

The Impact of Ontario Harmonized Sales Tax on the Sport and Recreation Sector in Ontario

Background

In the 2009 Ontario Budget, Finance Minister Duncan announced tax reforms in Ontario that would include a new blending of the current Ontario Retail Sales Tax (RST at 8%) and the federal Goods and Services Tax (GST at 5%). The government plans to implement the new harmonized, "value-added tax" in July 2010, pending passage of a Bill in the Provincial Legislature and an agreement with the Federal Government.

While the impetus for the new harmonization is aimed at making Ontario more economically competitive, the effects of this new harmonized tax will be detrimental for the sport and recreation sector, including municipal, for-profit and not-for-profit service delivery.

Allied stakeholders in the sport, recreation and health sector in Ontario are working collaboratively to address this issue with the Provincial Government. The position of these stakeholders is that the imposition of a tax on sport and recreation programs and facility rentals is at odds with Ontario Government's policies aimed at reducing poverty, curbing youth violence and encouraging Ontarians to lead healthier lifestyles.

The Issues

1. Recreation Programs and Facility Rental

Currently, municipalities and non-profit recreation providers do not charge RST (8%) on any recreation programs, services or facility rentals. GST is charged on facility rentals (i.e. ice time) and on some sport and recreation registration fees. Recreation programs for children and youth under the age of 14 are currently GST exempt, as are programs and services for low-income and disabled Ontarians.

The increase in tax will have a direct impact on the cost of staying active in Ontario. People will be paying an additional 8% in tax to access facilities and programs, irrespective of any other fee increases that organizations may have to apply.

The McGuinty Government has announced short-term measures to mitigate the effects of the move to harmonization (both for business and for consumers).

2. Capital Budgets

It is estimated that the HST will significantly increase construction costs for both renovation and new build. Many recreation and sport projects that are currently "on the books" may have to be re-evaluated as more of the capital budget is used to cover the cost of the tax increase. However, the harmonized tax will provide savings to the construction industry. Those savings should be passed on to those entering contracts for large capital projects.

3. Revenue Neutral Position

The budget states "Municipalities, hospitals, universities, colleges, school boards, charities and qualifying non-profit organizations would receive rebates to ensure the net effect of the provincial portion of the single sales tax would be fiscally neutral for each of these sectors." However, initial indications show that this is may not be the case, as only a portion of the tax collected will flow back to organizations. The only choice for many smaller organizations will be to pass the cost on to the consumer.

Moving forward

Your provincial association, in collaboration with allied stakeholders, is actively working to positively influence the regulations of the new harmonized tax by proposing exemptions and alternatives to ensure that sport organizations and municipalities can continue to deliver high quality programs and operate facilities at reasonable prices so that Ontarians can be physically active.

We are working on a list of recommendations, including tax credits, exemptions and other measures to ensure that there is no negative impact of the new harmonized tax on the sport and recreation sector.

In the near future, we will be reaching out to members to ask them to support a Call to Action, by contacting local MPs, MPPs, and the Premier to voice our concerns about the harmonization.

We will continue to keep members apprised of information as it is released.

The Sport and Recreation Harmonized Tax Coalition:

Ontario Recreation Facilities Association
Parks and Recreation Ontario
Sport4Ontario
Sport Alliance of Ontario
Sport Matters Group