it and its municipalities already impose on new housing beyond the PST. These include: development charges, land transfer taxes, land dedications, application and processing fees, building permit fees, home warranty fees and registry/land transfer fees.

The CMHC-commissioned study quantifies these estimates (note: the estimates do not include the land transfer tax now being levied by the City of Toronto and the GST rate used in the estimates is 6%).

Figure 6

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### Government Imposed Charges as a Percent of Median Home Prices, 2006

	Single-Detached House	Town-house	One-Bedroom Apartment
<b>Toronto</b>			
Sales Taxes <sup>1</sup>	7.6%	6.2%	6.0%
All Other <sup>2</sup>	<u>5.8%</u>	<u>6.4%</u>	<u>5.1%</u>
Total	13.4%	12.6%	11.1%
<b>Vaughan</b>			
Sales Taxes <sup>1</sup>	7.9%	n.a.	6.1%
All Other <sup>2</sup>	<u>10.0%</u>	n.a.	<u>7.0%</u>
Total	17.9%	n.a.	13.2%
<b>Mississauga</b>			
Sales Taxes <sup>1</sup>	7.1%	6.3%	6.0%
All Other <sup>2</sup>	<u>10.0%</u>	<u>11.0%</u>	<u>10.4%</u>
Total	17.1%	17.3%	16.5%
<b>Total Government Imposed Charges</b>			
Toronto	\$ 101,526	\$ 37,205	\$ 21,651
Vaughan	\$ 83,362	n.a.	\$ 40,116
Mississauga	\$ 72,794	\$ 44,996	\$ 38,720

<sup>1</sup> Includes PST and GST.

<sup>2</sup> Provincial and municipal charges other than the PST.

Source: Ray Tomalty and Andrejs Skaburskis, *Government-Imposed Charges on New Housing in Canada, Final Report*, January 2009

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The study estimates that government-imposed charges amounted to between 11.1% and 17.9% of the median new house price across the GTA depending on housing type and location.

The government-imposed charges at the time of the study totalled a sizeable \$21,651 to \$101,526 per new home without any additional tax burden from a HST.

## CONCLUDING REMARKS

It is imperative that new housing not be subjected to the full rate of the provincial portion of a HST. The adverse consequences on homebuyers, housing affordability, the housing industry and the economy in general would be excessive to say the least. The new housing industry is a significant creator of employment. These occur because new housing is an investment good rather than consumption. Application of the HST to new housing would be an upfront tax on the stream of housing consumption provided by new housing over a long period of time, in contrast with taxes on the purchase of personal goods and services.

It is clear therefore that new housing should be provided relief from the full rate of the tax. This paper suggests the relief could take various forms including:

- Taxing new homes at a 2% rate under the provincial portion of a HST which is approximately the effective rate under the existing PST. This option would be revenue neutral and not have adverse repercussion on new homebuyers and housing affordability; and
- Providing a housing rebate to counter the difference between the full rate of the provincial HST and the existing PST rate of about 2%.

While the focus of this paper is on new ownership housing, the concerns and commentary also apply to new rental housing and to renovation work done by contractors.

**Appendix**  
**Background Data on Sales Taxes and Other**  
**Government-Imposed Charges on New Homes in**  
**Ontario Municipalities outside the GTA**

## Appendix A- 1

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**Current Sales Taxes as Percent of Median New House Price Excluding GST**

	Single- Detached House	Town- house	One- Bedroom Apartment
<b>Hamilton</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	<u>2.5%</u>	<u>2.9%</u>	n.a.
Total	5.7%	6.1%	n.a.
<b>London</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	<u>2.9%</u>	<u>3.0%</u>	n.a.
Total	6.1%	6.2%	n.a.
<b>Ottawa</b>			
GST <sup>1</sup>	3.2%	3.2%	3.2%
PST	<u>2.8%</u>	<u>2.9%</u>	<u>3.1%</u>
Total	6.0%	6.1%	6.3%
<b>Sudbury</b>			
GST <sup>1</sup>	3.2%	n.a.	n.a.
PST	<u>2.7%</u>	n.a.	n.a.
Total	5.9%	n.a.	n.a.
<b>Waterloo</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	<u>2.6%</u>	<u>2.7%</u>	n.a.
Total	5.8%	5.9%	n.a.
<b>Windsor</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	<u>3.0%</u>	<u>2.9%</u>	n.a.
Total	6.2%	6.1%	n.a.
<b>Total Current Sales Taxes</b>			
Hamilton	\$ 17,642	\$ 13,121	n.a.
London	\$ 15,128	\$ 13,586	n.a.
Ottawa	\$ 21,048	\$ 13,014	\$ 11,293
Sudbury	\$ 15,295	n.a.	n.a.
Waterloo	\$ 16,684	\$ 11,784	n.a.
Windsor	\$ 11,694	\$ 11,005	n.a.

<sup>1</sup> GST has been adjusted to 5 percent from the 6 percent used in the Tomalty and Skaburskis study.

Source: Altus Group Economic Consulting based on data in Ray Tomalty and Andrejs Skaburskis, *Government-Imposed Charges on New Housing in Canada*, Final Report, January 2009

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## Appendix A-2

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**Sales Taxes on Median New House Prices Under  
a 13 Percent HST with No Provincial Rebate for  
New Housing**

	Single- Detached House	Town- house	One- Bedroom Apartment
<b>Hamilton</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	<u>8.0%</u>	<u>8.0%</u>	n.a.
Total	11.2%	11.2%	n.a.
<b>London</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	<u>8.0%</u>	<u>8.0%</u>	n.a.
Total	11.2%	11.2%	n.a.
<b>Ottawa</b>			
GST <sup>1</sup>	3.2%	3.2%	3.2%
PST	<u>8.0%</u>	<u>8.0%</u>	<u>8.0%</u>
Total	11.2%	11.2%	11.2%
<b>Sudbury</b>			
GST <sup>1</sup>	3.2%	n.a.	n.a.
PST	<u>8.0%</u>	n.a.	n.a.
Total	11.2%	n.a.	n.a.
<b>Waterloo</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	<u>8.0%</u>	<u>8.0%</u>	n.a.
Total	11.2%	11.2%	n.a.
<b>Windsor</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	<u>8.0%</u>	<u>8.0%</u>	n.a.
Total	11.2%	11.2%	n.a.
<b>Total Sales Taxes</b>			
Hamilton	\$ 33,855	\$ 23,381	n.a.
London	\$ 27,202	\$ 23,907	n.a.
Ottawa	\$ 38,097	\$ 23,393	\$ 19,540
Sudbury	\$ 28,339	n.a.	n.a.
Waterloo	\$ 31,651	\$ 21,797	n.a.
Windsor	\$ 20,651	\$ 19,573	n.a.
<b>Increase in Taxes from Current Taxes</b>			
Hamilton	\$ 16,213	\$ 10,260	n.a.
London	\$ 12,074	\$ 10,321	n.a.
Ottawa	\$ 17,049	\$ 10,379	\$ 8,247
Sudbury	\$ 13,044	n.a.	n.a.
Waterloo	\$ 14,967	\$ 10,013	n.a.
Windsor	\$ 8,957	\$ 8,568	n.a.

<sup>1</sup> GST has been adjusted to 5 percent from the 6 percent used in the Tomalty and Skaburskis study.

Source: Altus Group Economic Consulting based on data in Ray Tomalty and Andrejs Skaburskis, *Government-Imposed Charges on New Housing in Canada*, Final Report, January 2009

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## Appendix A-3

**Sales Taxes on Median New House Prices Under  
a 13 Percent HST with Up to a 36 Percent  
Provincial Rebate for New Housing**

	Single- Detached House	Town- house	One- Bedroom Apartment
<b>Hamilton</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	5.1%	5.1%	n.a.
Total	8.3%	8.3%	n.a.
<b>London</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	5.1%	5.1%	n.a.
Total	8.3%	8.3%	n.a.
<b>Ottawa</b>			
GST <sup>1</sup>	3.2%	3.2%	3.2%
PST	5.1%	5.1%	5.1%
Total	8.3%	8.3%	8.3%
<b>Sudbury</b>			
GST <sup>1</sup>	3.2%	n.a.	n.a.
PST	5.1%	n.a.	n.a.
Total	8.3%	n.a.	n.a.
<b>Waterloo</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	5.1%	5.1%	n.a.
Total	8.3%	8.3%	n.a.
<b>Windsor</b>			
GST <sup>1</sup>	3.2%	3.2%	n.a.
PST	5.1%	5.1%	n.a.
Total	8.3%	8.3%	n.a.

**Total Sales Taxes**

Hamilton	\$ 25,150	\$ 17,369	n.a.
London	\$ 20,207	\$ 17,759	n.a.
Ottawa	\$ 28,301	\$ 17,378	\$ 14,516
Sudbury	\$ 21,052	n.a.	n.a.
Waterloo	\$ 23,512	\$ 16,192	n.a.
Windsor	\$ 15,341	\$ 14,540	n.a.

**Increase in Taxes from Current Taxes**

Hamilton	\$ 7,508	\$ 4,248	n.a.
London	\$ 5,079	\$ 4,173	n.a.
Ottawa	\$ 7,253	\$ 4,364	\$ 3,223
Sudbury	\$ 5,757	n.a.	n.a.
Waterloo	\$ 6,828	\$ 4,408	n.a.
Windsor	\$ 3,647	\$ 3,535	n.a.

<sup>1</sup> GST has been adjusted to 5 percent from the 6 percent used in the Tomalty and Skaburskis study.

Source: Altus Group Economic Consulting based on data in Ray Tomalty and Andrejs Skaburskis, *Government-Imposed Charges on New Housing in Canada*, Final Report, January 2009

## Appendix A- 4

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**Government Imposed Charges as a Percent of  
Median Home Prices, 2006**

	Single- Detached House	Town- house	One- Bedroom Apartment
<b>Hamilton</b>			
Sales Taxes <sup>1</sup>	6.3%	6.7%	n.a.
All Other <sup>2</sup>	<u>10.7%</u>	<u>11.4%</u>	n.a.
Total	17.0%	18.1%	n.a.
<b>London</b>			
Sales Taxes <sup>1</sup>	6.7%	6.8%	n.a.
All Other <sup>2</sup>	<u>7.6%</u>	<u>6.8%</u>	n.a.
Total	14.3%	13.6%	n.a.
<b>Ottawa</b>			
Sales Taxes <sup>1</sup>	6.7%	6.6%	6.8%
All Other <sup>2</sup>	<u>8.9%</u>	<u>10.2%</u>	<u>7.1%</u>
Total	15.5%	16.7%	13.9%
<b>Sudbury</b>			
Sales Taxes <sup>1</sup>	6.5%	n.a.	n.a.
All Other <sup>2</sup>	<u>3.7%</u>	n.a.	n.a.
Total	10.2%	n.a.	n.a.
<b>Waterloo</b>			
Sales Taxes <sup>1</sup>	6.4%	6.5%	n.a.
All Other <sup>2</sup>	<u>9.9%</u>	<u>10.0%</u>	n.a.
Total	16.3%	16.5%	n.a.
<b>Windsor</b>			
Sales Taxes <sup>1</sup>	6.8%	6.8%	n.a.
All Other <sup>2</sup>	<u>8.0%</u>	<u>7.6%</u>	n.a.
Total	14.8%	14.3%	n.a.
<b>Total Government Imposed Charges</b>			
Hamilton	\$ 52,854	\$ 38,986	n.a.
London	\$ 35,671	\$ 29,844	n.a.
Ottawa	\$ 54,334	\$ 36,005	\$ 24,985
Sudbury	\$ 26,619	n.a.	n.a.
Waterloo	\$ 47,225	\$ 32,987	n.a.
Windsor	\$ 28,075	\$ 25,793	n.a.

<sup>1</sup> Includes PST and GST.

<sup>2</sup> Provincial and municipal charges other than the PST.

Note: The Ottawa row and apartment GST amounts contain a small calculation error.

Source: Ray Tomalty and Andrejs Skaburskis, *Government-Imposed Charges on New Housing in Canada, Final Report*, January 2009

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