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Report On Industry

ROI



## Focus on *Harmonized Sales Tax (HST)*

April 2010

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Companies that conduct business in British Columbia or Ontario are preparing to harmonize their provincial sales tax with the federal GST on July 1, 2010. In addition, HST would generally apply to prepayments starting on May 1, 2010 for goods or services that would be provided on or after July 1, 2010. Currently businesses cannot deduct the PST from the cost of materials and other products they buy. Under harmonization, businesses will be able to claim tax credits for these purchases, the intent being that the cost of goods will be more competitive and the environment more attractive for new business.

## What does HST mean for your industry?

Businesses need to prepare for the HST by adjusting accounting systems and operations and reviewing financial budgets, capital expenditure budgets and human resource allocations. David Schlesinger, National Leader, Indirect Tax at KPMG, suggests that businesses consider whether their systems are prepared to deal with the effect of tax rate changes on sales tax matrices and the effect of the HST on tax-inclusive existing contracts. Although he believes most businesses will benefit from the HST, there are variations across industries.

To find out what the change means for your business, visit <http://www.kpmg.ca/en/ms/pstgst/>

To listen to an archived webcast *Ontario and B.C. Lay Out Road Map to Harmonized Sales Tax - Plan Your Route to July 1*, [click here](#).

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## Preparing for the transition

The Canadian Revenue Agency has released transitional rules to help businesses in Ontario and B.C. understand and determine which tax – the existing provincial retail sales tax or the provincial part of the HST – will apply to transactions that straddle the July 1, 2010 implementation date.

[www.cra-arc.gc.ca/gncy/hrmnztn/on/menu-eng.html](http://www.cra-arc.gc.ca/gncy/hrmnztn/on/menu-eng.html)

## In Ontario

The Ontario government's general transition rules include support for small business, rebates for new housing purchases and rentals, and point-of-sale rebates.

For general transition rules, see [www.rev.gov.on.ca/en/notices/hst/03.html](http://www.rev.gov.on.ca/en/notices/hst/03.html).

To become HST ready, it is also important to know key dates relating to RST accounts in Ontario [www.rev.gov.on.ca/en/taxchange/transition.html](http://www.rev.gov.on.ca/en/taxchange/transition.html).

## In B.C.

The B.C. government's general transition rules help guide businesses and consumers in a smooth changeover to HST and include technical details about paying the HST in the period around July 1, 2010.

For more information, see [HST General Transitional Rules](#).

As well, BDO's Tax Bulletin *The Transition to the HST in British Columbia* illustrates how rules impact business and provides information on how to prepare and implement the HST and wind down the B.C. Social Services Tax (PST).

[www.bdo.ca/library/publications/tax/documents/the-transition-to-the-hst-in-british-columbia.pdf](http://www.bdo.ca/library/publications/tax/documents/the-transition-to-the-hst-in-british-columbia.pdf)

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## HST Place of Supply rules change sales tax landscape

On February 25, 2010, the Department of Finance announced amendments to the existing HST place of supply (POS) rules which have been in existence since Newfoundland, New Brunswick and Nova Scotia harmonized their provincial sales taxes with the federal GST in 1997. The amendments, in conjunction with the harmonization of Ontario and B.C., are drastically changing the sales tax landscape not only for those businesses located in one of the harmonized provinces, but also for all Canadian businesses that make supplies of goods or services to persons or businesses located in the harmonized provinces. Fasken Martineau's recent taxation bulletin provides more details.

[www.fasken.com/taxation\\_bulletin-march\\_2010/](http://www.fasken.com/taxation_bulletin-march_2010/)

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## Learning Resources

### Free Webinar - Preparing for the HST

Earn one hour CPD credit upon completion of quiz

Directed to CAs working in business and those who advise businesses on tax related matters, this recently archived webinar, sponsored by Robert Half International, helps ensure a successful

transition to the HST. Ernst & Young's Complete Guide to the Harmonized Sales Tax, authored by Bruce Goudy, CMA, and Mike Robillard, CA, outlines key considerations related to the transition including:

- HST implications on information systems, purchasing, contracts, sales, pricing, budgeting and cash flow.
- Transition rules
- Place-of-supply considerations.
- How HST will affect a variety of industries and sectors.

[www.snwebcastcenter.com/event/?event\\_id=787](http://www.snwebcastcenter.com/event/?event_id=787)

## Ernst & Young's **Complete Guide to the Harmonized Sales Tax**

Available in English only

This guide focuses on the HST rules in Ontario, British Columbia, New Brunswick, Newfoundland and Labrador, and Nova Scotia. It outlines where the rules follow the GST and where they differ and offers clear, concise, and authoritative guidance on HST legislation and administrative practice. [Click here](#) to purchase *Ernst & Young's Guide to the Harmonized Sales Tax* and receive a \$10 discount available until mid-May 2010 by entering the promotional code: WEB232311.

## ICAO offers three HST courses

The Institute of CAs of Ontario is offering three HST courses in locations across the province:

**Introduction to the Ontario HST** covers the changes created by HST related to invoicing and account payable systems, contract terms, budgeting, cash flow and more.

**Ontario HST: Technical Update** covers information on new electronic reporting requirements for GST/HST registrants; temporary recapture of input tax credits; point of sale rebates; transitional rules; and Small Business Transitional Tax Credit

**Ontario HST: Technical Update for Residential Housing** includes information of specific interest to residential builders such transitional taxes and rebates for residential housing.

For more information including dates and locations,

[www.icao.on.ca/ca/pd/coursedescriptions/print\\_1016page10808.aspx](http://www.icao.on.ca/ca/pd/coursedescriptions/print_1016page10808.aspx)

## Planning for Harmonization in B.C.

The B.C. Institute of Chartered Accountants is offering an HST course which covers HST place of supply rules which determine when to collect tax at 5, 12 or 13 per cent; proposed temporary ITC restrictions on large businesses; and special transitional provisions for supplies of real and tangible property and for services, including intangible goods and services.

For more information including dates and locations,

[www.icabc-pd.com/pd-seminars-search.php?keywords=hst&Submit=Submit](http://www.icabc-pd.com/pd-seminars-search.php?keywords=hst&Submit=Submit)

## HST Information Seminars in B.C. and Ontario

The Canada Revenue Agency is offering a number of informative seminars to help ensure that businesses receive the information they need for the transition to the federal administration of the harmonized sales tax on July 1, 2010.

[Click here](#) to register for the free tax seminars.

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