



'Bury' new tax, McGuinty told

Premier faces pressure from fellow Liberals to embed blended levy in prices next year

May 28, 2009

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The Liberal government is struggling over whether to bury Premier Dalton McGuinty's new 13 per cent harmonized sales tax in the price tags of goods and services, sources told the *Toronto Star*.

Insiders say there is mounting pressure on McGuinty to follow the lead of such places as the United Kingdom, where the price tags on items displayed in shops incorporate the retail price and a 15 per cent value-added tax.

The Liberals have had difficulty marketing the tax change, which is designed to be business friendly and enable Ontario to better compete with jurisdictions already boasting harmonized taxes, such as Quebec, New Brunswick, Nova Scotia and Newfoundland.

Some Liberals are urging the premier to embed the HST, which will combine the 8 per cent provincial sales tax and the 5 per cent GST, in prices after it takes effect July 1, 2010.

Proponents of incorporating the tax into price tags argue it would simplify things for consumers and businesses alike so a product or service labelled \$10 would actually cost that – rather than \$11.30.

A post-budget analysis by the law firm Blakes predicts the HST "will likely have less of a psychological impact on consumers if tax-inclusive pricing is adopted (i.e., if the sticker price is the final sale price)" – a consideration unlikely to be lost on a government that has been scrambling for a way to sell the tax to dubious Ontarians.

A *Star*-Nanos Research poll published May 16 found 67 per cent of people polled have a negative view of the melded tax compared with 23 per cent who see it as positive and 10 per cent who are unsure.



CARLOS OSORIO/TORONTO STAR FILE PHOTO
Combining the PST and GST would cut costs for Ontario businesses but would raise the final cost of goods that are currently PST-exempt.

Other Liberals, however, are concerned "tax-inclusive pricing" would only highlight how much more goods and services are costing after the HST is implemented, which could hurt in the 2011 election.

McGuinty confirmed yesterday that the change is on his radar.

"That's something that's been talked about," the premier said. "It's not something that's been actively considered at this point in time. It wasn't part of our original proposal," he said before pointedly leaving open the possibility of just such a move. "It might end up being there. But what ... I certainly made clear that, whatever we do, we'd want transparency to be there."

When Ottawa in 1991 replaced the manufacturers' tax, which was included in price tags, with the GST, the visibility of the new levy was touted as a benefit.

Despite growing anxiety within the government, the premier and Finance Minister Dwight Duncan are insisting any pricing revamp would have to indicate the amount of HST.

To get around criticism of gouging, two figures could be printed on a price tag: the retail price and the price including the 13 per cent HST.

"What I mean ... by transparency is even if you go shopping ... you'd have the final price right there in front of you like they do in the U.K.," said the premier. "But also we'd want to have made visible in that final price the actual tax that you're paying."

Duncan, who unveiled the melding of the provincial and federal consumption taxes in the March 26 budget, said "people have to see what the harmonized tax will be.

"Both in my view on the price tag and on the receipt," he said, adding "you could have both" prices on a retail product.

Boosters of an all-inclusive price tag also argue a switch to "what-you-see-is-what-you-get" pricing, which would require federal legislation, might force businesses to pass along savings realized after the taxes are streamlined.

Because pricing is a finely honed craft, there would be more of an onus on businesses to keep prices reasonable to remain competitive.

"This lets the marketplace decide. Business costs will be lower, the tax on take-home pay will be lower," one insider said.

The Retail Council of Canada warned Feb. 17 that "practices for the pricing of merchandise must be a business decision, not a government decision, and should not be legislated."

Blakes' report published April 1 said if Ontario adapted an embedded tax, other provinces with harmonized sales taxes would likely follow suit.