



Financial Services – Office of the Controller
Bulletin 2: Implications of the Harmonized Sales Tax (HST) on Research Related Purchases, Including Equipment Used Exclusively for Research
March 2010

The new Harmonized Sales Tax (HST) for Ontario is slated to take effect July 1, 2010 and will combine the Federal GST of 5% and the Provincial sales tax of 8%, into one single tax of 13%. As an educational institution, the University receives a 67% rebate on the 5% GST and will receive a 78% rebate on the 8% PST, resulting in an effective combined net tax rate of 3.41%. Overall the University expects some benefits because there will now be a 78% rebate on the PST portion, where there was no rebate in the past. For some areas the HST will bring additional costs.

What does this mean for the research community?

- Individual research grants will generally experience savings of 6.24% from non-salary costs and disposable supplies which are PST applicable (78% of 8% = 6.24%).

Equipment, Furniture & Supplies – not currently eligible for a PST exemption	PST ENVIRONMENT Delivery Before July 1, 2010	HST ENVIRONMENT Delivery After June 30, 2010
Cost	\$100	\$100
GST	\$5	\$5
PST/HST	\$8	\$8
GST Rebate at 67%	(\$3.35)	(\$3.35)
HST Rebate at 78%	na	(\$6.24)
Net Cost	\$109.65	\$103.41
Savings		\$6.24

- Increases of 1.76% will be experienced in research capital equipment costs because PST will be applicable (22% of 8% = 1.76%).

Research Equipment- currently eligible for a PST exemption	PST ENVIRONMENT Delivery Before July 1, 2010	HST ENVIRONMENT Delivery After June 30, 2010
Cost	\$100	\$100
GST	\$5	\$5
PST/HST	Exempt	\$8
GST Rebate at 67%	(\$3.35)	(\$3.35)
HST Rebate at 78%	na	(\$6.24)
Net Cost	\$101.65	\$103.41
Net Increase in Cost		\$1.76

Over the next 3 months the tax impact should be considered when procuring any goods or services. Non-salary expenditures and disposable supplies should be deferred where possible until July 1st in order to take advantage of the 78% rebate on the PST portion of the HST. Capital equipment purchases,



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which must be delivered by June 30th, should be made prior to July 1st where possible, in order to avoid the PST portion. Research funds must be received from the granting agency prior to purchasing capital equipment.

We continue to encourage researchers to adequately forecast and budget the anticipated cost of research equipment when submitting new grant applications with equipment that will be acquired after July 1 2010 and subject to the new HST.

The Financial Services Division has established a committee that is analyzing the impact of the HST and will be providing guidance during the period leading up to the implementation date of July 1, 2010.

For further information on the HST please visit our website at <http://www.uwo.ca/finance/HST/>
Or email your questions to: hst@uwo.ca