

Time to Remove GST from Housing



It has taken awhile, but finally a Canadian politician has suggested a partial step to end housing as an endless, federal government cash machine.

Conservative leader Pierre Poilievre has promised to eliminate the GST on new homes sold for under \$1 million if his party wins the next federal election.

The significant saving on a \$950,000 home would be \$47,500 GST – a tax that’s supposed to be a consumption tax, not a tax on land and new homes for Canadians.

When the GST was introduced in 1991, it was accompanied by a GST New Home Rebate, including a promise to index the rebate to inflation, which never happened.

The rebate on new homes priced up to \$450,000 has become virtually non-existent where the average price of a home in BC is \$948,266.

In a report called *Double the Pain: How Inflation Increases Tax Burdens*, the CD Howe Institute says GST’s inflationary costs on housing offer “little transparency or legislative oversight....In Canada’s major cities, the cost of new houses has risen to the point where the (GST New Home) rebate is effectively obsolete...”

The federal government should also bring back the capital gains tax rollover, which allowed building owners to sell a property without paying the tax on profits, if reinvested in rental housing within the year.

This program, which ended in 1972, created much needed housing for the baby boomer demographic, and could do the same for younger generations.

Since then, three levels of government have treated housing as a cash machine, generating billions of dollars annually through inflationary taxes including the GST, Property Transfer Tax (PTT), Development Cost Charges (DCC) and even building permit fees based on the rising value of construction.

BC’s PTT is now an average \$17,000 for a simple property transfer which should only cost a few hundred dollars.

Municipalities are generating million-dollar surpluses from inspection fees based on the rising cost of construction, when inspections should be a fee for service.

Reducing government costs, including GST, would have a significant impact on housing affordability.

Poilievre’s suggestion is welcome news, and long overdue if the federal government wants to get serious about housing affordability for Canadians.



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