



federation of
rental-housing
providers of
ontario

press release

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March 26, 2009

PST/GST HARMONIZATION TO INCREASE RENTS 2.5% to 3%

For Immediate Release (Toronto) – The province of Ontario has recently announced that the PST and GST will be harmonized in Ontario as of July 1, 2010. FRPO estimates that this new action will increase rents in Ontario by 2.5 to 3.0 percent. “We estimate that this will increase rents for the average Ontario tenant by \$270 to \$320 per year” said Vince Brescia, President & CEO of FRPO.

Tenants with higher rents will see increases of up to \$1,000 per year. “These rent increases will have a significant impact on many tenants in Ontario, particularly those who are already struggling to afford their rents” said Brescia. “The government should provide the same effective exemption for renters that it plans to make available to higher income home purchasers” said Brescia.

BACKGROUND

Rental housing is one of the few types of businesses in Canada that is “GST-exempt” (others include health and dental services, financial services, and day-care for example). There is no GST on rents. But rental housing providers must pay GST on their input costs.

The impact of harmonization is to extend the PST to a variety of new input costs that previously were exempt. In apartments this includes such costs as gas heat, electricity, maintenance contracts, property management services, maintenance contracts, renovation contracts, and so on.

When these costs are incurred, they will be passed on to tenants. Ontario has a “cost pass-through” system where costs incurred by landlords are passed through to tenants. These new costs will all be passed through to tenants.

Tenants on average have half the incomes of homeowners. The government has announced plans to completely exempt new homes valued at less than \$400,000 and to provide rebates for those purchasing homes valued between \$400,000 and \$500,000. These purchasers will all have much higher incomes than tenants, for which no plan has been announced. FRPO is calling on the province to exempt rental housing providers in the same way it has exempted new homes, since the impact will be borne by much lower income households in the rental market.

Increased Social Assistance

FRPO supports the 2009 Budget’s proposal to increase the adult basic allowance and maximum shelter allowance by two per cent for Ontario Disability Support Program and Ontario Works recipients, and accelerate the Ontario Child Benefit. This will complement the government’s Poverty Reduction Strategy by improving the incomes of lower income Ontarians.