

Pre-arrange funerals to avoid paying extra tax

HST exemption provided for services arranged before July 1, 2010

By ANDREW A. DUFFY, Canwest News Service, October 16, 2009

Funeral parlours don't normally have lineups at their front doors, but that's a distinct possibility following the provincial government's release of transition rules for the harmonized sales tax.

The rules, designed to ease into the 12-per-cent tax that combines the five-per-cent goods and services tax with the seven-per-cent provincial sales tax, include an exemption for funeral services arranged before the July 1, 2010 tax implementation date.

"It does appear that pre-arranging may be a consideration that people would be wise to consider," said Justin Schultz, president of the Funeral Services Association of B.C.

Schultz, who will be meeting with Finance Ministry staff today, said the industry had been concerned pre-arranged contracts entered into before July 1 would be hit with a seven-per-cent increase.

"They seem to have addressed that," he said.

Pre-arranging and paying for funerals is a very common practice, said Craig McCall Williams, assistant manager and funeral director with McCall Brothers Funeral Directors in Victoria. He said that with the HST exemption it could become more popular over the next eight months.

"More and more people are doing that," he said, noting funeral costs can range from \$2,000 to "the sky's the limit."

When the tax was announced in July, McCall Williams said consumers didn't sound off much, though the funeral service industry did have concerns.

When it's implemented, the HST will apply to goods and services purchased on or after July 1, 2010 and will apply to prepayments -- for goods and services to be provided after July 1 -- as of May 1, 2010.

According to the Finance Ministry, that May date should create a level playing field for consumers and provides certainty and clarity for businesses.

But along with funerals, there are some exceptions.

The rules offer exemptions from HST to cover newspaper and magazine subscriptions paid for before July 1 but running through the year.

There is also a rule allowing contractors who have paid for building materials before July 1 to apply for a rebate on the PST embedded in those materials if used after that date.

"But most contractors don't carry a lot of inventory," said Casey Edge, spokesman for the Victoria branch of the Canadian Homebuilders Association. Homebuilders have been meeting for weeks with government to discuss their concerns over the HST, trying to forge a solution that takes into account the cost of building in places like Victoria and Vancouver.

According to the Finance Ministry, information about the transitional rules for new residential housing in B.C. will be provided in the coming months.

"We've still got work to do, particularly around new housing," said Finance Minister Colin Hansen during a conference call from Toronto. "There's transition rules that we're still in the development process on, and we've been actively consulting with the building sector to get their input before we finalize some of those decisions.

The government and manufacturing industry claim the HST will be good for the overall economy and improve productivity and competitiveness as it removes about \$2 billion in costs from B.C. business.

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