



Did You Know?

(A publication for the clients and contacts of Gary S. Aslett Professional Corporation)

ONTARIO HARMONIZED SALES TAX

Ontario will soon be implementing the new Harmonized Sales Tax (“HST”). Please see below for a summary of key points:

- 1. What is the HST?** HST is a new federally administered tax that will replace the existing federal GST and provincial sales tax in Ontario and British Columbia. It will combine both the federal and provincial sales tax on most products and services into one sales tax, called HST. [The HST has already been implemented in several other provinces.]
- 2. What is the HST rate?** The Ontario HST rate will be **13%** (which includes 5% GST and 8% Ontario PST).
- 3. When does the HST begin?** The HST will generally apply to the sale of goods delivered and services performed on or after **July 1, 2010**. However, see point 4 below as collection of HST may be required before July 1, 2010.
- 4. NOTE: HST may apply before July 1, 2010:** If your business receives ‘prepayments’ for services to be rendered or goods supplied after June 30, 2010, you will be required to collect HST prior to July 1, 2010. Airline tickets, gym memberships, theatre tickets and many other purchases to be consumed after June 30, 2010 will be subject to the HST if purchased now.
- 5. Who will charge the HST?** Businesses in Ontario that are registered for the GST would be required to collect the HST on sales to customers in Ontario. The ‘end destination’ of goods delivered or consumption of services generally determines if you charge HST. These ‘destination’ rules are referred to as the ‘place of supply’ rules.

Businesses will report HST on one sales tax return. If you are already registered for GST, you will automatically be registered for the new HST and will continue to use the same GST account number. GST registrants would report their HST according to their current filing frequency.

- 6. Who will pay more sales tax?** Most of the products we buy every day will see no new tax. There are many products and services on which we already pay GST and PST. In fact, a recent statistic from CRA indicates that 83% of products and services will see no new tax.

The HST change will generally affect consumers of services and products previously exempt from PST. Examples include gasoline, electricity and heating fuels, personal services like haircuts, membership fees for clubs and gyms, magazines, taxi fares, internet access, home renovations, real estate commissions, postage stamps and professional services. The province will offer tax relief over the next three years including cash payments and refundable sales tax credits depending on family income.

7. **How does this affect businesses?** Businesses registered for GST can recover the full HST they pay by claiming input tax credits for the tax that they pay on purchases and expenses used in their commercial activities. Therefore, businesses which previously paid PST on their expenses will now be able to recover the PST back on their HST tax returns resulting in lower costs (as PST was not previously recoverable).
8. **Will anything remain exempt?** Children's clothing and footwear, children's car seats and car booster seats, books, diapers and certain hygiene products are examples of products that will remain exempt from the provincial portion of the HST.

Basic groceries, rent, prescription drugs, and medical devices remain exempt from both PST and GST.

9. **Mandatory electronic filing:** For reporting periods after June 30, 2010, HST returns must be filed electronically if any of the following apply:
 - i. you and associates have annual taxable sales over \$1.5 million,
 - ii. you have to recapture input tax credits for the provincial part of HST on certain taxable supplies acquired, or
 - iii. you are a builder affected by the HST transitional rules.

10. **Update accounting software:** It is expected that suppliers of accounting software will provide updates and patches to account for the new tax rates. (QuickBooks has sent out an update tool for those using QuickBooks 2010). However, please remember to change your accounting software to reflect the new tax rates effective July 1, 2010 if you are not subscribed to an update service.

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Please contact Gary Aslett at 905-465-3313 or gary@aslettca.ca if you require further information on the above.

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