

# Ontario Harmonized Sales Tax HST and UWO Purchasing

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Indirect Tax

# Ontario HST – General overview

- Effective July 1, 2010
- 13% proposed Harmonized Sales Tax (HST)
  - 5% federal component and 8% provincial component
- PST ceases to exist!
- Generally, same rules and tax base as GST

## HST will not be charged on:

Basic groceries

Prescription drugs

Residential rent

Most educational programs

Condo fees

Certain medical devices

Childcare

Municipal public transit

Most financial services

Most healthcare services



# Ontario HST – General overview

- Generally, same rules and tax base as GST
  - Businesses may generally recover GST/HST paid on inputs (Large businesses face new input tax credit restrictions)
  - Increased obligation to apply “place of supply” rules by jurisdiction
  - Special transition rules apply to transactions straddling the implementation date



# Ontario HST – General overview

- Canadian GST/HST/PST Landscape
  - Newfoundland, Nova Scotia, New Brunswick
    - 13% HST
    - First to harmonize with *Excise Tax Act* (1997)
  - Prince Edward Island
    - 10% PST (on GST included amount)
    - Not harmonized
  - Quebec
    - 7.5% QST (on GST included amount)
    - Harmonized their provincial sales tax by adopting the same structure as the *Excise Tax Act* (1992) but still a provincial tax
  - Ontario
    - 13% HST (July 1, 2010)
    - Hybrid harmonized model that incorporates some of Quebec's characteristics while integrating with the Federal Act



# Ontario HST – General overview

- Canadian GST/HST Landscape
  - Manitoba
    - 7% PST
    - Not harmonized
  - Saskatchewan
    - 5% PST
    - Not harmonized
  - Alberta
    - No PST
    - Arguably first province to harmonize!
  - British Columbia
    - 12% HST (July 1, 2010)
    - Adopted model similar to Ontario

# Ontario HST – General overview

- Some differences with GST

Ontario HST Model	Issues
<b>Point-of-sale rebates</b>	These rebates will extend to purchases by businesses and public sector bodies.
<b>MUSH partial rebates - Different rates</b>	How to track and claim will add administrative complexity!
<b>New ITC recapture for Large Businesses</b>	PSBs and farming businesses not subject to these recaptures.
<b>New housing rebates</b>	Different thresholds create pricing challenges for new housing construction.



# Ontario HST – General overview

- Point of sale rebates
  - Qualifying **prepared food and beverages sold for \$4.00 or less**
  - **Print newspapers**
  - Children's clothing and footwear
  - Children's car seats and car booster seats
  - Diapers
  - Feminine hygiene products
  - **Books (including audio books)**



# Ontario HST

## Consequential Sales Tax Changes

- 10% and 12% tax on alcohol will fall to 8% (provincial component of HST); Ontario will adjust alcohol fees, levies and charges
- Provincial portion of hotel room tax will be 8% (currently 5%)
- Fuel (gasoline/diesel), heat and hydro will increase by 8%
- Insurance is normally exempt of GST and subject to ORST; Ontario will continue to tax insurance at 8% after June 30, 2010
- Private sales of motor vehicles will be subject to 13% HST
  - Transfers between family members, including siblings will remain exempt
  - Also applies to private sales of trailers and boats
- Vendors no longer receive compensation for collecting the tax



# Ontario HST

## Consequential Sales Tax Changes

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- Ontario government will pay HST on its purchases and claim rebates from CRA
- Supplies made to federal and provincial governments
  - Provincial governments do not currently pay GST but Ontario and BC (in addition to Maritime provinces) will now pay HST
  - Federal government does not pay PST
  - Need to review contracts with any provincial government in a harmonized province

# Ontario HST

## Universities and similar entities

- Partial rebates of 8% provincial component

Entities	Proposed rebates for 8% provincial component	Rebates for 5% federal component
Municipalities	78%	100%
Universities and Colleges	78%	67%
Schools	93%	68%
Hospitals	87%	83%
Charities and Qualifying NPOs	82%	50%

# Ontario HST

## Net Tax Cost to UWO

Today	GST	PST*	Total
Rate	5%	8%	13%
Rebate	67%	0%	
Effective Rate	<b>1.65%</b>	<b>8%*</b>	<b>9.65%*</b>
July 1, 2010	Federal Component	Provincial Component	Total
Rate	5%	8%	13%
Rebate	67%	78%	
Effective Rate	<b>1.65%</b>	<b>1.76%</b>	<b>3.41%</b>

\*Assuming the goods/services are not otherwise PST exempt

# Ontario HST

## Impacts on budget (example)

- Cost currently subject to PST

	Pre-HST	Transition	Post HST
Purchase Price	\$ 10,000.00	\$ 10,000.00	\$ 9,800.00
GST/HST	500.00	1,300.00	1,274.00
PST	800.00	-	-
Federal Rebate at 67%	(335.00)	(335.00)	(328.30)
Provincial Rebate at 78%	-	(624.00)	(611.52)
<b>Net Cost</b>	<b>\$ 10,965.00</b>	<b>\$ 10,341.00</b>	<b>\$ 10,134.18</b>

Post HST illustrates the impact if 2% savings passed along by the vendor

# Ontario HST

## Impacts on budget (example)

- Cost currently exempt of PST

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Post HST illustrates the impact if 2% savings passed along by the vendor



# Ontario HST

## Universities - Advantages

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- Benefits (savings):
  - Computer hardware and software
  - Telecommunications
  - Most purchases of furnishings and equipment
    - e.g. administration, food services
  - Office supplies
  - New construction



# Ontario HST

## Universities - Disadvantages

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- Lost exemptions:
  - Research equipment
  - Land acquisitions not used in commercial activities
  - Firefighting equipment
  - Consulting fees
  - Utility costs (natural gas, electricity)



# Ontario HST Impact – UWO

- Estimates are that HST will be cost neutral
- 13% HST will essentially apply to all purchases that are currently subject to GST
  - Self-assessment for 8% provincial component (less rebate) will likely be required if vendor only charges 5% federal component
- Existing PST exemptions for UWO will cease to exist under the new system
- UWO may recover HST through 3 possible mechanisms:
  - University rebates (67% and 78%)
  - Charitable rebates (50% and 82%)
  - Full input tax credits (100%)
  - Point-of-sale rebates (67%/50% and 100%)



# Ontario HST Exempt Supplies

- Part VI – exempt supplies by a Public Service Body (PSB)
  - In the case of supplies by public institutions, ALL supplies of personal property and services (but not real property) are exempt, **except:**
    - Zero rated goods (food, prescription drugs)
    - Property used in commercial activities
      - i.e., used to make taxable supplies
    - Goods acquired for resale
    - Short term rentals of personal property with real property
    - Catering services
    - Instructing individuals or administering exams by a vocational school, a school authority, public college or university
    - Admissions to recreational or athletic facilities
    - Services of performing artists
    - Recreational and athletic program charges
    - Admission to place of amusement



# Ontario HST Exempt Supplies

- Exempt supplies made by UWO include:
  - Tuition for degree or diploma programs
  - Student meal plans
  - Sales of used or donated goods
    - e.g., used book sales
  - Printing and photocopying services
  - Veterinary services
  - Computer repair services
  - Admissions to amateur performances and events
  - Recreational camps and services for children, disabled or underprivileged



# Ontario HST Taxable Supplies

- Taxable supplies made by UWO include:
  - Prepared food sales (cafeteria), catering services (or the “re-supply” of same)
  - Bookstore, computer store
  - Printed materials
  - Facility and equipment rentals
    - e.g., storage space (unless a long term lease), lockers, baskets
  - Recreational programs and admissions



# Ontario HST Taxable Supplies

- Taxable supplies made by UWO include:
  - Certain continuing education programs
  - Executive education programs
  - Access to space (licence to use real property)
    - i.e., ABM fees
  - Real property leases (e.g. UCC building)
  - Parking
    - Unless the parking space is provided under the terms of a residential lease agreement
  - Personal property or services that qualify for zero-rating under Schedule IV
    - e.g., exports (services and certain sales of intellectual property or intangible personal property to non-residents)



# Ontario HST

## Zero-rated Health Care Supplies

- Schedule VI, Part I – Prescription drugs and biologicals
  - Schedule C or D to the *Food and Drugs Act* (FDA)
    - e.g., radiopharmaceuticals for diagnostic purposes; insulin and allergenic agents
  - Drugs included in Schedule F to the *Food and Drug Regulations* (other than over the counter drugs)
    - General prescription drugs
  - Drugs included in the schedule to Part G of the *Food and Drug Regulations*
    - Control drugs such as stimulants and sedatives
  - Narcotics
  - Benzodiazepines and other targeted substances
  - Certain named drugs
    - e.g. digoxin, digitoxin, nitroglycerine, medical oxygen
  - Dispensing fees charged in connection with prescription drugs



# Ontario HST

## Zero-rated Health Care Supplies

- Schedule VI, Part II – Medical and assistive devices
  - Heart monitoring device
  - Artificial breathing apparatus
  - Aerosol chamber for use in the treatment of asthma
  - Respiratory monitor, nebulizer, tracheostomy supply, gastro-intestinal tube, dialysis machine, infusion pump or intravenous apparatus for home use
  - Mechanical percussor for postural drainage treatment or chest wall oscillation system for airway clearance therapy
  - Devices for neuromuscular stimulation therapy or standing therapy
  - Insulin infusion pumps or insulin syringes
  - Blood-glucose monitor or meter
  - Blood and urinary testing strips, reagents or tablets
  - Extremity pump, intermittent pressure pump or similar device
  - Catheters for subcutaneous injections and lancets



# Ontario HST

## Zero-rated Health Care Supplies

- Schedule VI, Part II – Medical and assistive devices
  - Hearing aids and certain devices for the hearing impaired
  - Eyeglasses, contact lenses and artificial eyes
  - Articles specially designed for the blind
  - Laryngeal speaking aids
  - Artificial teeth and orthodontic appliances
  - Artificial limbs
  - Orthotics or orthopaedic devices and specially constructed appliances for individuals with a crippled or deformed foot or ankle
  - Medical or surgical prosthetics including ileostomy, colostomy or urinary appliances
  - Articles and materials necessary for the application and maintenance of a prosthesis, appliance or similar medical device
  - Parts, accessories or attachments specially designed for a zero-rated medical device
  - Most services to install, maintain, restore, repair or modify a zero-rated medical device
  - Animals specially trained to assist an individual with a disability



# Ontario HST

## Zero-rated Health Care Supplies

- Schedule VI, Part II – Medical and assistive devices
  - Feeding utensils or other gripping devices designed for the disabled
  - Reaching aids designed for the disabled
  - Selector control devices designed for the disabled
  - Wheelchairs, walkers and similar aids to locomotion
  - Chairs and toilet, bath or shower seats or commode chairs designed for the disabled
  - Patient lifters
  - Wheelchair ramps
  - Auxiliary driving controls for and modifications to motor vehicles
  - Patterning devices designed for the disabled
  - Canes, crutches
  - Hospital beds
  - Prone boards
  - Graduated compression stockings, anti-embolic stockings or similar articles
  - Clothing specially designed for use by an individual with a disability
  - Incontinence products



# Ontario HST

## Zero-rated Health Care Supplies

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- Conditions that often affect the zero-rating of prescription drugs or medical devices
  - Supplied under the written order of a medical practitioner (doctor)
    - GST generally applies on business to business sales
  - Specially designed for the disablement
    - Intention of the initial manufacturer as to ultimate use
    - Specially designed features must be significant and recognizably different from general purpose goods
    - Advertising and marketing should be directed towards disabled individuals



# Ontario HST

## Compliance Basics

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- When is GST payable?
  - On the earlier of the day the consideration for the supply:
    - Is paid, or
    - Becomes due
  - Consideration is due on the earlier of:
    - Date invoice is issued
    - Date invoice would normally be issued
    - Date required to pay under the agreement
  - Important for determining tax payable under HST transitional rules



# Ontario HST

## Compliance Basics

- Recovery of GST
  - GST paid on inputs used in a commercial activity is generally recoverable as an input tax credit (ITC)
    - i.e., making taxable supplies
  - To claim ITC
    - Must have acquired or imported the property or service at a time when the person is a registrant
    - Must be for consumption, use or supply in the course of commercial activities of the person
  - Legal “recipient” of the supply is generally the **ONLY** person entitled to claim an ITC or rebate in respect of a supply
  - Where mix of taxable and exempt use, must apply reasonable allocation



# Ontario HST Compliance Basics

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- Documentary requirements
  - HST Registration number = GST Registration number
  - ITCs / rebates may not be claimed unless the registrant has obtained sufficient documentary evidence to enable the amount of the ITC or rebate to be determined
  - Invoices and contracts are key in determining the timing and availability of ITCs and rebates



# Ontario HST

## Compliance Basics

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- Documentary requirements
  - Information required on an invoice (or combination of contract / invoices / statements) includes:
    - Vendor name and GST registration number
    - Date of invoice
    - GST amount charged
    - Purchaser name
    - Terms of payment
    - Description of the supply sufficient to identify tax liability




# Ontario HST

## Compliance Basics

- Invoice with no tax and no GST/HST number
  - Missing information that is required to claim ITC or rebate:
    - Contact supplier for GST registration number and tax amount
      - If no tax amount, then no ITC or rebate
    - Check GST Registry Number
  - GST/HST Registry
    - Validate the GST/HST number of a business
    - Helps to ensure that claims submitted for ITCs only include GST/HST charged by suppliers registered for GST/HST
- Website

[www.cra-rc.gc.ca/eservices/tax/business/gsthstregistry/menu-e.html](http://www.cra-rc.gc.ca/eservices/tax/business/gsthstregistry/menu-e.html)



# Ontario HST

## Taxable or Exempt?

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- Inter-company / inter-departmental transactions
  - Internal allocations are generally not a supply
  - Errors typically occur with inter-company transactions
    - e.g., journal entries in due-to-from accounts, year end allocations
  - Need to consider potential GST/HST implications with:
    - New business or research ventures with third parties
    - Shared services / cost sharing arrangements
    - Due-to-from accounts with affiliated organizations

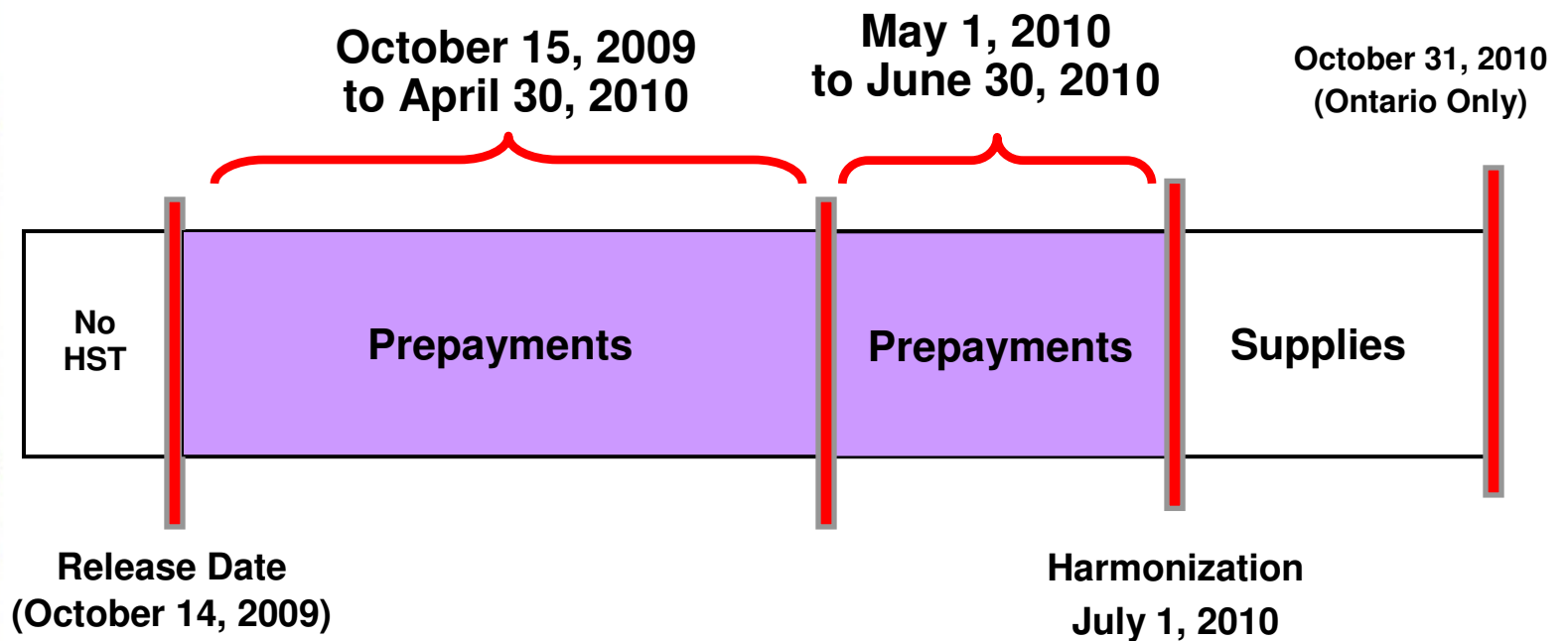
# Ontario HST

## Important Transition Dates

<b>Announcement of signed Memoranda</b>	March 26, 2009 (Ontario budget)
<b>Announcement date</b>	October 14, 2009
<b>Prepayments</b>	May 1, 2010
<b>Implementation date</b>	July 1, 2010
<b>PST wind-down</b>	November 1, 2010

# Ontario HST – Transitional Rules Timeline

- General timeline of the HST transitional rules and the PST wind-down rules



# Ontario HST – Transitional Rules

- General rules
  - Apply HST if consideration payable on or after July 1, 2010
  - No HST charged by vendor if invoiced and paid on or before October 14, 2009 even if supply occurs after June 2010
    - Self-assessment may be required
  - HST will be charged on most prepayments made between May 1, 2010 and June 30, 2010 where goods and/or services rendered July 1, 2010 or later
    - Example: Invoice for new network server dated and paid May 18, 2010 but ownership and possession after June 2010 - HST will be charged
- Specific rules for
  - TPP returned after June 30, 2010
  - Intangible personal property
  - Subscriptions
  - Funeral services
  - Transportation



# Ontario HST – Transitional Rules

- Tangible personal property (Goods)
  - HST applies where goods are delivered and ownership of the goods is transferred on or after July 1, 2010
  - Vendor collects HST starting May 1, 2010 for the sale of goods that will be delivered on or after July 1, 2010
  - Vendor not required to collect HST on amounts paid or due after October 14, 2009 and before May 1, 2010 even if goods are delivered on or after July 1, 2010
- Self-assessment may be required for
  - Goods / TPP received after July 1, 2010
  - Paid between October 15, 2009 and April 30, 2010 inclusive



# Ontario HST – Transitional Rules

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- Intangible personal property
  - Includes sales of
    - Intellectual property
    - Contractual rights
  - HST applies where consideration is due or paid on or after July 1, 2010
  - Example
    - Lump sum payment to acquire software rights



# Ontario HST – Transitional Rules

- Lease, licence or similar arrangement
  - Includes rent, royalties or similar payments for
    - Goods
    - Intangible personal property
    - Non-residential real property (e.g., short-term accommodation, parking)
    - Commercial real property
  - No HST if lease interval
    - Begins before July 1, 2010 and ends before July 31, 2010
  - HST applies to consideration
    - Due or paid on or after May 1, 2010 and before July 1, 2010 where
    - That part of the lease interval that occurs on or after July 1, 2010
  - Self-assessment may be required for
    - That part of the lease interval that occurs on or after July 1, 2010
    - But paid between October 15, 2009 and April 30, 2010 inclusive



# Ontario HST – Transitional Rules

- Services
  - Also includes
    - Memberships
    - Admissions
  - HST applies where service performed on or after July 1, 2010
  - Pro-ration required where service
    - Begins before July 1, 2010 and completed after June 30, 2010
  - No HST charged where service is
    - Invoiced after October 14, 2009 and before May 1, 2010
    - Self-assessment may be required



# Ontario HST – Transitional Rules

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- Freight transportation
  - HST does not apply to the consideration paid for the part of a freight transportation service that is performed on or after July 1, 2010
  - Must be part of a continuous freight movement that begins before July 2010



# Ontario HST – Transitional Rules

- Continuous supplies
  - Includes property or services supplied by means of
    - Wire, pipeline or similar conduit
    - Satellite or other telecommunications facility
  - Examples
    - Natural gas
    - Electricity
    - Cable television
    - Satellite television
    - Cellular telephone services
  - Vendor must collect HST on that part of the supply that can be reasonably determined to be delivered performed or made available on or after July 1, 2010
  - If reasonable determination cannot be made, consideration should be pro-rated by the number of days in the billing period



# Ontario HST – Transitional Rules

- Subscriptions
  - Newspapers, magazines and similar periodicals
  - No HST if paid on or before July 1, 2010
  - No self-assessment required even if subscription period includes periods after June 2010



# Ontario HST – Transitional Rules

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- Lifetime memberships
  - Includes
    - Clubs
    - Organizations
    - Associations
  - Amounts paid between October 14, 2009 and June 30, 2010 inclusive
    - If > 25% of total membership due - HST on 75% of dues
    - Vendor must collect and remit



# Ontario HST – Transitional Rules

- Self-assessment
  - Self-assess HST if
    - Consideration payable between October 15, 2009 and April 30, 2010 inclusive
    - Goods or services delivered on or after July 1, 2010
  - No self-assessment if
    - Purchaser is a consumer; or
    - Purchaser is a business entitled to a full ITC



# Ontario HST – Transitional Rules

- Returns and exchanges
  - Where goods were subject to PST
    - Full or partial refund PST where refund issued before November 1, 2010
    - No PST or HST if goods simply exchanged and no price adjustment occurs
    - If goods exchanged but customer pays an additional amount, HST applies to the extra charge
    - If refund occurs after October 31, 2010
      - No PST refund but customer may apply to the Ministry for refund of PST paid in error
  - Where goods were not subject to PST
    - HST must be collected if replacement property is subject to HST
      - e.g., PST exempt research equipment



# Ontario HST

## New Place of Supply Rules

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- Supply made in a “harmonized province”
  - 13% HST vs. 12% vs. 5% GST
  - Will depend on the place of supply rules
  - Schedule IX currently identifies “supplies made in” a particular province
    - Developed at the time of the NB, NS and NF harmonization
    - Adopted by Quebec
  - Existing rules amended in light of Ontario and B.C. harmonization



# Ontario HST

## New Place of Supply Rules

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- Revised rules rely more on the location of the consumers than the location of the supplier
- Amendments will apply to
  - 13% Ontario HST
  - 12% British Columbia HST, and
  - Current HST provinces of New Brunswick, Nova Scotia, and Newfoundland and Labrador
- New rules will apply to
  - Supplies made after April 30, 2010
  - Supplies made after February 25, 2010 and before May 1, 2010 if the consideration for the supply has not become due and has not been paid before May 1, 2010
- Quebec has not yet indicated whether it will harmonize its rules with the proposed HST place of supply rules



# Ontario HST

## New Place of Supply Rules

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- Services – rule #1
  - Supplier obtains a particular address in Canada of the recipient
    - Service will be regarded as having been made in the province of the following address:
      - A home or business address in Canada of the recipient
      - If the supplier obtains more than one home or business address in Canada of the recipient, the home or business address that is most closely connected with the supply
      - If the supplier does not obtain a home or business address in Canada of the recipient, another Canadian address that is most closely connected with the supply



# Ontario HST

## New Place of Supply Rules

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- Services – rule #2
  - Supplier does not obtain a particular address in Canada (e.g., a non-resident purchaser),
    - Service will be regarded as having been made in an HST province if the part of the service that is performed in Canada is performed primarily in the HST province.
    - Service will be regarded as made in the HST province in which the greatest proportion of the service is performed.
    - Note that the service will be regarded as made in a non-HST province if the service performed in Canada is not performed primarily in the HST provinces



# Ontario HST

## New Place of Supply Rules

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- Services – rule #3
  - If rule #2 applies but
    - The supplier cannot determine one single HST province in which the greatest proportion of the service is performed because the service is performed equally in two or more HST provinces
    - The supply will be regarded as made in the province with the highest rate of the provincial component of the HST
  - e.g. service performed equally in Nova Scotia and British Columbia – 13% HST will apply since it is the highest rate of the two locations



# Ontario HST

## New Place of Supply Rules

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- Services – rule #4
  - If rule #3 applies but
    - A single participating province still cannot be determined to be the place of supply because the HST rate for the provincial component of the HST in two or more of the HST provinces is the same
    - The supplier will be required to charge HST by applying that particular rate



# Ontario HST

## New Place of Supply Rules

- Specific HST place of supply rules will apply to several services, including:
  - Personal services
  - Services in relation to
    - real property
    - tangible personal property
    - a location-specific event
  - Services rendered in connection with litigation
  - Passenger transportation services
  - Services supplied on board conveyances (e.g., planes, trains)
  - Baggage charges and child supervision
  - Services related to a ticket, voucher or reservation
  - Freight transportation services
  - Postage and mail delivery services
  - Telecommunication services
  - Customs brokerage services
  - Repairs, maintenance, cleaning, alterations and other services relating to goods
  - Services of a trustee in respect of a trust governed by an RRSP, RRIF or RESP
  - Premium rate telephone services
  - Computer-related services and Internet access, and
  - Air navigation services



# Ontario HST

## New Place of Supply Rules

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- Intangible personal property (e.g., copyrights, on-line digital music, tickets to events)
  - New rules will still largely depend on where the intangible personal property can be used
  - Location of the recipient will also be a factor in some cases



# Ontario HST

## New Place of Supply Rules

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- Intangible personal property – rule #1
  - If the greatest proportion of use of the Canadian rights that are restricted to HST provinces would have to occur in a particular HST province if all such rights were used, the supply of the intangible personal property will be regarded as having been made in that particular HST province
    - e.g., Nova Scotia would be the place of supply of a hockey ticket package for 40 home games in Nova Scotia and 10 away games in New Brunswick



# Ontario HST

## New Place of Supply Rules

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- Intangible personal property – rule #2
  - If rule #1 does not apply
    - Value of the consideration for the supply is \$300 or less and
    - Supply is either made in the physical presence of the purchaser (or someone who acts on his or her behalf) at a permanent establishment of the supplier located in an HST province
    - Supply will be regarded as having been made in that province
  - Example
    - Individual purchases in New Brunswick a movie pass that provides 10 admissions to cinemas located in New Brunswick and Nova Scotia
    - The supply will be subject to 13% HST (5% federal component and 8% New Brunswick component).



# Ontario HST

## New Place of Supply Rules

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- Intangible personal property – rule #3
  - Where Rule 1 and Rule 2 do not apply
  - Supplier obtains one of the following particular addresses of the purchaser that is located in an HST province:
    - a home or business address in Canada of the recipient
    - where the supplier obtains more than one home or business address in Canada of the recipient, the address that is most closely connected with the supply
    - where the supplier does not obtain such an address, another address in Canada that is most closely connected with the supply
  - Supply will be regarded as having been made in that HST province



# Ontario HST

## New Place of Supply Rules

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- Intangible personal property – rule #4
  - Where Rules 1, 2, and 3 do not apply
    - Supply of intangible personal property will be regarded as made in the HST province, among the HST provinces in which the Canadian rights can be used, for which the provincial component of the HST is the highest



# Ontario HST

## New Place of Supply Rules

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- Intangible personal property – rule #5
  - Where a single HST province cannot be determined under Rule 4 because the rate of the provincial component of the HST in two or more of the HST provinces in which the Canadian rights can be used is the same
  - Supplier will be required to charge HST by applying that particular rate.



# Ontario HST

## New Place of Supply Rules

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- Intangible personal property
  - Property that can be used primarily outside HST provinces
  - If the Canadian rights of an intangible personal property can be used primarily outside HST provinces only
  - Supply of such property will be regarded as having been made in a non-HST province and 5% GST will apply (not HST).



# Ontario HST

## New Place of Supply Rules

- Intangible personal property – special rules
  - Specific place of supply rules will apply to IPP that
    - Cannot be used primarily in HST provinces only or
    - Used primarily in non-HST provinces only (the agreement does not specify whether the use of the Canadian rights can only occur in HST provinces or non-HST provinces)
  - Example
    - movie pass for 10 admissions to movie locations across Canada.
  - Other specific place of supply rules apply to intangible personal property that relates to
    - real property
    - tangible personal property or
    - services to be performed.



# Ontario HST

## New Place of Supply Rules

- Tangible personal property
  - No changes are proposed to the place of supply rules for tangible personal property supplied by way of sale
  - As such, a sale of tangible personal property (e.g., goods) will generally continue to be regarded as made in the province:
    - in which the good is delivered or made available to the recipient
    - to which the goods are shipped pursuant to a contract for carriage (including where the vendor retains on behalf of the purchaser a common carrier or consignee for shipment to that province)
    - of the address to which the goods are mailed or couriered
  - Special place of supply rules apply for tangible personal property supplied on board conveyances otherwise than by way of sale
  - Other rules also apply to railway rolling stock



# Ontario HST Summary

- Systems will need to start charging/paying proper amount of tax on May 1, 2010 taking into account:
  - Nature of supply
  - Place of supply
  - Transitional rules
  - Point-of-sale rebates
- Supplier contracts/agreements to be reviewed to allow for flexibility on tax rates
- Invoicing/payables system will need to deal with GST, HST and PST
- System will need to take into account PST self-assessments
- UWO will track where PST is overpaid and apply for rebates of PST paid in error



# Ontario HST – Compliance Systems Changes

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- Systems changes paramount
  - Accounting systems / GL codes
  - Proper coding of payables – location of supply will affect the rate of GST/HST paid
  - Expense reports templates to be updated - Factor or no factor, location of supply
  - Systems testing needed after implementation



# Harmonization Approach

- Training
  - Full scope GST/HST training
  - Other training requirements?
- Impact analysis
  - Establish HST Implementation Committee - Identify members and responsibilities
  - Evaluate and map existing processes
  - Review 2010 budget and cash flow requirements
  - Review timing of large purchases and contracts
- Implementation strategy
  - Lease vs. buy for large purchases
  - Establish GST/HST account structure
  - Identify tax criteria for software upgrades
  - Policy / manual updates
  - Regularly consult with Implementation Committee
- Post-implementation review
  - Systems, tax matrix and compliance testing
  - Review actual to estimates on impact analysis
  - Test compliance to reduce audit risks



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## **Presenter's contact details**

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