Proposed Harmonized Sales Tax (HST) Benefits for Ontario's Farmers

SEPTEMBER 2009

The 2009 Ontario Budget included a comprehensive tax package that would, when enacted, provide tax cuts for individuals, families and businesses to strengthen the foundation for job creation and future economic growth.

Starting July 1, 2010, Ontario's Retail Sales Tax (RST) would be converted to a value-added tax structure and combined with the federal Goods and Services Tax (GST) to create a single, federally administered Harmonized Sales Tax (HST).

It is estimated that Ontario farmers will save about $30 million annually under the HST on items that are currently not exempt from the RST.

Farmers would continue to pay no tax on the majority of inputs purchased such as feed, seed, fertilizer, farm equipment and machinery, which are currently point of sale tax-exempt.

Under the HST, Ontario's farmers would no longer pay sales tax on many items such as trucks, light vans and parts, furniture, lawnmowers, computers, freezers and other equipment. This would put Ontario farmers on a more level playing field with farmers in others provinces that have harmonized sales taxes.

The HST would follow the same rules and structure as the GST. Farmers who are currently remitting their GST paperwork would continue to do so and continue to receive input tax credits on any applicable purchased farm inputs.

WHAT THE HST WOULD DO FOR ONTARIO FARM INPUTS

A. **Most farm inputs would continue to be zero rated and would be purchased without paying any tax.**

   Examples: feed, fertilizers, grain bins and dryers, seed, farm equipment and machinery, livestock purchases, pesticides, quota and tractors greater than 60 hp.

B. **Farm inputs that are currently taxed with the RST would be subject to the HST and also be eligible for an offsetting input tax credit.**

   Examples: pick-up trucks used on the farm, computers and office equipment used in the farm's business.

C. **Farm inputs that are exempt from the RST but not the GST would be subject to the single sales tax, and also be eligible for an input tax credit.**

   Examples: contract work, freight and trucking, veterinary fees and drugs, custom feeding, machinery lease and rental, hand tools, fuel, oil and grease.

WHAT'S NEW

The 2009 Ontario Budget announced temporarily restricted input tax credits (ITCs) for large businesses, but excluded the farm use of energy.
In addition to the temporary ITC exception for energy, farms with more than $10 million in annual taxable sales would also not be subject the restrictions for:

- Telecommunication services other than internet access or toll-free numbers;
- Road vehicles weighing less than 3,000 kilograms (and parts and certain services) and fuel to power those vehicles; and
- Food, beverages and entertainment.

HST BENEFITS FOR ONTARIO'S FARMERS

- Farmers would experience a net decrease in the sales tax they pay under the new proposed HST.
- There would be about $30 million in new benefits under the HST.
- Ontario's farmers would no longer pay sales tax on many items such as trucks, light vans and parts, furniture, lawnmowers, computers, freezers and other equipment.
- On average, farmers would realize about $600 annually in new benefits.
- No identification or Purchase Exemption Certificates required at the time of purchase.
- No extra paperwork; any input tax credits to be claimed would be part of the existing GST filing.
- Many farms would be eligible for a small business transition credit of up to $1,000.

Zero rated farm inputs mean that producers would pay no tax on more than $5.6 billion worth of items.

ADDITIONAL TAX REDUCTION MEASURES FOR ALL ONTARIANS

- 93 per cent of Ontario taxpayers would receive a personal income tax cut.
- The corporate income tax (CIT) rate for manufacturing and processing – which includes income from farming – would be cut to 10 per cent from 12 per cent.
- The small business CIT rate would be cut to 4.5 per cent from 5.5 per cent.
- This comprehensive tax package includes both temporary and permanent tax relief measures totaling $10.6 billion over three years.

FREQUENTLY ASKED QUESTIONS

Q. Will I have to fill out separate tax returns when I apply for GST/HST input tax credits for the 2010 tax year?

A. No, all input tax credits would be claimed on the existing GST return.

Q. What is the frequency for filing a tax return?

A. The filing frequency for the HST would follow the current GST rules as dictated by the Canada Revenue Agency.

Q. Will I need to present a farmer ID card when making purchases?

A. No, farmers will not be required to provide identifications to purchase goods and services on a zero rated basis.

Q. How do I apply for the small business transition credit?

A. The details on the small business transition credit are still being developed and will be shared as soon as more information becomes available.

Q. Will I pay more sales tax on my farm business inputs?

A. No. Over all, you would pay less tax. Ontario farmers would save an estimated $30 million annually on new farm inputs that would no longer be subject to RST.

For Harmonized Sales Tax enquiries:

Toll-free English & French: 1-800-337-7222
Teletypewriter (TTY): 1-800-263-7776