

Moving to the HST will cause some purchases to cost more because some goods and services that were not subject to the PST will become subject to the provincial portion (eight per cent) for the first time. However, 83 per cent of consumer purchases will not see a new tax. In fact, on a number of items, prices will eventually come down.

Visit www.ontario.ca/taxchange for more information

The HST will not be charged on the following items that are currently not subject to the PST:

- Basic groceries
- Prescription drugs
- Certain medical devices
- Child care
- Residential rents
- Municipal public transit
- Most health and education services
- Legal aid
- Most financial services
- Tutoring
- Music lessons

Consumers will not have to pay the provincial portion (eight per cent) of the HST for:

- Qualifying prepared food and beverages of \$4 and under
- Print newspapers
- Children's clothing and footwear
- Children's car seats and car booster seats
- Diapers
- Feminine hygiene products
- Books (including audio books)

Disponible en français

For more information on the tax package,
go to www.ontario.ca/taxchange

Or call: 1-800-337-7222/TTY 1-800-263-7776

For more information on the Ontario Budget,
go to www.ontario.ca/budget

Copies of Budget materials are available at:

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TAX CHANGES FOR A STRONGER ONTARIO

What the changes mean to you





Why now?

We have witnessed the biggest global economic downturn in 80 years. And right now, Ontario's dual sales tax system puts our province at a competitive disadvantage.

We have a choice

We can keep an out-dated sales tax system that causes Ontario to be increasingly less competitive. Or we can embrace change and build a stronger Ontario by implementing a modern sales tax system that is used in most countries around the world.

Many experts agree

Many experts agree that a single, value-added sales tax — like the HST — is the most important thing we can do to strengthen Ontario's economy.

Together with our tax cuts, the HST will attract investment and jobs, increasing Ontario's competitiveness.

Creating Jobs

A report by economist and tax expert Jack Mintz predicts that as a result of the HST and other tax changes, Ontario will, within 10 years, see:

- 591,000 additional new jobs;
- Increased capital investment of \$47 billion; and
- Increased annual incomes of up to 8.8 per cent, or \$29.4 billion.

Lowering Prices

A recent TD Bank report states that merging the GST and PST is an important step in making Ontario more competitive. Here's what else the report says:

- The majority of business cost savings resulting from the HST will be passed onto consumers in the form of lower prices.
- About 80 per cent of those savings will be passed on in the first year, increasing to 95 per cent by the third year.

Savings for you

The PST is being combined with the GST to create a federally-administered harmonized sales tax, at a rate of 13 per cent, on July 1, 2010. It's a big change that will make a big difference. It will mean more investment in Ontario, more jobs and greater prosperity. But that's just one part of the tax package. There are also significant tax breaks.

Tax cuts for people

To help people, the Ontario government is providing \$11.8 billion in personal tax relief over three years.

- 93 per cent of Ontario taxpayers will get a permanent income tax cut.
- A new Ontario Sales Tax Credit will provide up to \$260 a year for each adult and child in low- to middle- income families.
- Eligible families (including single parents) with less than \$160,000 of annual net income will receive three tax-free payments totaling \$1,000.
- Eligible single people with less than \$80,000 of annual net income will receive three tax-free payments totaling \$300.

A new Ontario Property Tax Credit will provide an additional \$270 million in property tax relief every year to low- to middle- income Ontario homeowners and tenants.

Together with the new Ontario Senior Homeowners' Property Tax Grant, the government's tax changes will almost double property tax relief since 2003.

Savings for business

Ontario businesses will benefit from the removal of about \$4.6 billion a year in hidden sales taxes from replacing the PST with the HST, once fully phased in, and they will also see additional tax relief.

- \$2.4 billion annually from corporate income tax cuts.
- Nearly \$1.6 billion a year from eliminating the Capital Tax.
- Savings of more than \$500 million a year in compliance costs.

When the tax package is fully phased-in, the tax that companies pay on their income from new investment will be cut in half. This will make Ontario one of the most competitive environments in the industrialized world for new business investment in high tech machinery and equipment - and that means greater prosperity for our families.

Eliminating a Hidden Tax on Consumers

Currently, PST (also called RST) is paid by most businesses on various costs throughout the supply chain. In other words, though you may not realize it, the PST is charged multiple times on various business costs before a product reaches the store. Those multiple PST charges are embedded in the price you pay at the store – even before you pay PST on the final purchase price.

Here's an example of how PST is hidden in the cost of a suit jacket. Under the current system, taxes are generally paid at every step in production and passed on to consumers. Under the HST system, most of those embedded costs are refunded to businesses through input tax credits and those savings can be passed on to consumers.

