



ELIMINATE ONTARIO'S GASOLINE TAX

A FREEDOM PARTY OF ONTARIO 2011 ELECTION PLANK

On July 1, 2010, Dalton McGuinty introduced the Harmonized Sales Tax ("H.S.T."), which combined Ontario's P.S.T. (8%) with the G.S.T. (5%). The result was a 13% sales tax. Like the G.S.T., the H.S.T. is charged on gasoline purchases. Therefore, on July 1, 2010, Ontario started collecting an 8% tax on gasoline purchases.

When it comes to gasoline, the H.S.T. is effectively a *surtax*. Specifically, the H.S.T. is charged not only on the price of gasoline, but also upon the 14.7 cents/litre provincial gasoline tax.

Gasoline is one of the most highly taxed items in Ontario. Consider the following example to see just how taxed it is. At the time of writing, the price of gasoline (including taxes) is approximately \$1.20 per litre. At that price, the price to fill a 60 litre tank is \$72.00. Of that \$72.00:

- approximately \$8.28 is H.S.T.;
- \$8.82 is Ontario's gasoline tax;
- \$6.00 is federal excise tax; and
- approximately \$48.90 is the actual price of the gasoline, before taxes.

Therefore, the effective tax rate on that \$48.90 worth of gasoline is approximately **47.2%**.

As the total price of gasoline drops, the effective tax rate *increases*. For example, if the total price per litre were \$1.00 instead of \$1.20, the effective tax rate would be approximately **56.7%** (instead of 47.2%). If the total price of gasoline were to drop to 80 cents per litre, the effective tax rate would rise to approximately **73.5%**. At 64 cents/litre, the effective tax rate would be approximately **100%**!

Despite being such a punitive tax, Ontario's gasoline tax brings in only a very small fraction of Ontario's revenues. According to Ontario's 2010-2011 budget, total revenues in 2010 were an estimated \$106.9

billion. Ontario's gasoline tax was estimated to bring in revenues of \$2.4 billion: only 2.2% of total Ontario revenue.

A Freedom government will eliminate Ontario's 14.7 cent / litre gasoline tax. That will drop gasoline prices by 16.6 cents at the pump. It will also allow the government to entirely eliminate the cost of *administering* the gasoline tax (the Ministry of Revenue currently costs taxpayers approximately \$1B per year).

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