

Harmonized sales tax has improved business in ontario essay example

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The Government of Ontario has announced in 2009 that it would harmonize the provincial sales tax with the federal taxes into a single harmonized tax called the Harmonized Sales Tax (HST). This new kind of taxation seeks to eliminate the cascading kind of taxes also abolished by other economies, and replacing it with value added tax. This then implies that the harmonized taxes for Ontario will 13% with the provincial portion being 8% and the remainder (Balby, et al, 24). This new kind of tax system was effective as of 1st July 2010.

The Harmonized Sales Tax was first introduced into Canada in 1996, when three Atlantic Provinces of Nova Scotia, New Brunswick and Newfoundland together with the federal government introduced a harmonized tax system. It was left to the federal government through the Canada Revenue Authority to collect the taxes and remit to the provincial provinces participating in the new system.

The introduction of the new system had an immediate impact on the eastern provinces. Consumer prices soon fell due to the competitiveness introduced by a harmonized tax system. Consumers enjoyed somewhat better value for money as small business took advantage of simple taxation system and a few exemptions (Deloitte, 1).

The Harmonized tax system was introduced in Ontario and was received with mixed reactions. While a majority of the Canadians in the affected regions were initially opposed to the HST, it provided a means for the poor families to receive tax credits to the tune of \$260 per adult or child. HST will affect businesses but in a good way. Evidence indicates that the Harmonized Sales Tax has significantly raised business investment in Ontario.

Impacts on Manufacturing Businesses

In manufacturing, the new taxation system will save the manufacturers huge amounts of money. In the old taxation system, manufacturers in Ontario incurred significant retail sales taxes on expenses on goods for own use. That is, manufactures paid taxes on goods such as furniture, fixtures and other necessary equipment. They also paid taxes on software and hardware including the delivery vehicles. The new tax system proposes that such purchases are tax exempt and thus manufacturer will be able to save on these costs, which is quite a significant saving (Deloitte, 2). This will make manufacturing businesses in Ontario quite competitive making it a good location for a manufacturing business.

Impacts on small business enterprises

For small businesses, this new taxation system is a good idea. Small businesses and entrepreneurs have spent lots of money and human resource in dealing with the old and complicated tax system. With the new system, it would be quite easy do tax remission, providing room for concentration on growing the business. Investors will understand that such a system is quite easy to work with and will want to invest in Ontario.

Impacts on Retailer and consumers

Just like manufacturing businesses, the Ontario Retail Sales Tax (ORST) imposes taxes on good purchased by retailers for own use. That is, taxes were imposed on promotional material, equipment, Furniture and fixtures as well as software and hardware. In the new harmonized tax system, such businesses will be exempt from such taxes except on some specific

exceptions. With the harmonized tax system, tax on sales will be recovered on such input costs. In such a good business environment, consumer prices are set to reduce. This provides the consumer with a good value for money and therefore better economic state.

In general, the harmonized sales tax has hugely benefitted both the citizens and the economy of Ontario. There is easier tax remission procedure and incentives for investors to start new businesses.

Works Cited

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