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Lucky winners of a Frigidaire Freezer from M&M Meats, 211 Guelph St., Georgetown, were Ashok and Angela Venkataramam and their children, Geoffrey, Kristina and Kaitlyn off 55 Wylie Circle in Georgetown. Pictured with the happy family are M&M Meats Product Consultant Clarissa Salinas and Fran Walton. HHTW photo

## Black market renovation increases red ink

Massive black market renovation activity is causing the federal government to lose vast amounts of both sales and income tax revenue, according to Terry Mills, a member of the Greater Toronto Home Builders' Association (GTHBA) Renovation & Redevelopment Council.

Ontario residents are expected to spend \$6.7 billion on renovations this year.

According to the Winter 1992/93 Pulse Survey conducted by the Canadian Home Builders' Association, builders in Ontario believe that since the introduction of the GST, the amount of renovation work undertaken on the black market is roughly 45 per cent — nearly half of all renovation activity. In 1990 it was believed that 25 per cent of renovation work was performed using cash-type transactions.

### Federal government asked to consider initiatives

"Black market activity presents many problems for homeowners," said Mills, a partner in Toronto-based Chizen & Mills, a renovation company.

"On the surface, while cash-type transactions might appear to offer big savings to the homeowner, there is typically no contract and no warranty between the customer and the renovator. This leaves the customer wide open to problems if the renovator does not perform properly or worse, takes off with the money," he said.

A Clayton Research report, The Effect of the GST on Black Market Renovations, concluded that "the GST makes it potentially even more profitable to undertake renovation work on the black market." The report found that for a \$10,000 black market renovation before the introduction of the GST, the government would lose \$2,400 in income tax revenue. With the GST, the government's tax revenue loss climbs to \$2,820.

The GTHBA is calling for the federal government to consider the following two initiatives:

- 1) Allow greater flexibility in the definition of substantial renovations for the purposes of the GST rebates — at present, renovations are fully taxable by the GST except for a very few which qualify under the very restrictive definition of "substantial renovations". This has resulted in a reduction in renovation work and a significant increase in the share of renovation work done on the black market on a cash basis. A rebate of the GST paid on renovation jobs of \$10,000 or more would provide a strong stimulus to professional renovation activity and should lead to increased government income tax revenues.
- 2) Expand the RRSP Home buyers' Plan to include major renovations — allowing homeowners to access RRSP funds in undertaking major renovations would provide a significant boost to the building industry. At present, many homeowners have substantial RRSP holdings but insufficient available funds to finance required renovation work on their homes. Expansion of the current Plan to allow the use of RRSP funds in major renovations of \$10,000 or more would assist both these homeowners and the renovation industry.

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