

Ways to avoid part of HST for funeral services

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Ontario residents will pay more taxes when the harmonized sales tax goes into effect next summer. But there will be a few ways to get around paying the dreaded HST.

As of July 2010, Ontario residents will pay a combined harmonized sales tax of 13 per cent – a combination of eight per cent provincial sales tax (PST) and five per cent goods and service tax (GST).

The worst news is many services, once charged only PST or GST, will now be subject to both. Funeral services are included in that category, and staff at funeral homes are bracing for the negative reaction.

Lobbying is unlikely to

change the government's mind on the HST, but this month the Ontario Liberal government decided to grandfather in the lower taxation rates for funeral services paid before July 1, 2010.

Consequently, funeral service staff, such as funeral director Natasha Goulet of Goulet Funeral Home in Renfrew, are advising clients and potential clients to pay in advance.

Many Ontario residents already do.

About one in four Ontario funerals are prepaid, with more than \$1.38 billion sitting in trust to cover the eventual cost of services, reported the Toronto Star last week. In 2008 there were 224,257 prepaid funeral contracts

in Ontario.

Goulet says a number of their clients have paid for funeral services several years in advance, allowing the payment to gather interest in trust and help pay for inflationary increases.

Some of their clients who are still alive, did prepayment, even before the news of HST, back in the 1980s, says Goulet.

In an informal Goulet Funeral Home survey of about 50 families, only two families knew anything about how the HST will increase funeral costs.

The hike is substantial. If a funeral costs \$8,000, current taxes of \$400 would jump to \$1,040 by July 2010.

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Haircuts, new homes, lawn care, snow removal and cars will also fall into this higher harmonized-sales-tax bracket.

So will gasoline, home heating fuel, legal fees and scores of other services.

Products that will remain exempt from the eight per cent provincial position of the HST include books, feminine hygiene products, movie tickets, diapers, children's clothing, airfare within Canada, and booster seats.

The Ontario government is allowing grandfathered prepayments for long-term newspaper and magazine subscriptions. At present, those subscriptions are only subject to GST.

Newfoundland and Labrador, New Brunswick and Nova Scotia each grandfathered pre-paid funeral contracts when they introduced HST.

The HST is also coming next summer to British Columbia where nearly nine of 10 B.C. residents opposed the newest tax in a recent Ipsos Reid poll. B.C.'s HST will be 12 per cent.