

**Wednesday, March 10, 2010**

## **Higher Legal Costs in Ontario > HST Set to Begin July 1, 2010**

Currently, legal fees are subject to the 5% GST federal tax.

As a result of the recent passing of the **HST (Harmonized Sales Tax) in Ontario**, to come into effect on July 1, 2010, legal fees will be subject to the 13% HST tax. A **further government circular** is here listing various services affected.

This increase of 8% tax on legal fees will, ultimately, be borne most by individuals that cannot pass on the tax as opposed to corporations which can claim a credit.

For those involved in lawsuits, this also means that the HST is likely to be charged on certain disbursements, as per the **Revenue Canada bulletin** on the issue. For civil litigation, very often the cost of expert reports is the bulk of the disbursements incurred and the HST appears applicable to expert reports.

Further background can be found in **our March 25/2009 blog**.

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