

Some funerals HST-exempt

Pre-arranging before July 1, 2010, will not trigger harmonized sales tax

By Andrew A. Duffy, Times Colonist, 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."

"People haven't been lining up at our doors but this could be an incentive," he said.

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 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 provide 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.

Round-trip travel tickets for trips that start before the implementation date but end after it will also be exempt from the higher tax.

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, noting that clause doesn't mean much for his membership. "Besides, we're looking at the bigger issues."

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, where he was returning from an business trip to promote the B.C. economy in New York and Montreal. "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. So this isn't the total picture but it's a big part of it."

There was no mention of any mitigating measures for the tourism and restaurant industries, the most vocal opponents of the HST, in yesterday's release of the rules.

Hansen said the "pluses and minuses" of the tax should balance out a visitor's experience to the province. For example, a tourist from Seattle would pay less for a B.C. hotel room under HST but more for a restaurant meal, he said. Tourism thrives when the overall economy is booming, so the impact on tourism is "not as dramatic as I think the critics have been making out," Hansen said.

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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