

Are taxes behind housing's astronomical price growth?

HomeNews

by Neil Sharma 03 Oct 2018



Homebuyers and investors have long groaned about escalating price points, attributing them to builder avarice. However, according to industry insiders, government fees and taxes are to blame.

Michael DiPasquale, a CPA and COO of Dunpar Homes, says builders are heavily taxed by all three levels of government and there's little choice but to relay the cost onto consumers.

“Everyone thinks developers are big, greedy and make all this money—they make money, yes—but they’re not making close to what the government makes on these homes,” said DiPasquale. “People think builders push up the prices, but the prices have gone up because of the significant fees, charges and costs to operate. Most of the cost goes to the government.”

According to numbers compiled by Dunpar, on a three-bedroom, 1,950 square foot townhouse in Toronto that sells for a \$1mln, the builder and shareholder profit amounts to \$44,100, while the municipal, provincial and federal governments receive \$258,540 in taxes paid.

Prior to 2010, there was only GST at 5%, but by July of that year an 8% PST was added and then combined to form a 13% HST. Weighing builders down by essentially appropriating 8% of their

revenues, they recouped their lost revenues by passing the tax onto consumers in the form of higher price points.

On a one-bedroom, 600 square foot Toronto condo selling for \$500,000, taxes amount to \$110,748, while the builder and shareholder profit, after income taxes, total \$17,640.

The president of the Residential Construction Council of Ontario confirms DiPasquale's assertion that government fees, levies and charges have contributed to housing's astronomical price growth, which, combined with increases in construction costs, create a perfect storm for consumers.

“In certain situations, the hard construction costs almost equal the total quantum of taxes, levies and charges on new housing, which is crazy,” said **Richard Lyall**. “That’s just straight, hard construction costs. You have all these other costs like marketing, administration, site guys—there’s no question in my mind that you’re in at least \$160,000 for condo taxes.”

Development charges have also been hiked a whopping 85%, and it will doubtless be passed onto consumers, too.

“That’s a lot of money, and how much have wages gone up?” asks Lyall. “There’s a proportionality issue here, as well. When the government jacks up costs, and you look at what people are making for a living, it’s scary. We have an affordability issue. We already know 59% of millennials are seriously considering moving from Toronto because they can’t live here, and if they’re thinking about having a family, how the hell are they going to do that?”