

B.C. Harmonization Overview

- **HST is NOT a new tax**
 - Same general rules and tax base as GST
 - Some differences
- **Federally administered by CRA**
 - One return/one administration/one audit
 - All GST/HST reported to CRA on GST/HST return, revenues then allocated between federal and provincial governments



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B.C. Harmonization Overview

- **Consequential B.C. sales tax changes**
 - **Social Service Tax Act (SST/PST)**
 - 7% PST on TPP, repair/maintenance services, telecom, legal services eliminated
 - 12% PST on private sales of used vehicles, aircraft and boats will be levied after June 2010
 - 21% tax on parking in GVA remains (collected on behalf of Translink)
 - \$5 tire and battery levy eliminated
 - .4% ICE levy eliminated
 - \$1.50 per day vehicle rental eliminated
 - **Hotel Room Tax Act**
 - 8% HRT eliminated
 - 2% tax collected for eligible municipalities retained to July 1, 2011
 - **Liquor Markups**
 - Adjusted to ensure no revenue loss



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B.C. Harmonization Overview

- **Differences between B.C. HST and GST:**
 - Tax rate
 - Point-of-sale rebates
 - Residential energy rebates
 - Input tax credit (ITC) restrictions
 - 5% GST payable on commercial imports
 - Public sector rebates calculated at different rates
 - New housing rebates calculated on different amounts
 - Provincial bodies subject to HST (with full rebate)



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B.C. Harmonization Overview

- **Point-of-sale rebates for B.C. HST on purchases by consumers:**
 - Books
 - Children's clothing and footwear
 - Children's car seats and car booster seats
 - Diapers and feminine hygiene products
 - Gasoline, diesel fuel, marine diesel fuel and aviation fuel including bio-fuel components for motor vehicles, boats and aircraft



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B.C. Harmonization Overview

- **Residential energy rebate**
 - Provincially administered rebate for energy (e.g., natural gas, electricity) acquired for residential use
 - Mechanics of rebate not yet determined



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B.C. Harmonization Overview

- **Temporary ITC restrictions for Large Businesses (over \$10M taxable sales) and financial institutions (FIs)**
- **As per MOA, full denial up to 5 years with 3-year phase-out, subject to acceleration by B.C.**
- **ITCs denied for provincial portion of B.C. HST for the following:**
 - Energy, except where purchased by farmers or used to produce goods for sale
 - Telecommunications services other than internet access and toll-free numbers
 - Road vehicles weighing less than 3,000 kilograms (and parts and certain services)
 - Meals, beverages and entertainment
- **Restrictions do not apply to municipalities even if over revenue threshold**



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B.C. Harmonization Overall Impact

- **Generally reduced costs for businesses given no more unrecoverable PST (subject to ITC restrictions):**
- **Reduced compliance:**
 - No exemption certificates
 - No dealing with PST complexities
 - Scope of exemptions
 - Goods for own use
 - Self-assessment
 - One return and one audit



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HST & Local Government



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B.C. Harmonization Local Government

- **Revenues**
- **Expenditures**
- **Rebates**



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B.C. Harmonization Revenues

- **Any revenues currently exempt from GST will continue to be exempt from HST**
- **Any revenues currently subject to GST will be subject to HST**
 - Unless POS rebate applies in which case only GST applies
 - Books
 - Children's clothing and footwear
 - Children's car seats and car booster seats
 - Diapers and feminine hygiene products
 - Gasoline, diesel fuel, marine diesel fuel and aviation fuel including bio-fuel components for motor vehicles, boats and aircraft
 - Residential energy (exact mechanics tbd)



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B.C. Harmonization Expenditures

- Will cease paying PST on any expenditures currently subject to PST
 - Materials
 - Equipment
 - Equipment Repair and Maintenance Costs
 - Telecommunications
 - Legal services
- Will pay HST on all expenditures currently subject to GST (except those eligible for POS rebates and energy for residential use)



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B.C. Harmonization Expenditures – Self Assessment

- **Currently required to self assess**
 - GST on services and IPP from outside Canada* (unless vendor charges GST)
 - PST on TPP acquired from outside BC including software (unless vendor charges PST)
 - **Will be required to self assess**
 - 12% HST on services and IPP from outside Canada* (unless vendor charges 12% HST)
 - 7% BC portion of HST on TPP acquired from outside BC* (unless vendor charges 12% HST)
 - 7% BC portion of HST on services and IPP from ROC* (unless vendor charges 12% HST)
- * Unless 90% or more for use in taxable activities



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B.C. Harmonization Municipal Rebate

Province / HST Rate	Rebate on 5% Federal Portion	Rebate on Provincial Portion	Effective HST Rebate Rate
BC – 12%	100%	75%	85.42%
ON – 13%	100%	78%	86.46%
NB – 13%	100%	57.14%	73.62%
NS – 13%	100%	57.14%	73.62%
NL – 13%	100%	0%	38.46%

B.C. Harmonization Municipal Impact - Rebate

- **Under current 100% rebate regime**
 - Distinction between rebates and ITC's not as significant
 - Risk on failure to self assess minimal
- **No longer true under HST**

Transitional Rules

B.C. Harmonization Transition Revenues


- **No requirement to collect HST prior to May 1, 2010**
- **Effective May 1, 2010 must commence collecting on supplies that are to be provided in whole or in part after June 2010. Examples**
 - 3 month recreation pass sold June 1, collect GST on 1/3, HST on 2/3
 - Admission to event in August sold April 1, collect GST only, if sold May 1, collect HST
 - Annual parking pass sold May 1, collect GST on 2/12 and HST on 10/12

B.C. Harmonization Transition Revenues

- **Prepayments vs. Deposits**
 - Event to be held in September 2010 is booked in March with \$10,000 deposit paid with balance due in September
 - No taxes applicable at time of deposit, HST payable on full balance when due and deposit applied against total owing

B.C. Harmonization Transition Expenditures


- **Required to self assess the provincial portion of the HST on expenditures between October 14, 2009 and May 1, 2010 to the extent supplies to be received after June 2010 unless acquired 90% or more for use in taxable activities:**
 - Invoiced for 3 year software license on Jan 1, 2010, must self assess 7% portion of HST on 5/6 of payment and report on July GST/HST return
 - Invoice for one year lease of Zamboni machine on March 1, 2010, no self assessment required
- **No PST should be paid consideration relating to post June 2010 periods, if paid in error refund may be claimed.**



Planning/Implementation

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B.C. Harmonization Are You Ready?

• Have you considered the following? (in no particular order)

How much will it cost?

Will we need to hire and budget for external resources?

Will our IT systems be ready?

Should we develop a detailed implementation plan?

Should we provide GST refresher training?

B.C. Announcement
July 23, 2009

What is our implementation strategy?

How will our cash flow be affected?

How will the transitional rules apply?

B.C. HST
July 1, 2010

What are the differences between GST and HST?


What about tax saving opportunities?

Do we need an internal implementation committee?

Can our software handle the required changes?

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B.C. Harmonization Planning Considerations

- **Defer purchases of PST-taxable items**
 - e.g., new fire trucks
- **Accelerate purchases of PST-exempt items**
 - e.g., consulting services

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