

# The Clarington Opinion Panel

Topic #4 Report - Preparedness for the H.S.T.



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# Overview

The Clarington Opinion Panel is a public forum presented as a free public service by Collis & Reed Research to explore emerging issues of interest to the Clarington community. In March the Clarington Opinion Panel focused on preparedness and perceptions about the soon to be implemented Harmonized Sales Tax (H.S.T.). One Hundred and Fifty-three panel members provided their thoughts about the biggest change to Ontario's tax system since the introduction of the G.S.T. in 1991.

Whenever people are polled concerning the implementation of new a tax, it is expected that the overwhelming majority of respondents will express negativity, cynicism and an uncertainty that they will be able to afford the additional expense that results from further taxation. To a large degree the panel findings were consistent with this pattern. However, there was a small but significant group of people who believe that the H.S.T. is a prudent and necessary measure that is required at this time.

It is also clear that panel members have a general knowledge of the H.S.T. that mainly comes from media coverage. Most people have not taken steps beyond this to prepare for the changes that will begin July 1st.

One hundred and fifty-three panel members provided their thoughts about the biggest change to Ontario's tax system since the introduction of the G.S.T. in 1991.

## **There is a perceived general level of familiarity:**

The majority of panelists indicated they had a general level of familiarity with the H.S.T. One-third of respondents indicated they had a good or strong familiarity with the new tax. There were no significant differences in the perceived level of familiarity observed between individuals and business owners.

## **Media as the main source of information:**

Half of the respondents indicated that the steps they have taken to prepare for the H.S.T. included reading media reports about the new tax. Nearly sixty percent of non-business people have either done nothing to prepare for the H.S.T. or have merely viewed media reports about the H.S.T.. In contrast, only ten percent of business people have either done nothing or have merely viewed media reports about the new tax. Almost half of the business panel members have looked into how taxation changes will affect the amount they will charge their customers, while slightly smaller proportions have viewed government publications concerning the H.S.T. and have investigated changes required for their accounting systems.



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**A lack of confidence regarding a positive economic impact:**

Half of the respondents are not confident that the H.S.T. will result in lower business costs being passed onto consumers which will in turn bolster the economy. Approximately twenty percent were certain this will not be achieved. Meanwhile, thirty percent were at least somewhat confident this objective will be achieved. No significant differences in opinion were observed between business and non-business panel members on this issue.

**A "Tax Grab" and skepticism, while some people see merit:**

Most respondents characterized the H.S.T. as a "tax grab" that will put people, many of whom are already struggling to make ends meet, in financial peril. Comments also expressed skepticism that the H.S.T. will result in any economic benefit. Others indicated that they require further information before they could provide an opinion on the H.S.T. A smaller proportion of respondents see the H.S.T. as a fiscally responsible approach to dealing with the province's deficit. Some respondents expressed that they believe the H.S.T. will be an economic catalyst that will increase business investment, lower prices and build consumer confidence.

**More information is needed:**

What is certainly clear from the opinion panel results is that, at this point, most people are unaware of the extent to which the products and services that they currently use will change in price, how the tax credits will work and what the eligibility criteria will be applied.



# Background

## **The Clarington Opinion Panel**

The Clarington Opinion Panel is administered by Collis & Reed Research as a free public service. Thus far we have asked panel members about: voter turnout, shopping local, and important Issues for the upcoming 2010 municipal election. As a thank you for lending their insights, participants can choose to enter into monthly draws for great prizes from Clarington businesses. Reports from past Opinion Panel discussions can be viewed by visiting [www.collis-reed.com/COP\\_Reports](http://www.collis-reed.com/COP_Reports). We would like to thank all panel members for their continued participation. The Opinion Panel is part of our on-going community work at Collis & Reed. It is our hope that by engaging Clarington residents we may encourage insightful comments, gather solutions and better understand our community. In sharing the results we seek to further debate and discussions across our community.

## **Topic #4 - Preparedness for the Harmonized Sales Tax**

On July 1st, the new Harmonized Sales Tax (The H.S.T) will take effect. It represents the most significant change to our taxation system since the G.S.T. was introduced. One hundred and fifty three respondents from across Clarington participated in our 4th Clarington Opinion Panel question which queried people about their preparedness for the H.S.T.. The panel topic was opened on March 1<sup>st</sup> and closed on March 12<sup>th</sup>. Clarington residents who had joined the panel by signing up at [www.collis-reed.com/signup](http://www.collis-reed.com/signup) were invited to take part.

## **The Questions**

The panel focused on elements of awareness, preparedness and the respondent's confidence that the H.S.T. will achieve its intended goals.

- Q1 - How familiar are you with the taxation/credit changes that will come into affect with the start of the H.S.T.?
- Q2 - What steps have you taken to prepare for the H.S.T.?
- Q3 - How confident are you that this impact will be achieved?
- Q4 - What are your thoughts on the H.S.T.? (A space was provided for respondents to make comments.)



# Detailed Results

## Question 1 - How familiar are you with the taxation/credit changes that will come into affect with the start of the H.S.T.?

Respondents were presented with the following response options:

- I have a **strong understanding** of all changes (taxes and credits) associated with the H.S.T.
- I have a **good understanding** of all changes (taxes and credits) associated with the H.S.T.
- I have a **general understanding** of all changes (taxes and credits) associated with the H.S.T.
- I have a **weak understanding** of all changes (taxes and credits) associated with the H.S.T.
- I am **unaware of the changes** (taxes and credits) associated with the H.S.T.

Chart 1.1 illustrates respondents' **overall level of understanding** of the H.S.T.

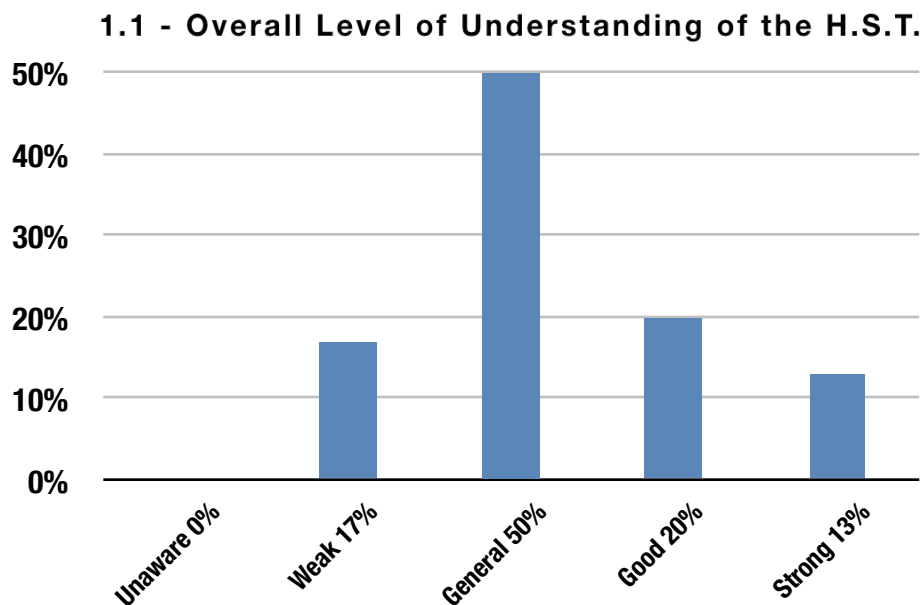
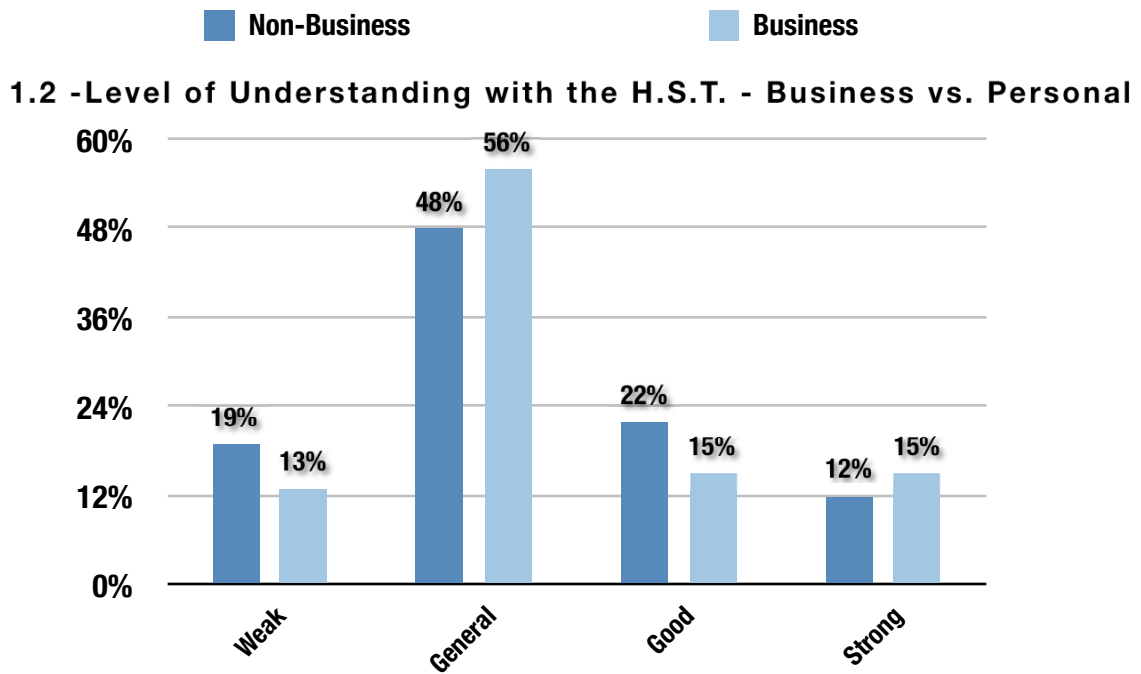




Chart 1.2 illustrates respondents' level of **understanding** with the H.S.T. as **non-business vs. business responses**.





## **Question 2 - What steps have you taken to prepare for the H.S.T.?**

Respondents were provided the following list of options:

- I have done nothing to prepare for the H.S.T.
- Viewed/listened/read media reports about the H.S.T.
- Viewed government publications about the H.S.T.
- Discussed the impact of the H.S.T. with my accountant/financial advisor
- Estimate changes to my personal monthly expenses
- Developed a new personal budget to deal with the taxation/credit changes

Respondents were then asked to indicate steps they had taken **if they also ran a business.**

They were provided with the following response options:

- Making major personal purchases before H.S.T. comes into affect
- Made business accounting system changes (for example, cash registers, invoices, etc.)
- Looked into the impact on my business cash-flow (for example, handling additional taxes “in trust” for the government)
- Looked into profitability and input taxes to determine if I will be more profitable by claiming back more input taxes than I could previously
- Looked into how the amount I charge customers will change
- Other personal or business preparations (please specify)

Respondents were able to select any of the response options that applied to them. They were also able to indicate if they operated a business and were able to choose the response options that were applicable to their business.



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Table 2.1 provides a breakdown of **overall, business** and **individual** responses to the question:

**What steps have you taken to prepare for the H.S.T.?**

**Table 2.1**

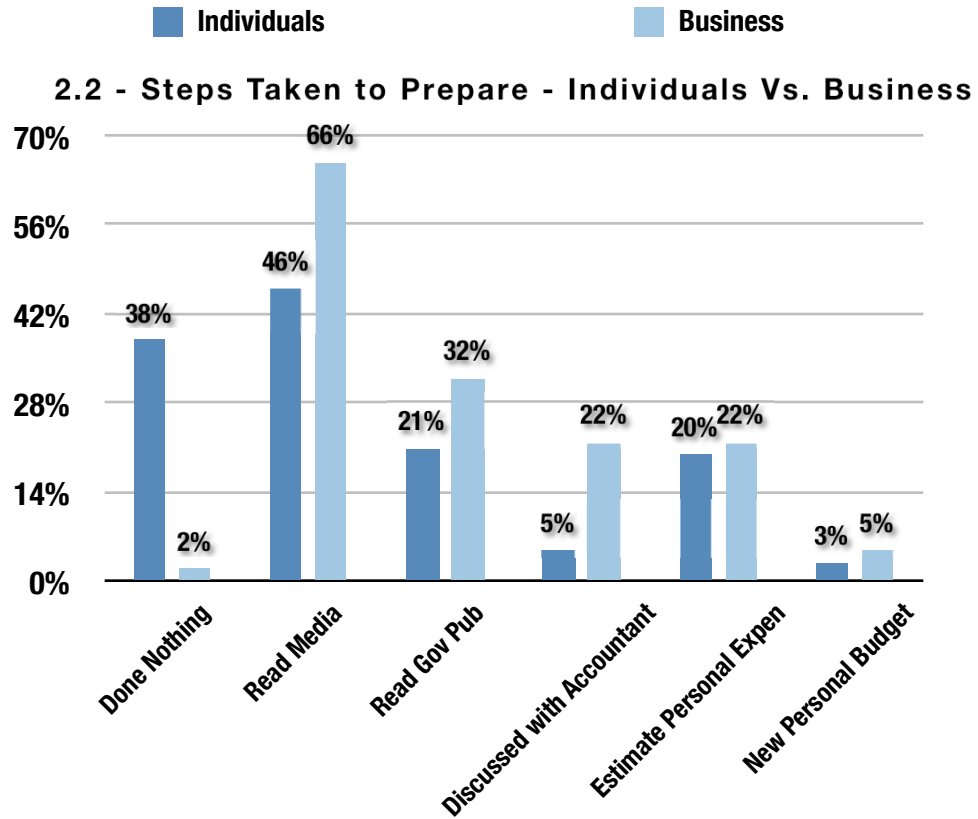
Response Options	Percent Overall	Individuals	Business
I have done nothing to prepare for the H.S.T.	29%	38%	2%
Viewed/listened/read media reports about the H.S.T.	51%	46%	66%
Viewed government publications about the H.S.T.	24%	21%	32%
Discussed the impact of the H.S.T. with my accountant/financial advisor	10%	5%	22%
Estimated changes to my personal monthly expenses	20%	20%	22%
Developed a new personal budget to deal with the taxation/credit changes	3%	3%	5%
Making major personal purchases before H.S.T. comes into affect	14%	13%	20%
<b>▼ Response options for those who indicated they ran a business ▼</b>			
Made business accounting system changes	-	-	32%
Looked into the impact on my business cash-flow	-	-	27%
Looked into profitability and input taxes to determine if I will be more profitable by claiming back more input taxes than I could previously	-	-	29%
Looked into how the amount I charge customers will change	-	-	46%
Other personal or business preparations (please specify)	-	-	10%

Of the people who have “done nothing” in preparation for the H.S.T., a significantly higher proportion of those are responses from individuals. The implication is that businesses have taken a more proactive approach to prepare for the H.S.T.. The most common source of information overall is the media. The most common element that businesses have looked into is how the H.S.T. will affect the amount they charge their customers. Interestingly, overall, the least frequent things people have done to prepare is develop a personal budget (3%) or speak to their accountant/financial advisor (10%).





Chart 2.2 represents a breakdown of the table above, graphically representing **Business** and **Individual** responses to the question: **What steps have you taken to prepare for the H.S.T.?**





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### **Question 3 - How confident are you that this impact will be achieved?**

Respondents were presented with the following explanation of the H.S.T.:

#### **The theory behind the H.S.T. (paraphrased from the Government of Ontario website)**

The government of Ontario has implemented the harmonization of P.S.T./H.S.T. because it feels that it is good for the economy of Ontario.

Under the present system, there are certain P.S.T. amounts that a business must pay, for example, machinery and direct supplies used in the business, will no longer be taxable to businesses, as any H.S.T. paid will be recovered back by the business. This will have the following advantages:

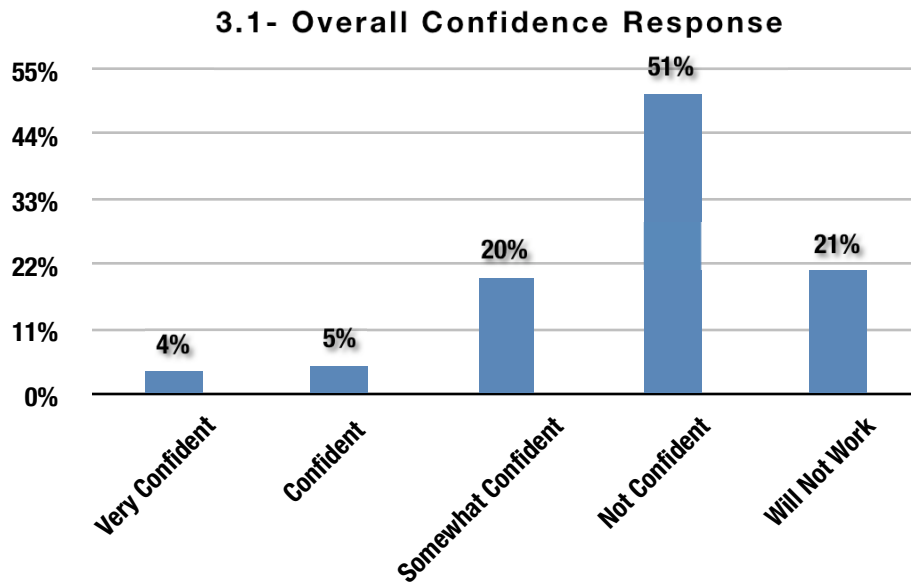
- Businesses will enjoy a reduction of overhead. Lower costs to businesses will result in increased competition, and most of the savings will be passed on to customers through lower prices of goods and services.
- The new system will bolster economic activity, and increase the amount of investment in new jobs and capital made by business. It will also attract more business to Ontario.

Respondents were provided the following response options to the question: **How confident are you that this impact will be achieved?**

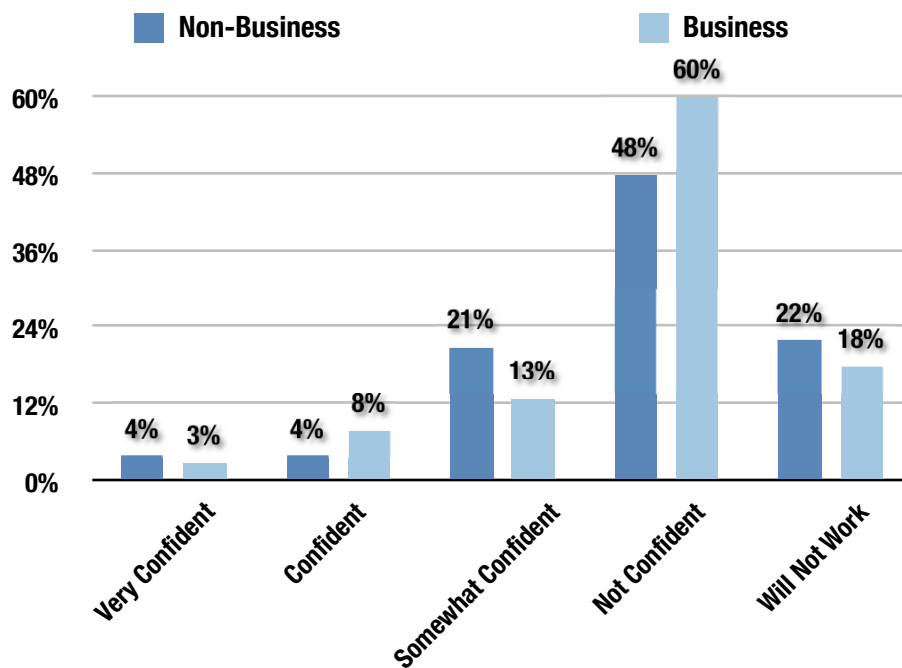
- I am **very confident** this impact will be achieved
- I am **confident** that this impact will be achieved
- I am **somewhat confident** will be achieved
- I am **not confident** that this will be achieved
- I am **certain that this will not** be achieved



Chart 3.1 provides an **overall breakdown** and Chart 3.2 a breakdown for **Business vs. Individual** responses to the question: **How confident are you that this impact will be achieved?**



### 3.2 - Confidence Response - Individuals vs. Business





#### **Question 4 - What are your thoughts on the H.S.T.?**

Respondents were provided a text box to submit comments. We received a total of 135 comments. The comments expressed a variety of positions, some cynical, some optimistic. The most prominent theme through out the comments expressed the opinion that the H.S.T. is a “tax grab” implemented at the wrong time. However, there were additional themes and positions within the comments, some expressing confidence in the approach, that are worth summarizing. The following is a summary of the themes and sentiments expressed through out the comments.

##### **Lack of public information - The impacts of the H.S.T. have not been made clear to the public**

Notable Comments:

- The details of the process have been poorly defined and generalities predominate. No one we talk to in business are comfortable with their level of knowledge and sources of knowledge.
- I believe that the HST will negatively impact most people. I have yet to read or hear an explanation that will prove my thoughts otherwise. I would love to be proven wrong.

##### **A “tax grab” implemented at the wrong time**

Notable Comments:

- Tax grab at the wrong time. The government should cut other areas of spending. Bad decision at the wrong time.
- It seems like just another tax grab.
- The HST is a single thrust tax-grab of unprecedented proportions, designed to expand the tax base of the two layers of government. It is the wrong initiative implemented at the wrong time.

##### **Confidence that savings **will** be passed onto the consumer**

Notable Comments:

- Most countries the world over already have harmonized taxes and our businesses have to compete with them. Canadian exports are down thirty percent, this means lost jobs. The benefit of the harmonized taxes to business will reduce their costs, which will reduce the price of their goods which will enable business to lower their prices to us.
- It will be a benefit, if business passes on the savings or use their savings to reinvest in their company



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### Confidence that savings will **not** be passed down to the consumer

#### Notable Comments:

- Since we are just now emerging from a disastrous recession, I don't envision many business owners who will pass on any savings to the consumer.
- Most of the savings will be passed on to customers through lower prices of goods and services...? What a joke, this will not happen, just like it didn't happen with the GST.
- Consumers will pay more in the end. There is no other way if a business is to make a profit and keep employees working. The cost of service will rise and installed product. Tourists will get a perception that the taxes are high on tourist service and product.

### The H.S.T. is fiscally responsible

#### Notable Comments:

- I think it was long overdue. It's a very progressive tax
- Charging and administering one tax instead of two makes sense.
- I think this is a good idea. The two existing systems (GST and PST) tax different things and have different systems and bureaucracies. I'm confident the new unified system will be much more efficient and productive.
- Pretty neutral about it - the fact is that sales tax will need to be increased in the future to pay down massive deficits run up in last recession
- The HST is a positive and progressive step designed to assist Ontario's economy by improving the competitiveness of Ontario businesses. The totality of tax changes inherent in the implementation of the HST will, in the long run, help create a significant number of jobs and build Ontario's future. Given the other tax changes being implemented as part of the introduction of the HST, the resulting tax burden should also be relatively revenue neutral for most taxpayers.