



# British Columbia Harmonized Sales Tax

## Understanding and managing the impact

Presentation to the  
ING DIRECT Business Savings Clients



# Agenda

- Background
- Current BC Sales Tax (PST) structure
- BC Harmonized Sales Tax (HST)
  - Basics
  - Transitioning to HST
  - Industry Highlights
- Getting prepared for HST
  - Impact on customers
  - Impact on costs
  - Impact on compliance
- Questions

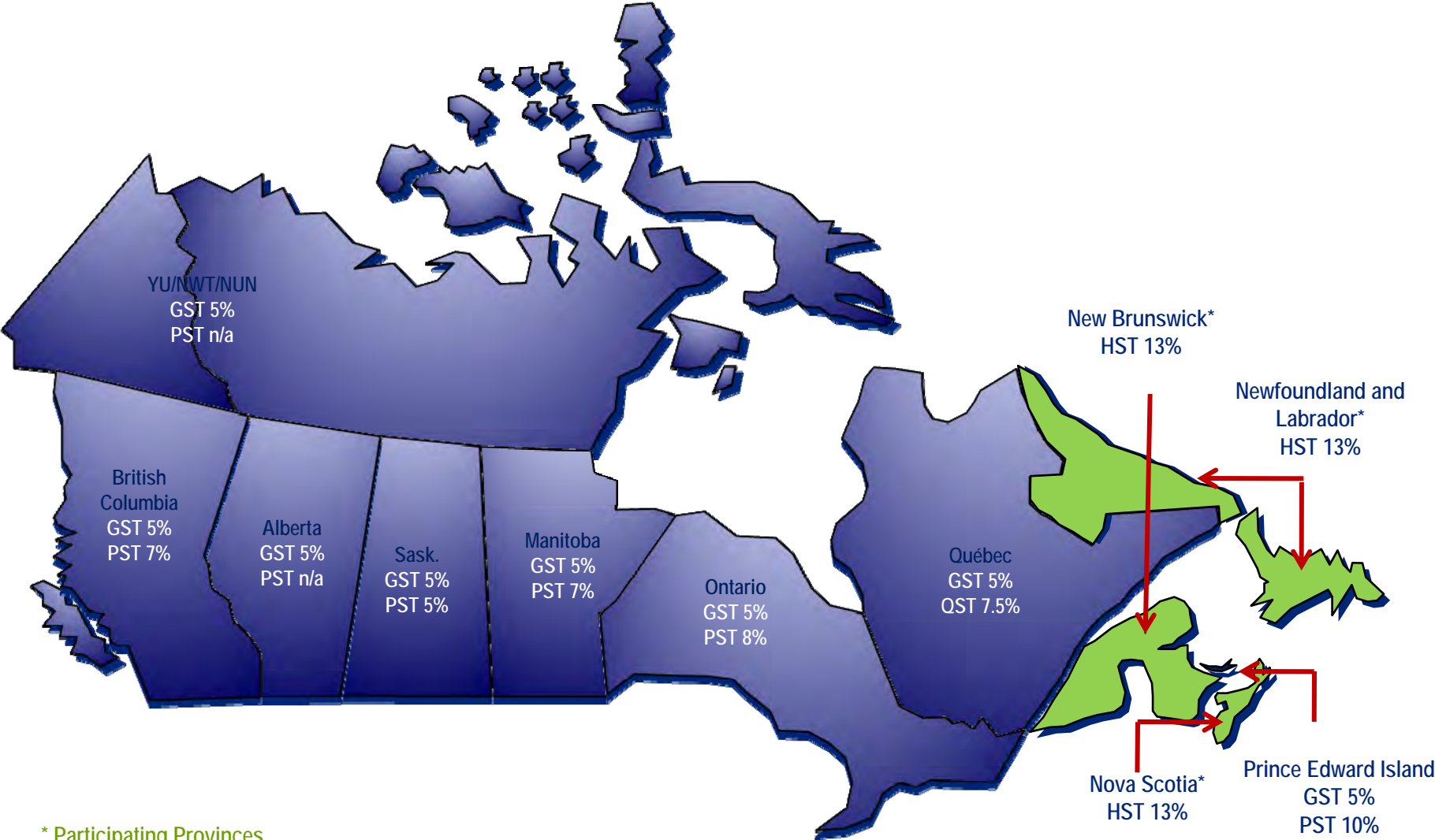
# Background

- BC currently imposes a single staged provincial sales tax (PST) generally applicable to most goods and certain services at a rate of 7%
  - Generally is not recoverable by businesses and consumers
  - Some exemptions apply for certain goods and services
- On July 1, 2010, the PST will be combined with the federal GST to create a federally administered single **value added sales tax** for taxable supplies made in BC
  - Combined tax rate of 12%

# Current PST structure

- Single incidence tax at retail or “final consumption” level
- Cost to the purchaser/end-user of the good/service purchased
- Direct PST paid by businesses on their purchases forms a significant component of PST collected by the Province
- Supplier’s PST cost affects pricing and/or profit margins

# Current sales tax rates

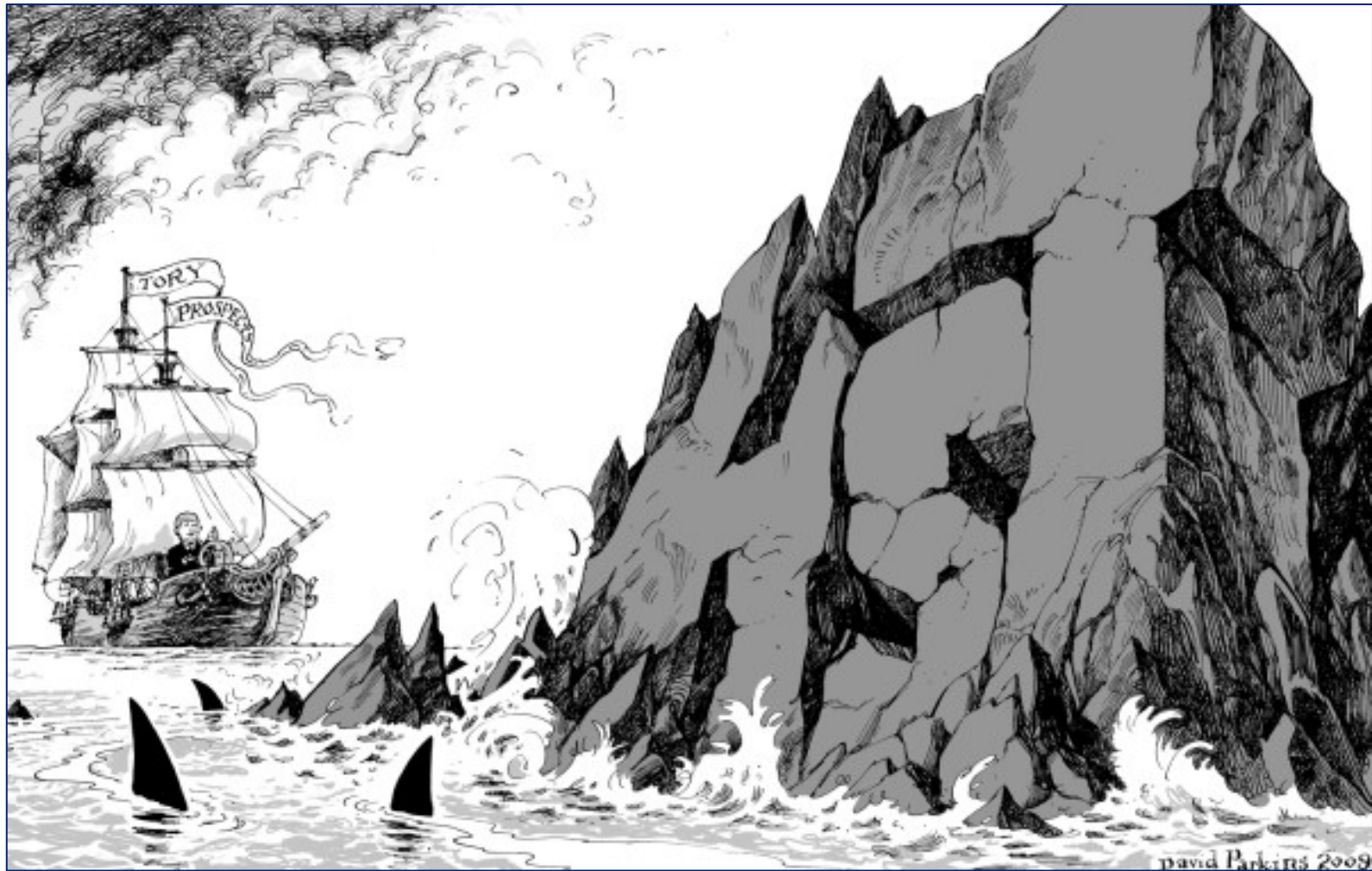


\* Participating Provinces  
 PST - Provincial Sales Tax  
 QST - Quebec Sales Tax

# Overview of current PST

	General	Alcoholic beverages	Transient accommodation
<b>PST rate</b>	7%	10%	8%
<b>General tax base</b>	<ul style="list-style-type: none"> <li>• Most tangible personal property (TPP)</li> <li>• Labour to install, assemble, adjust, maintain, or repair TPP</li> <li>• Legal services</li> <li>• Telecommunication services</li> </ul>	<ul style="list-style-type: none"> <li>• Beverage alcohol sold in stores, bars, and/or restaurants</li> </ul>	
<b>Examples of items not part of the base</b>	<ul style="list-style-type: none"> <li>• Real property transactions</li> <li>• Most professional services</li> <li>• Transportation services</li> <li>• Intangible property</li> </ul>		
<b>Examples of exemptions</b>	<ul style="list-style-type: none"> <li>• TPP for resale</li> <li>• Raw materials/consumables used in manufacturing and production</li> <li>• Manufacturing and production equipment and parts</li> <li>• Certain publications</li> <li>• Residential electricity, gas, and diesel fuel</li> <li>• Basic groceries</li> <li>• Children's clothing</li> <li>• Feminine hygiene products</li> <li>• Prescription medicine</li> </ul>		

# HST is coming

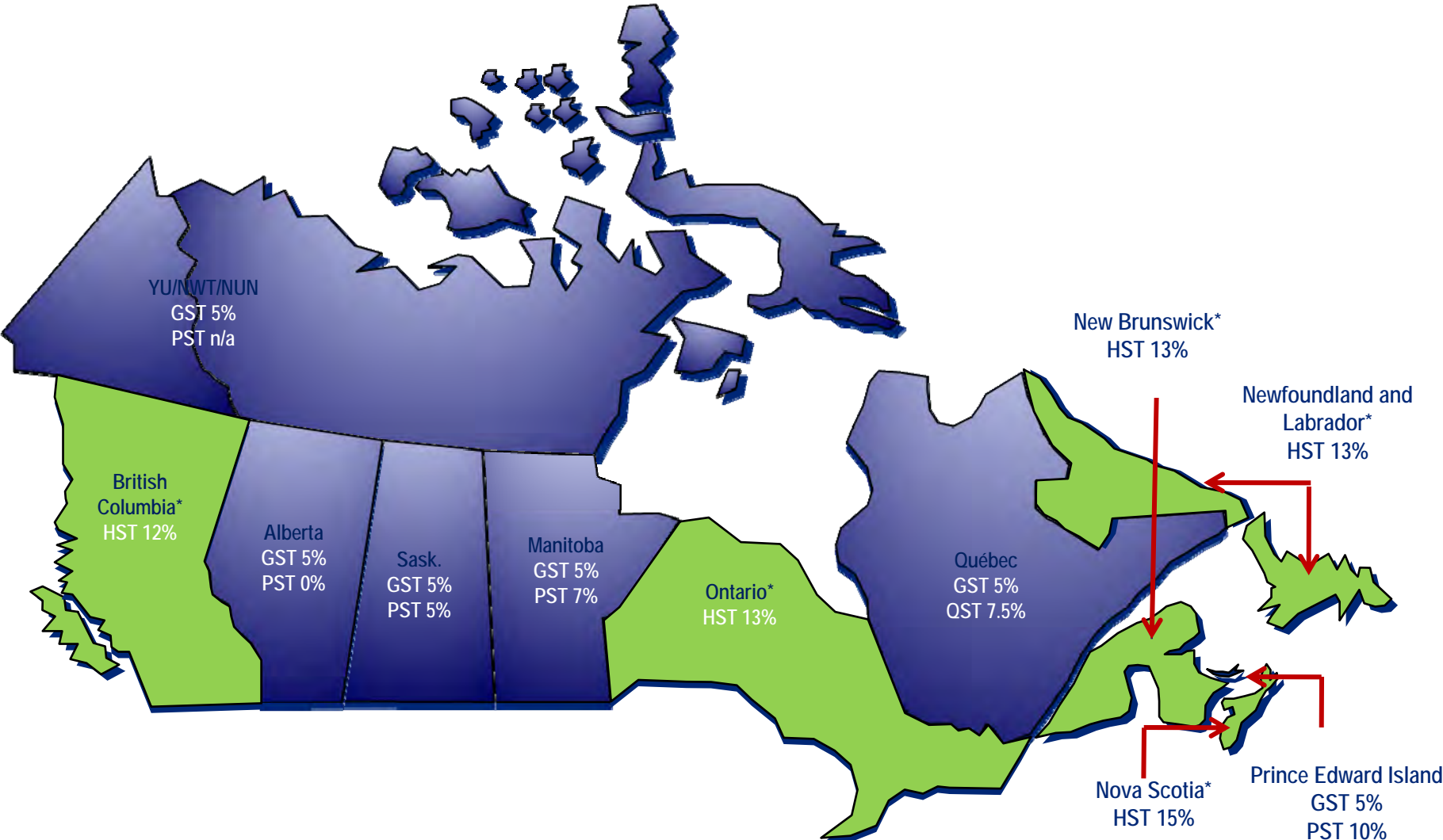


# BC HST

- On July 1, 2010, PST will be combined with the federal GST to create a federally administered single value added sales tax for taxable supplies made in BC
  - Combined tax rate of 12% (provincial portion 7% and federal portion 5%)
  - Adoption of GST application rules
  - Broader GST tax base

***Note: Ontario will also harmonize its retail sales tax with GST on July 1, 2010 with a combined tax rate of 13%***

# Sales tax rates after harmonization in Ontario and BC



\* Participating Provinces

# BC HST - Basics

- Businesses selling taxable/zero-rated goods/services will be able to claim input tax credits (ITCs) for the provincial portion of the HST paid on their purchases, as under the GST
  - Generally, impact of HST will be **favourable** as inputs currently subject to non-recoverable PST will be subject to recoverable HST
    - **cost reductions**
- Businesses making exempt sales (such as financial services, health care services, residential rentals) will not be entitled to recover the HST as is the case with the GST
  - Generally, impact of HST will be **unfavourable** as inputs that are currently not subject to PST but will be subject to HST will cost more
    - **cost increases**

# BC HST - Basics

- 12% non-recoverable PST will continue to apply to:
  - Private sales of used vehicles
- The following taxes will be repealed:
  - Innovative Clean Energy levy
  - Battery levy
  - Passenger Vehicle Rental tax

# BC HST – Basics (Summary)

	General	Alcoholic beverages	Transient accommodation	PST
BC HST rate (Provincial portion)	7%	7%	7%	12%
General tax base	<ul style="list-style-type: none"> <li>• Same as GST</li> </ul>			<ul style="list-style-type: none"> <li>• Private sales of automobiles, boats, and aircrafts</li> </ul>
Examples of items not subject to BC HST	<ul style="list-style-type: none"> <li>• Exemptions same as GST</li> <li>• Zero-rating same as GST</li> </ul>			
Examples of provincial portion only relief	<p><i>Point of sale rebates for:</i></p> <ul style="list-style-type: none"> <li>• Books</li> <li>• Children's clothing and footwear</li> <li>• Children's car/booster seats</li> <li>• Diapers</li> <li>• Feminine hygiene products</li> </ul> <p><i>Partial rebate for:</i></p> <ul style="list-style-type: none"> <li>• New homes less than \$525,000</li> </ul>			

# BC HST – Place of supply rules

- Rules exist to determine when to charge GST only versus higher-rated HST

General Place-of-Supply Rules		
Real property	Location of the real property	Status quo
Goods sold	Location where the goods are delivered	Status quo
Goods (other than specified motor vehicles) leased	Location where goods delivered (leases for 3 months or less) OR “ordinary location” (leases for more than 3 months)	Status quo
Services	Location of the recipient	Significant change
Intangible personal property	Location where IPP can be used only on a primary (50% or more) basis	Significant change

# BC HST – Place of supply rules

- Specific rules exist for other types of supplies, including:
  - Personal services
  - Services and IPP in relation to real property
  - Services in relation to goods
  - Services in relation to location-specific events
  - Services in connection with civil, criminal or administrative litigation
  - Passenger transportation services
  - Customs brokerage services
  - IPP that relates to services to be performed
  - IPP that relates to goods
  - Memberships
- For more detailed information, see

[http://www.deloitte.com/view/en\\_CA/ca/services/tax/indirecttaxandcustoms/ee89b3be31457210VgnVCM200000bb42f00aRCRD.htm](http://www.deloitte.com/view/en_CA/ca/services/tax/indirecttaxandcustoms/ee89b3be31457210VgnVCM200000bb42f00aRCRD.htm)

# BC HST - Point-of-sale rebates

- Point-of-sale rebates for the provincial portion of HST available for the following items (i.e., these items will only be subject to 5% GST)

- ✓ Books
- ✓ Children's clothing
- ✓ Children's footwear
- ✓ Children's car seats
- ✓ Children's car booster seats
- ✓ Diapers
- ✓ Feminine hygiene products
- ✓ Gasoline and diesel fuel for motor vehicles (not in Ontario)

- The rebates will apply throughout the distribution chain
- There is no requirement for the retailer to indicate the rebate amount on its invoices/sales slips

# BC HST - Relief for the public sector

- Public service body rebates for provincial component of HST, as follows:

Public service body	HST at 7% Rebate	GST at 5% Rebate	Effective tax rate
Municipalities	75%	100%	<b>1.75%</b>
Universities and colleges	75%	67%	<b>3.40%</b>
School boards	87%	68%	<b>2.51%</b>
Hospitals	58%	83%	<b>3.79%</b>
Charities and qualifying non-profit organizations	57%	50%	<b>5.51%</b>

# BC HST- Recaptured input tax credits (RITCs)

## Affects:

- Businesses with annual taxable supplies over \$10 million
- Specified financial institutions
  - Banks, insurers, credit unions, trustees, seg funds, investment plans, related entities
  - Special rules for “selected listed financial institutions”

## Does not affect:

- Public service bodies (charities, NPOs, schools, hospitals, colleges, universities and municipalities)
- Persons whose chief source of income is from farming

# BC HST- RITCs

## Impact:

- Input tax credits (ITCs) for the provincial portion of HST paid on the following categories of costs is denied:

### Categories

#### **Energy (electricity, natural gas, combustibles and steam)**

Except purchased by farms or used in production/manufacturing of tangible personal properties

#### **Telecommunication Services**

Other than internet access or toll-free numbers

#### **Road vehicles (weighing less than 3,000 kg) including related parts and services**

#### **Food, beverages and entertainment**

# BC HST- RITCs

## Application:

- First 5 years - full recapture
- Eligible ITCs phased back in over a 3 year period thereafter
- The restriction percentage (recapture rate) is as follows:

Recapture Rate	Period
100%	July 1, 2010 to June 30, 2015
75%	July 1, 2015 to June 30, 2016
50%	July 1, 2016 to June 30, 2017
25%	July 1, 2017 to June 30, 2018
0%	On or after July 1, 2018

- **Compliance:**

- Claim upfront ITC, with offsetting recapture in same reporting period
- Calculate and report recaptured ITCs in the appropriate information fields on a Schedule to the GST/HST NETFILE return

# BC HST- RITCs

- Proxy is also available for telecommunication expenses
- Energy used directly in the production of TPP for sale is not subject to RITC – proxies available for this as well
- More information is available here:

[http://www.deloitte.com/view/en\\_CA/ca/services/tax/indirecttaxandcustoms/article/bf02ae35de2b6210VgnVCM100000ba42f00aRCRD.htm](http://www.deloitte.com/view/en_CA/ca/services/tax/indirecttaxandcustoms/article/bf02ae35de2b6210VgnVCM100000ba42f00aRCRD.htm)

# BC HST – Transitional rules

- The rules deal with determining the application of the provincial component (i.e., 7%) of the HST for ***payments made/invoices issued prior to July 1, 2010*** that relate to HST taxable supplies of property and services relating to a period or periods after June 30, 2010
- Depending on when payments are made/invoices are issued, self-assessment or collection obligations are required

# BC HST - Transitional rules

## HST applies generally to:

- Sales of goods where ownership is transferred and delivery is on or after July 1, 2010
- Services performed on or after July 1, 2010 (unless 90% or more was performed before July 1, 2010)
- Leases or licenses of goods and property for periods commencing on or after July 1, 2010 (with exceptions)
- IPP (e.g., intellectual property, contractual rights, software) where consideration due or paid without becoming due on or after July 1, 2010
- Sales of real estate where both title and possession transferred on or after July 1, 2010

# BC HST - Transitional rules

- Special transitional rules apply to:
  - Subscriptions to newspapers, magazines, etc.
  - Prepaid funeral/cemetery services
  - Transportation services
  - Memberships and lifetime memberships
  - Admissions
  - Residential real estate
  - Progress payments and holdbacks

# BC HST – Transitional rules

- From October 15, 2009 onwards, businesses and public service bodies may be required to self-assess the provincial component of the HST in the following circumstances:

Costs incurred relate to making sales that are exempt for GST purposes

Costs incurred subject to RITC rules

Person using simplified procedures for calculating net tax for GST purposes

Person is a “selected listed financial institution”

- Effective May 1, 2010, GST registered vendors will be required to collect HST for taxable supplies made in BC post June 30, 2010

# BC HST – Winding down of PST

- Generally, the PST will no longer apply when the goods, taxable services, or accommodations are provided on or after July 1, 2010
- Final PST returns are due on or before July 23, 2010; for PST collected or that becomes payable after June 30, 2010, a supplemental PST return would be required to be filed on or before the 23<sup>rd</sup> day of the following month

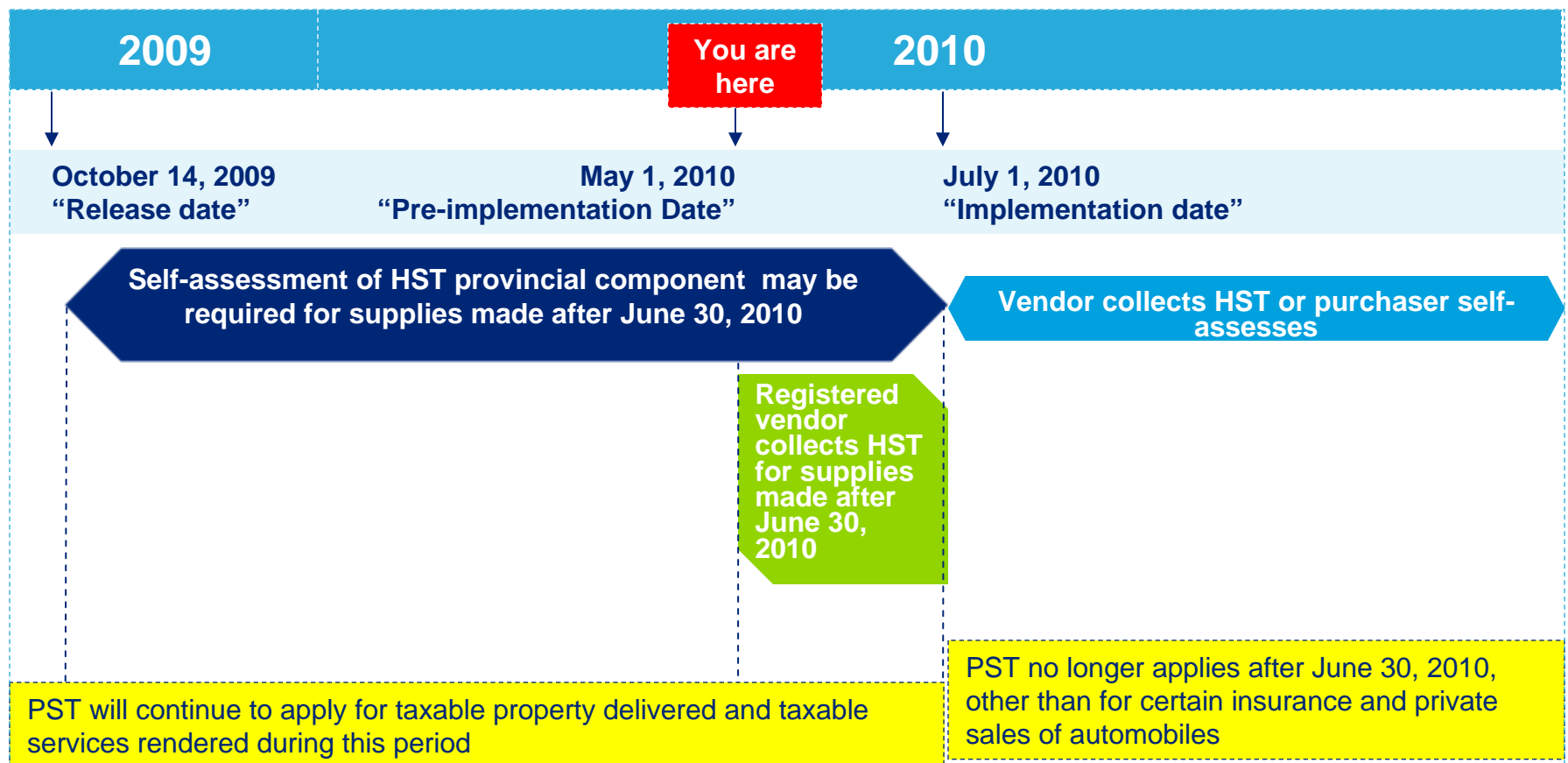
# BC HST – Winding down of PST

- The following rules apply to returns and exchanges of property purchased before July 1, 2010 when the property is exchanged or returned between July 1 and November 1, 2010:

Scenarios	Outcome	
	PST	HST
Taxable property exchanged for cash	PST refund	No HST payable
Taxable property exchange results in no additional cash	No PST refund	No HST payable
Taxable property exchange results in partial refund of cash	Partial PST refund	No HST payable
Taxable property exchange results in additional payment	No PST refund	HST payable on additional amount
Exempt property exchange	No PST refund	HST payable on the full price of replacement property

# Transitioning to HST - summary

- More information on the HST transitional rules can be obtained here:  
[http://www.deloitte.com/view/en\\_CA/ca/services/tax/indirecttaxandcustoms/article/93d6a12a7a874210VgnVCM100000ba42f00aRCRD.htm](http://www.deloitte.com/view/en_CA/ca/services/tax/indirecttaxandcustoms/article/93d6a12a7a874210VgnVCM100000ba42f00aRCRD.htm)



## Industry highlights – retail/consumer business

- Should realize cost savings under HST due to removal of non-recoverable PST on certain input costs
- Cash flow considerations since no longer able to use purchase exemption certificates as done for PST on goods for resale
- Key is setting tax rates to properly account for the tax effective July 1, 2010 and possibly May 1, 2010 for pre-bills and pre-payments
  - Impact on billing and point of sale systems could be significant
- Determine whether RITCs applicable – impact could be significant with respect to energy and telecommunication costs

# Industry highlights – retail/consumer business

- Also need to consider:
  - Point-of-sale rebates on affected items need to be considered – only 5% GST applicable
  - HST impact on rebates, coupons and other loyalty programs need to be considered, etc.
    - Review current treatment of non-reimbursable coupons
    - It could make sense to restructure program
  - Returns and exchanges for items sold that were subject to PST need to be considered
    - If returned/exchanged before November 1, 2010, retailer adjusts the PST accordingly
    - After October 31, 2010, customer may apply for refund of PST directly from the government

# Industry highlights – manufacturing

- Similar issues as with retail/consumer business
- Plus, RITC for large businesses (i.e., over \$10 million taxable sales per year) does not apply to energy used directly in the manufacturing and production of TPP for **sale by** the large business
- Manufacturers required to determine use of energy between manufacturing/production (no RITC) and other uses (RITC applicable)

## Industry highlights – manufacturing

- Affected businesses can elect to use a proxy percentage to determine what portion of the energy that it acquires would be considered to be used directly in the manufacturing/production process (based on the North America Industry Classification System (NAICS) for 2007)

Proxy use in manufacturing (no RITC applicable)	96%	87%	70%
NAICS Code	113, 211, 212, 322, 324, 325, 327, 331	311, 312, 313, 314, 321, 326, 332	315, 316, 323, 333, 334, 335, 336, 337, 339

- If the business' most significant activity does not fall under any of these codes, then the business has to make its own determination
- Also, no RITC in respect of energy used directly in activities that are considered eligible SR&ED activities (another proxy available)

# Industry highlights – construction

## Transition considerations

- Progress payments
  - where can reasonably be attributed to property delivered or services performed on or after July 1, 2010, HST applies
    - *e.g. on same invoice apply 5% on work before July 1, 2010, and 12% on work done thereafter*
  - due or are paid after October 14, 2009 and before July 1, 2010, supplier must charge and report the provincial component
- Holdbacks
  - follows same treatment as for progress payments to which they relate, even if holdbacks are paid or become due after June 30, 2010
    - *may create tracking problems when holdbacks are released after July 1, 2010*

# Industry highlights – construction

## Transition considerations (cont'd)

- Construction substantially (i.e., 90% or more) completed before June 2010
  - Generally, only 5% GST applies
  - However, for amounts payable on a contract that have not been paid or becomes due on or before July 31, 2010, any portion of such payment attributable to construction on or after July 1, 2010 would be subject to the HST

# Industry highlights – new home builders

- Individuals purchasing newly constructed or substantially renovated homes will qualify for a partial rebate of the provincial component of HST, in addition to current GST rebate
  - 71.43% of 7% on the first \$525,000 of purchase price (max \$26,250 rebate available)
  - Separate rebate calculation from the current GST rebate
  - Builders can apply this rebate in the same manner as current GST rebate
- Rebate applicable to the other types of new residential properties that currently qualify for the GST new housing rebate for individuals or landlords
  - co-operative housing, owner-built or substantially renovated housing, housing on leased land, mobile homes and modular homes for use as primary places of residence, long term residential care facilities, multi-unit residential complexes

# Industry highlights – new home builders

- Transitional Tax Adjustment (TTA)
  - Applicable for new construction **NOT** subject to HST that straddles July 1, 2010 (e.g., where agreement was entered into on or before November 18, 2009)
  - TTA is a tax on the builder intended to approximate the amount of PST that would have been payable on expenses incurred after June 30, 2010
  - Eliminates benefit on grandfathered sales for costs subject to recoverable HST by builder

% completed as at July 1, 2010	Adjustment rate based on purchase price	% rate payable by builder
Less than 10%	2%	100%
10% to less than 25%	2%	75%
25% to less than 50%	2%	50%
50% to less than 75%	2%	25%
75% to less than 90%	2%	10%
90% or more	2%	0%

# Industry highlights – new home builders

- Transitional Housing Rebate (THR)
  - Applicable for new construction **subject** to HST that straddles July 1, 2010 (e.g., where agreement was entered into after November 18, 2009 and ownership and possession occur after June 30, 2010)
  - THR is a rebate based on the estimated PST paid on expenses incurred before July 1, 2010
  - Eliminates double taxation on HST taxable sales

# Industry highlights – new home builders

- Transitional Housing Rebate (THR) (cont'd)
  - Can choose one of two methods, based on percentage of completion:
    - (a) “floor space method” – – \$60/meter<sup>2</sup>
    - (b) “selling price method” – 2% of selling price

<b>% completed as at July 1, 2010</b>	<b>Estimated PST content based on selling price</b>	<b>Rebate %'age based on construction completion</b>
90% or more	2%	100%
75% to less than 90%	2%	90%
50% to less than 75%	2%	75%
25% to less than 50%	2%	50%
10% to less than 25%	2%	25%
Less than 10%	2%	0%

## **Industry highlights – exempt sectors (e.g., private health care, financial services providers)**

- Higher tax cost on certain inputs
  - Professional services
  - Real property rent
  - Certain outsourcing arrangements
- Current GST exemption on service offerings continues post June 2010

# Industry highlights – HST impact on a resale home purchase

## Facts:

# Industry highlights – HST impact on a resale home purchase

HST impact:

	Amount	GST Pre- July 1, 2010	PST Pre- July 1, 2010	Total taxes Pre-July 1, 2010	HST Post- June 30, 2010	Cost Difference
<b>Purchase price</b>	\$600,000	Nil	Nil	Nil	Nil	<b>Nil</b>
<b>Real estate commissions</b>	\$30,000	\$1,500	Nil	\$1,500	\$3,600	<b>\$2,100</b>
<b>Mortgage</b>	\$400,000	Nil	Nil	Nil	Nil	<b>Nil</b>
<b>Mortgage brokerage commissions</b>	\$4,000	Nil	Nil	Nil	Nil	<b>Nil</b>
<b>Legal fees</b>	\$2,500	\$125	\$175	\$300	\$300	<b>Nil</b>
<b>Home inspection</b>	\$800	\$40	Nil	\$40	\$96	<b>\$56</b>
<b>Total tax impact</b>						<b>\$2,156</b>

# Industry highlights – HST impact on a resale home purchase

## *New development*

- Announcement by Department of Finance (Finance) on December 14, 2009 to change the GST legislation
  - Followed by Canada Revenue Agency (CRA) Notice 250 in February
- Affects many intermediary services related to financial products
  - Puts into question whether mortgage brokerage services (and other types of financial intermediary services) should be taxable for GST purposes
  - Tax cost would be significant to buyers of these services – 12% under HST!!!
- Lots of lobbying underway and Finance and CRA seem to be rethinking broadness of proposed changes
  - CRA gathering input
  - **STAY TUNED!!!!!!!!!!!!**

# Industry highlights – HST impact on a resale home purchase

HST impact (*assuming mortgage brokerage commissions are considered taxable*):

	Amount	GST Pre- July 1, 2010	PST Pre- July 1, 2010	Total taxes Pre-July 1, 2010	HST Post- June 30, 2010	Cost Difference
<b>Purchase price</b>	\$600,000	Nil	Nil	Nil	Nil	<b>Nil</b>
<b>Real estate commissions</b>	\$30,000	\$1,500	Nil	\$1,500	\$3,600	<b>\$2,100</b>
<b>Mortgage</b>	\$400,000	Nil	Nil	Nil	Nil	<b>Nil</b>
<b>Mortgage brokerage commissions</b>	\$4,000	Nil	Nil	Nil	<b>\$480</b>	<b>\$480</b>
<b>Legal fees</b>	\$2,500	\$125	\$175	\$300	\$300	<b>Nil</b>
<b>Home inspection</b>	\$800	\$40	Nil	\$40	\$96	<b>\$56</b>
<b>Total tax impact</b>						<b>\$2,636</b>

## Industry highlights – public sector

- Public service bodies (e.g., municipalities, schools, universities, colleges, hospitals, charities and certain NPOs)
  - Rebates available on the provincial component of HST paid on their costs in addition to rebates on 5% GST paid
  - RITCs do not apply
  - Likely HST impact will be cost neutral
  
- Governments (federal and BC) and their departments and agencies
  - Goods and services supplied to them in BC will be subject to HST (i.e., they will pay HST)

# Where are you on the cost/benefit spectrum?



# Getting prepared for HST

Regardless of the size of your business, there are 3 factors you need to consider to determine the impact of HST on the operations

- Impact on customers
- Impact on costs
- Impact on compliance

# HST impact on customers

- Know your customers and the impact HST will have on them
- Individual consumers
  - Some customers may benefit from personal income tax relief measures, including transitional credit
  - Individual consumers not subject to self-assessment rules and could impact on strategies to bill/pre-pay prior to May 1, 2010 for services to be rendered after June 30, 2010
- Business/public service customers
  - Will they benefit from introduction of HST? Where are they on the cost/benefit scale?
  - Can they recover the HST in the form of ITCs or rebates?

# HST impact on customers

- General
  - Will your products and services be subject to higher taxes?
  - What impact will HST have on your business?
  - Will your prices need to be adjusted for cost savings or cost increases you will realize as a result of HST?
- Proactive communications is key to helping your customers understand

# HST impact on costs

- Determining how HST will impact on the cost of doing business is dependent on several factors
  - Quantum of costs that are subject to 5% GST only today
  - Quantum of costs that are subject to both 5% GST and 7% BC PST today
  - Entitlement to rebates of provincial portion of HST – e.g., for public service bodies
  - Input tax credit entitlement in respect of the 5% GST paid or self-assessable on costs
    - This depends on the businesses mix of services that are taxable versus exempt
  - Impact of recaptured input tax credits on your business

# HST impact on costs

## Examples of items currently subject to 5% GST and 7% PST

- Computer software, other than custom software
- TPP, such as:
  - Computer hardware
  - Furniture
  - Advertising and marketing materials
  - Supplies (paper, pens, etc.)
  - Leasing of TPP
- Legal services
- Telecommunication services

### Result:

- No additional tax to charge post-July 1, 2010
- Cost of supplying these items should decrease
- Therefore, may offer flexibility in pricing of services

## Examples of items currently subject to 5% GST only

- Custom computer software
- Professional services, such as:
  - Accounting
  - Consulting
  - Contract staffing
- Real property contracts, such as:
  - Supply and installation construction
  - Leasing of real property
- Certain membership and association dues
- Energy (e.g., electricity and fuel)
- Many outsourcing arrangements (domestic and offshore)

### Result:

- Additional tax to charge post-July 1, 2010
- Cost of supplying these items should decrease
- Therefore, may offer flexibility in pricing of services

## Examples of items currently exempt for GST and PST

- Many “financial services”
  - Banking services
  - Insurance products
  - Brokerage services
  - Other “intermediary” services

### Result:

- No tax to charge post-July 1, 2010
- Cost of supplying these items will increase
- Therefore, may lead to increased pricing of services

## HST impact on costs

- Example - real property lease (also applies to energy charges, GST-taxable professional services, GST-taxable outsourcing arrangements)

	Pre Harmonization	Post Harmonization	Cost Impact
Property lease	\$10,000	\$10,000	
GST/HST	500	1,200	
PST	0	N/A	
<b>Total cost before ITCs and/or rebates</b>	<b>\$10,500</b>	<b>\$11,200</b>	<b>\$700</b>
<b>ITCs</b>	<b>(500)</b>	<b>(1,200)</b>	
<b>Cost after ITCs</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>nil</b>

# HST impact on costs

- Example – computer hardware purchase (also applies to any costs subject to PST today)

	Pre Harmonization	Post Harmonization	Cost Impact
Hardware purchase	\$10,000	\$10,000	
GST/HST	500	1,200	
PST	700	N/A	
<b>Total cost before ITCs and/or rebates</b>	<b>\$11,200</b>	<b>\$11,200</b>	<b>nil</b>
<b>ITCs</b>	<b>(500)</b>	<b>(1,200)</b>	
<b>Cost after ITCs</b>	<b>\$10,700</b>	<b>\$10,000</b>	<b>(\$700)</b>

# HST impact on costs

- Whether you believe the impact to be positive, negative or even neutral, action is required
- Affects budgeting/forecasting and planning for 2010 and subsequent years
  - The financial impact for fiscal 2010 (1/2 year impact) and 2011 forward (full year impact)
- Other considerations
  - ITC recapture for large businesses increases costs on certain expenses

# HST impact on costs

Potential strategies to help mitigate cost increase of HST

- Work with key suppliers who are benefitting from HST to determine if benefits can be passed on through price reductions
- Deferring planned purchases of PST-taxable goods and services
  - Reduces impact of non-recoverable PST and is a potential strategy for businesses entitled even to partial ITCs of the HST
- Also, if you are not entitled to full ITCs
  - Accelerating planned purchases of goods and services which are currently exempt from PST and that will be taxable under HST
  - Outsourcing versus in sourcing versus other options
  - Ensure GST/HST ITC methodology is sound and is maximizing recoveries

# HST impact on compliance

Changing systems and procedures for:

- Invoicing as well as tax collection and remittances to account for the additional 7% provincial portion on taxable supplies (also impacts credit notes and bad debts)
- Tracking the HST that is recoverable as an ITC or rebate and that is subject to ITC recapture
- GST/HST simplified accounting methods used and ITC allocation methodologies
- Eventual removal of PST self-assessment calculations/remittances on transaction no longer subject to PST
- Existing potential obligation to self-assess provincial component of HST on costs relating to periods after June 30, 2010
- Impact on procedures for employee taxable benefit calculations and employee expenses reimbursements and allowances paid

# HST impact on compliance

## Other considerations

- Some registrants will now be required to file electronically GST/HST returns, effective July 1, 2010, including
  - GST/HST registrants with greater than **\$1.5 million** in annual taxable supplies (**except for charities**)
  - all registrants required to recapture input tax credits for the provincial portion of the HST on certain inputs in Ontario or British Columbia; and
  - builders affected by the transitional tax measures applicable to housing announced by Ontario and British Columbia

For additional details, see

[http://www.deloitte.com/view/en\\_CA/ca/services/tax/indirecttaxandcustoms/ff42fe98c9d16210VgnVCM100000ba42f00aRCRD.htm](http://www.deloitte.com/view/en_CA/ca/services/tax/indirecttaxandcustoms/ff42fe98c9d16210VgnVCM100000ba42f00aRCRD.htm)

# Ontario HST - Closing

- Questions
- Want more information on HST?
  - Consult Deloitte's web page for write-ups of the HST  
[http://www.deloitte.com/view/en\\_CA/ca/services/tax/indirecttaxandcustoms/index.htm](http://www.deloitte.com/view/en_CA/ca/services/tax/indirecttaxandcustoms/index.htm)
  - Or contact :  
Janice Roper  
[jroper@deloitte.ca](mailto:jroper@deloitte.ca) or **(604) 640-3353**

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