



June 2, 2009

## **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 active, healthy lifestyles.

### ***The Issues***

#### **1. Sport and Recreation Programs and Facility Rental**

Currently, municipalities and non-profit sport and 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 and membership fees. Sport and recreation programs for children and youth under the age of 14 are currently GST exempt, and while the budget states that the new harmonized tax will be largely consistent

with GST, there is no clear indication that sport and recreation programs for children and youth will continue to be tax exempt.

The increase in tax will have a direct impact on the cost of staying active in Ontario. People potentially 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) including a credit for two years to families who meet particular criterion for eligibility

## **2. Capital Budgets**

It is estimated that the HST will significantly increase construction costs for both renovation and newly built facilities. Many sport and recreation projects that are currently in the planning phase or perhaps already approved may have to be re-evaluated as more of the capital budget is used to cover the cost of the tax increase. This will mean that some sport and recreation projects may not proceed and thus fewer opportunities will be available for Ontarians to be physically active.

## **3. Revenue Neutral Position**

Budget 2009 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 not the case, as only a portion of the tax collected will flow back to organizations. The only choice for many smaller not-for-profit recreation and sport organizations will be to pass the cost on to the consumer. In some cases, sport organizations may not qualify for the rebate.

## ***Moving Forward***

SPORT4ONTARIO, in collaboration with other stakeholders, is actively working to positively influence the regulations of the new harmonized tax by proposing exemptions and alternatives to ensure that sport and recreation 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 propose to the Government with the intent of mitigating any negative impact of the new harmonized tax on the sport and recreation sector.

In the near future, we will be asking our members and stakeholders to support a Call to Action by contacting local MPPs, MPs, and the Premier to voice our concerns about this tax harmonization.

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

Please forward this bulletin on to your networks and mailing lists.

Yours in sport and health,

Brandy Tanenbaum, Executive Director

**SPORT4ONTARIO**

***On behalf of The Sport and Recreation Harmonized Tax Coalition:***

Ontario Recreation Facilities Association

Parks and Recreation Ontario

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