



Harmonized Sales Tax

Preliminary Update

January 25, 2010



Presenters

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Controller



Limitations

- HST legislation is not released and can be complex
- Legislative process not complete until March 31, 2010
- May be several weeks after that to receive and interpret the legislation



Agenda

- Background
- Impact to the University
- Transition Rules
- How HST will work
 - Sales
 - Buying



Background

Terms

- **HST** – Harmonized Sales Tax
- **GST** – Goods & Services Tax
- **PST** – Provincial Sales Tax
- **Rebates** – To reduce tax rate and are industry specific ie. Universities
- **Input Tax Credits** – Recovery of some/all taxes paid on goods or services used in commercial activity ie. Hospitality



What is HST?

- “Canada-Ontario Comprehensive Integrated Tax Co-ordination Agreement”
- Canada Revenue Agency will administer the Ontario Value-Added Tax
- Legislative process must be complete by March 31, 2010



Where is HST today?

- New Brunswick
- Nova Scotia
- Prince Edward Island
- Quebec
- British Columbia – Proposed
- Over 150 countries



Impact



General Impact

- Expanded Tax Base
 - More products & services will be taxed
 - All end users will be charged the HST
 - Provincial Sales Tax (PST) will all but be eliminated
 - HST will follow current GST rules with some exceptions

Actions

- Cash Registers & Web sites need to be changed
- Accounting Systems need to be updated
 - Oracle GST Module
 - FRS
 - Vendor Interfaces, ie procurement card
- Forms to be Updated
 - Revenue Remittance Voucher
 - Sales Invoices
 - Purchase Orders/System Contracts
 - Travel and Expenses



HST Impact

- Savings

- The introduction of provincial rebates will result in savings

- Costs

- Due to the expanded tax base, there will be an increase in the number of goods and services that will be taxed

Tax Status

	Current Taxes		New
	PST	GST	HST
Rate	8%	5%	13%
Rebate	No	67%	67% 78%
Exemptions	Yes - Many	Yes - Many	Yes - Fewer
Input Tax Credits	No	Yes – Commercial Activity	Yes – Commercial Activity
Jurisdiction	Provincial	Federal	Federal

Current Taxes

	PST	GST	Total
Rate	8%*	5%	
Rebate	0%	67%**	
Effective Tax Rate	8%	1.65%	9.65%

* Currently there are many PST exemptions

** Does not take into account Input Tax Credits

Future HST

	Provincial Component	Federal Component	Total HST
Rate	8%	5%	13%
Rebate*	78%	67%	
Effective Tax Rate	1.76%	1.65%	3.41%

*The rebate rate is specific to Universities

Tax Status Example

	PST 8%	GST 5%	HST 13%
Consulting	No	Yes	Yes
Furniture	Yes	Yes	Yes
Research Equipment	No	Yes	Yes
Lab Manuals	No	Yes	Yes
Agricultural Products	No	No	No
Utilities	No	Yes	Yes

Dollar Impact of Change (Using \$100,000)

Item	PST effective rate 8% or 0%	GST effective rate 1.65%	Total	HST effective rate 3.41%
Consulting	\$0	\$1,650	\$1,650	\$3,410
Furniture	\$8,000	\$1,650	\$9,650	\$3,410
Research Equipment	\$0	\$1,650	\$1,650	\$3,410
Lab Manuals	\$0	\$1,650	\$1,650	\$3,410
Agricultural Products	\$0	\$0	\$0	\$0
Utilities	\$0	\$1,650	\$1,650	\$3,410



Transitional Rules



Transition to July 1

- HST is Federal law (Excise Tax Act)
- PST is provincial law
- Provincial measures to wind down Retail Sales Tax



Why Transition Rules

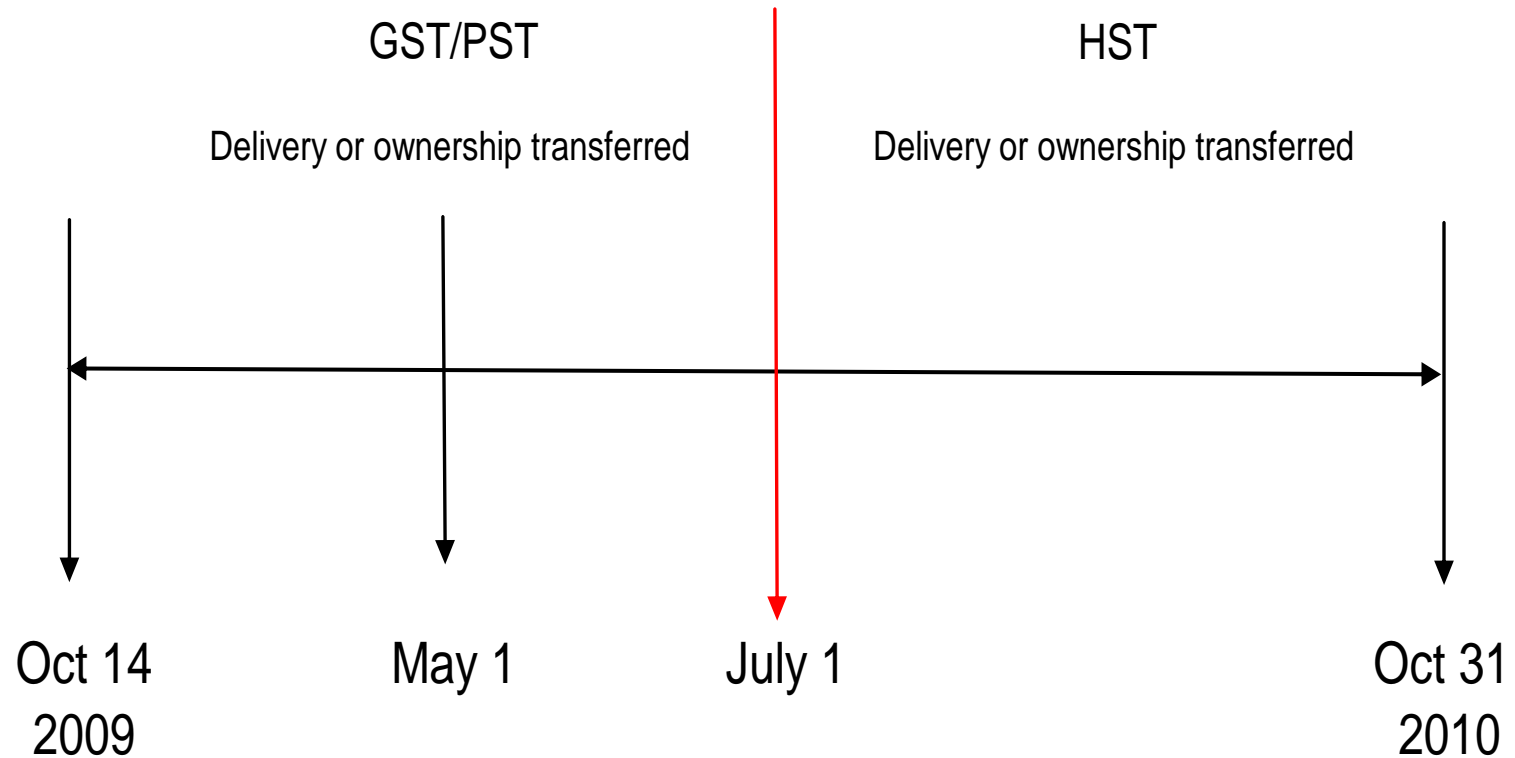
- Transition rules to determine which tax to apply and when
- Prevents tax avoidance between October 14 and June 30



Transition Dates

- October 14, 2009 - effective date of rules
- May 1, 2010 - HST needs to be disclosed if services or goods are sold for delivery after July 1, 2010
- Will need to self-assess on goods and services paid or due prior to May 1 for goods and services received after July 1

Transition Dates





SALES

Sales

- University is Selling:
 - On sales for delivery on or after July 1
 - Invoice must include only one tax - HST
 - If a provincial exemption – rate is 5%
 - If not rate is 13%

Current University Invoice

**UNIVERSITY
of GUELPH**

PLEASE MAKE ALL CHEQUES PAYABLE
TO THE UNIVERSITY OF GUELPH AND
REMIT TO REVENUE CONTROL.

GUELPH, ONTARIO, CANADA N1G 2W1
G.S.T. REG. No. R108161829

INVOICE NUMBER
223055

TERMS - NET 30 DAYS
1% SERVICE CHARGE PER
MONTH - 18% PER ANNUM, ON
OVERDUE ACCOUNTS

PLEASE REFER TO THIS NUMBER IN CORRESPONDENCE
AND/OR WHEN REMITTING REFER ENQUIRIES TO REVENUE
CONTROL.

YR. MO. DAY

ORIGINATING DEPARTMENT

ORIGINATING COLLEGE

INVOICE DATE

INVOICE

DATE	QUANTITY	DESCRIPTION				PRICE	AMOUNT

	3-FUND (M)	6-UNIT (M)	6-GRANT	6-PROJECT	5-OBJECT (M)	VALUE
GST	100	099900	000000	000000	21326	
PST	100	099900	000000	000000	21323	

SUB-TOTAL
GST
PST
TOTAL

WHITE - ORIGINAL
CANARY - ORIGINATING DEPT.
PINK - REVENUE CONTROL

Action Required

- Cash Registers & Web sites need to be changed
- Taxes on invoices need to be changed to HST
- New HST coding
 - “HST Payable (Sales)” – object code 21351
- Maintain old and new invoices/RRV temporarily
- Forms need to be updated

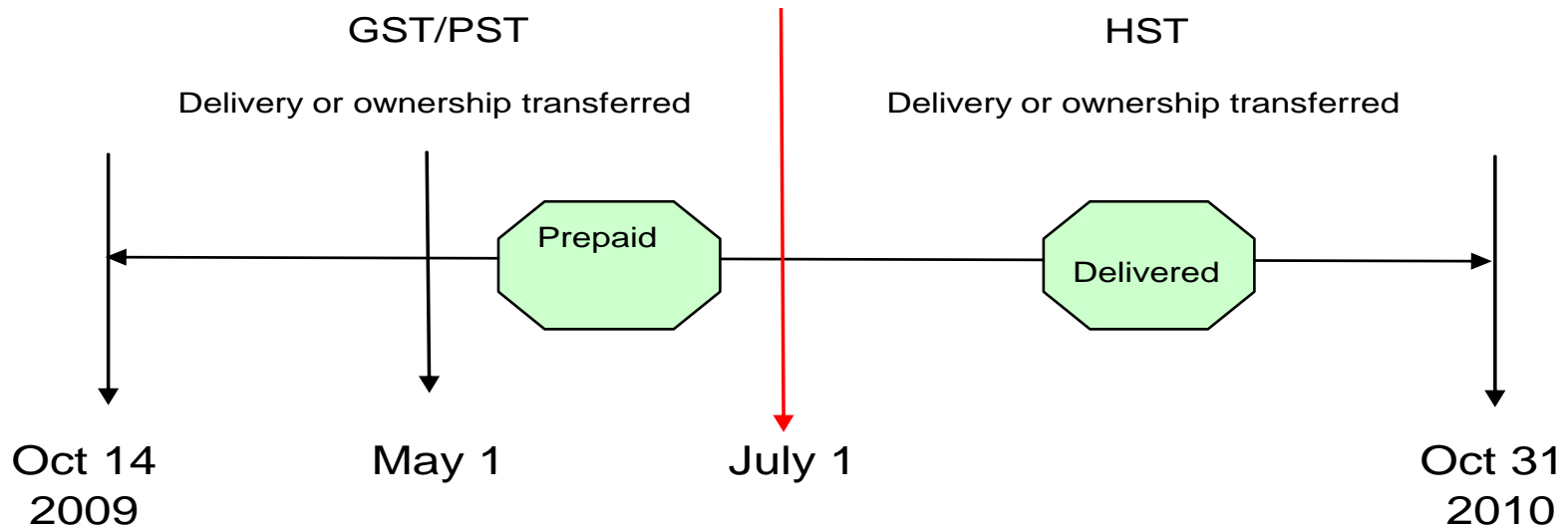


Point of Sale Rebates

- Point of sale rebates on certain items where the recipient will be given a rebate equal to the provincial tax rate
- Examples:
 - Children's clothing
 - Readily consumable food & beverage less than \$4

Conference

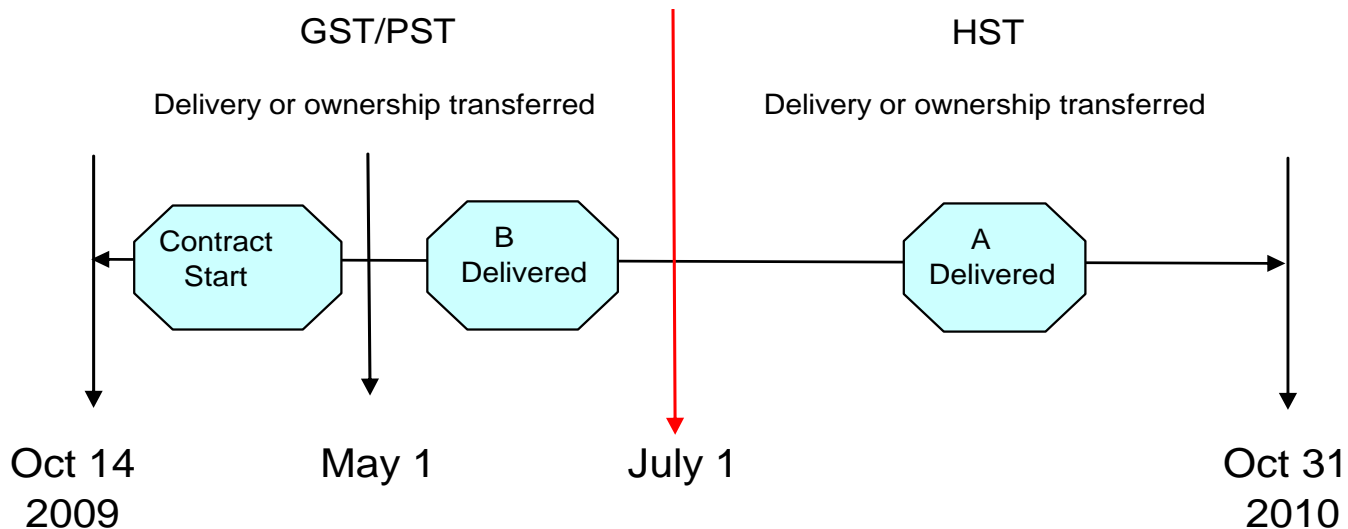
- University holds a conference on July 20th
- Conference is prepaid



HST needs to be charged

Contract for Services

- University has a contract to sell a service
- Contract started in March
- Regular monthly payments/invoice

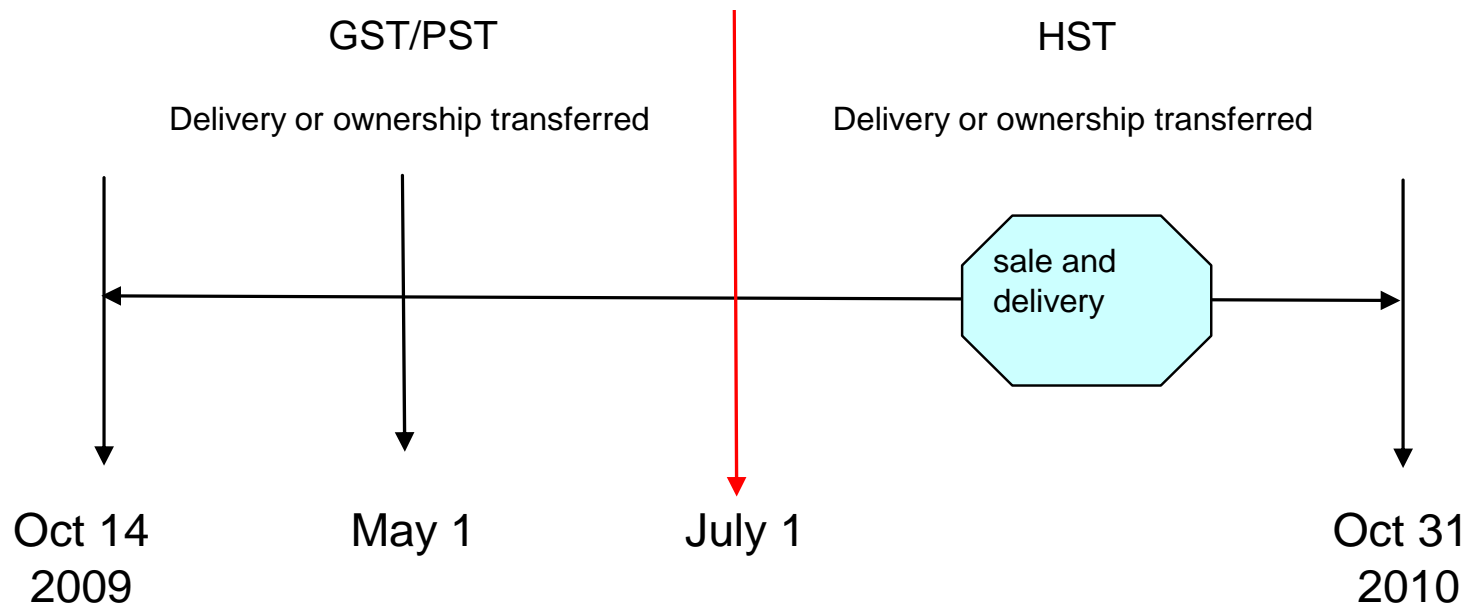


B – Charge GST for services prior to July 1

A – Charge HST for services after July 1

Lab Manuals

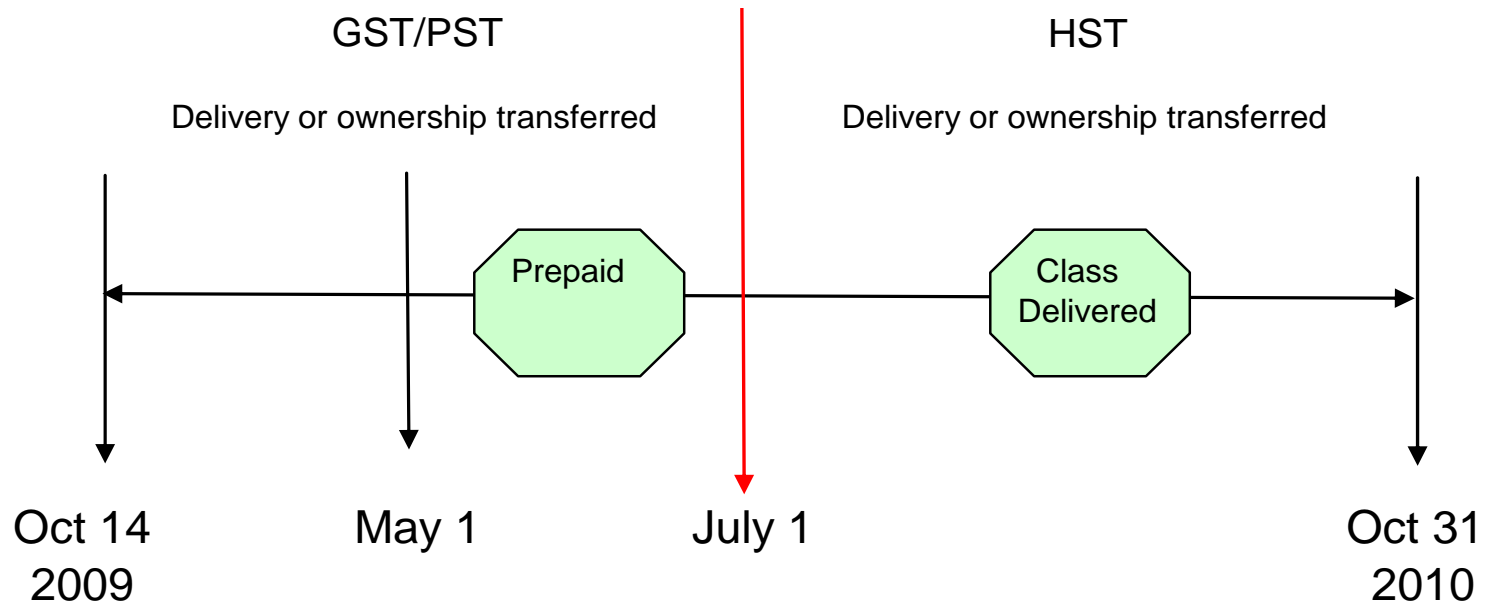
- Currently PST exempt
- Sell lab manuals in September



HST is charged

Recreational Instruction – over 14

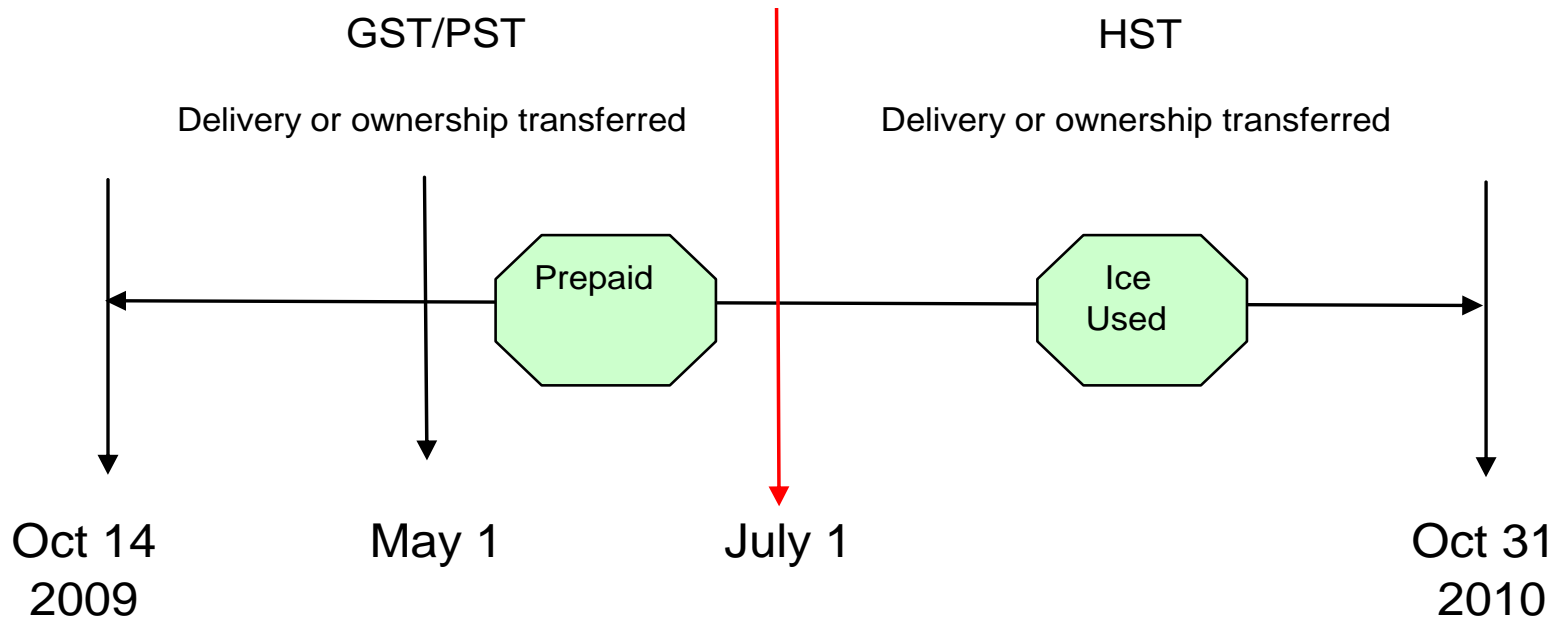
- Class begins on or after July 1
- Prepayment before July 1



HST is charged

Ice Rental

- Currently PST exempt
- Prepaid before July 1



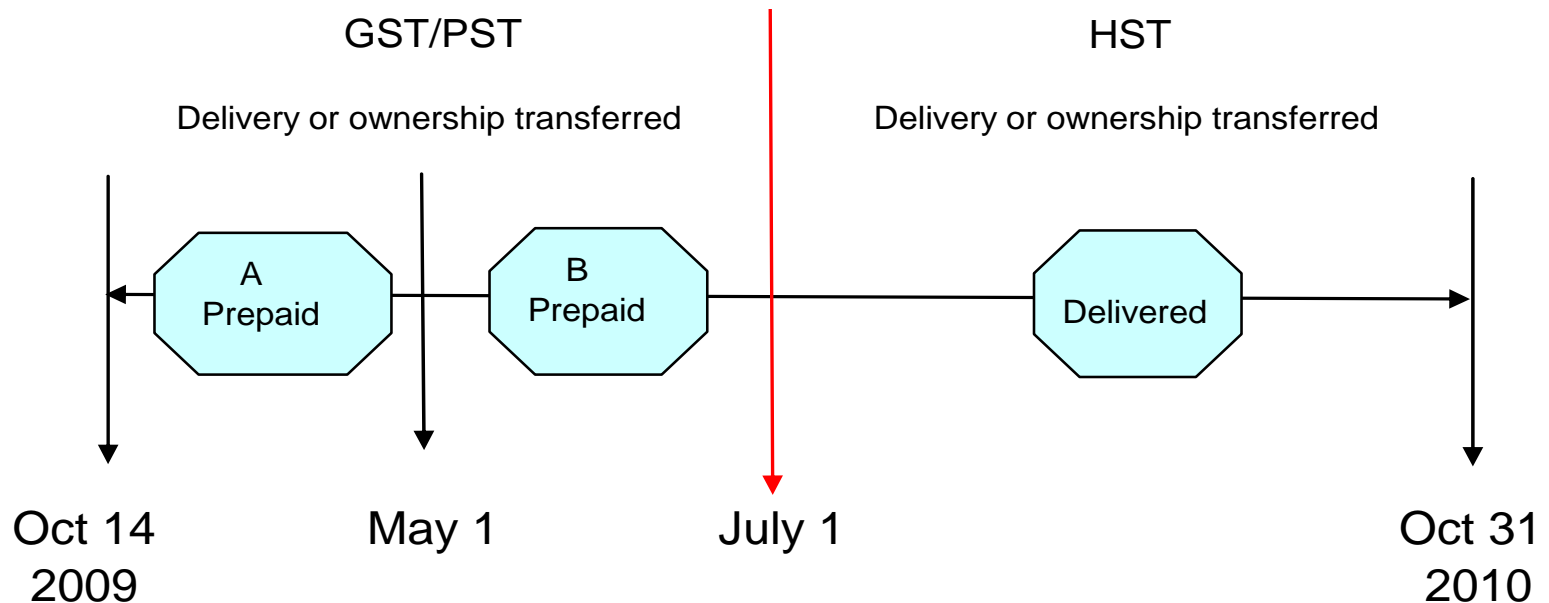
HST is charged



BUYING

Furniture

- Invoiced for furniture delivered after July 1
- Prepaid

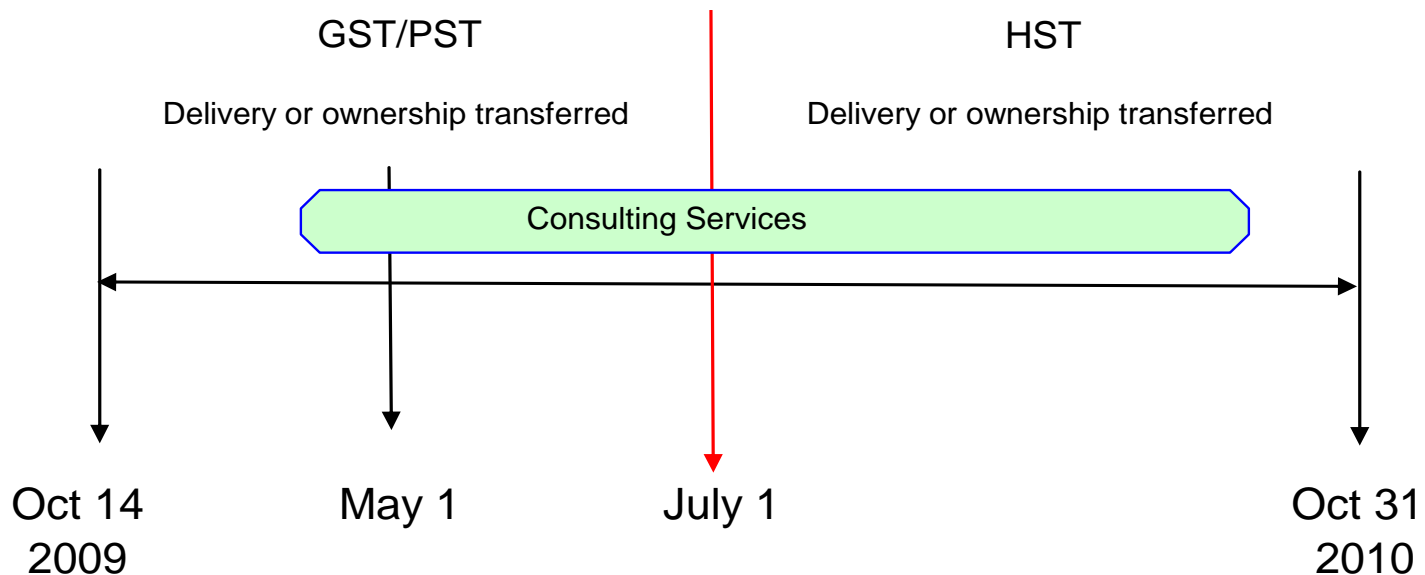


A – University must self assess HST

B – University will be charged HST

Consulting Services

- University hires a consultant (March – Aug)
- Currently PST exempt
- Regular monthly invoices/payments

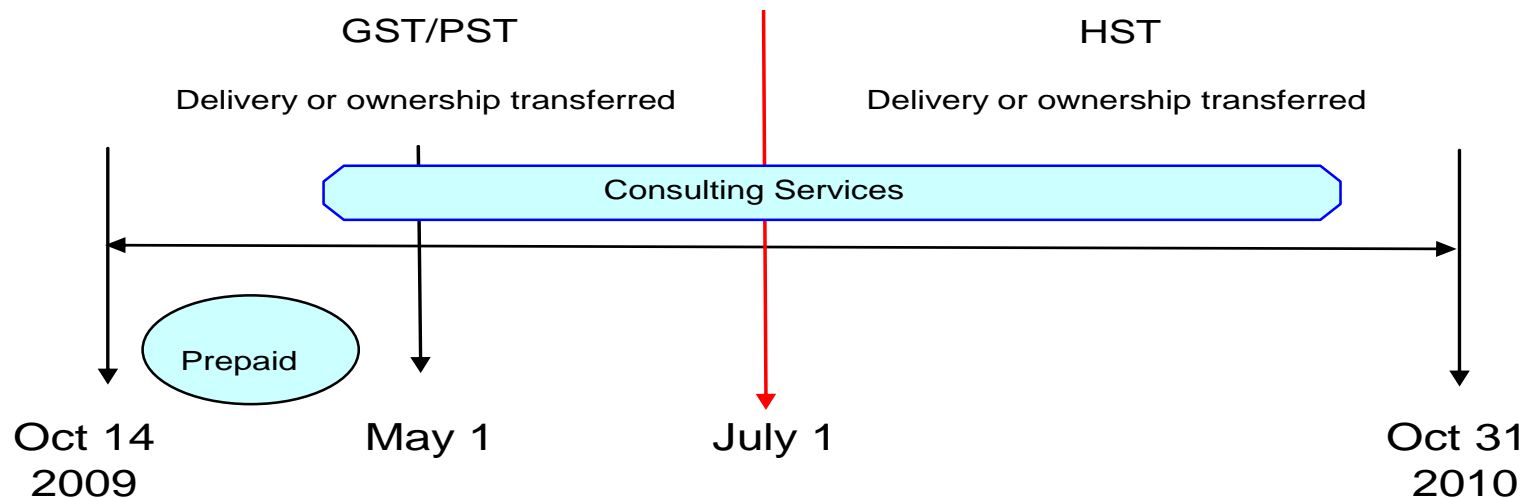


GST for March, April, May and June

HST will be charged for July and August services

Consulting Services

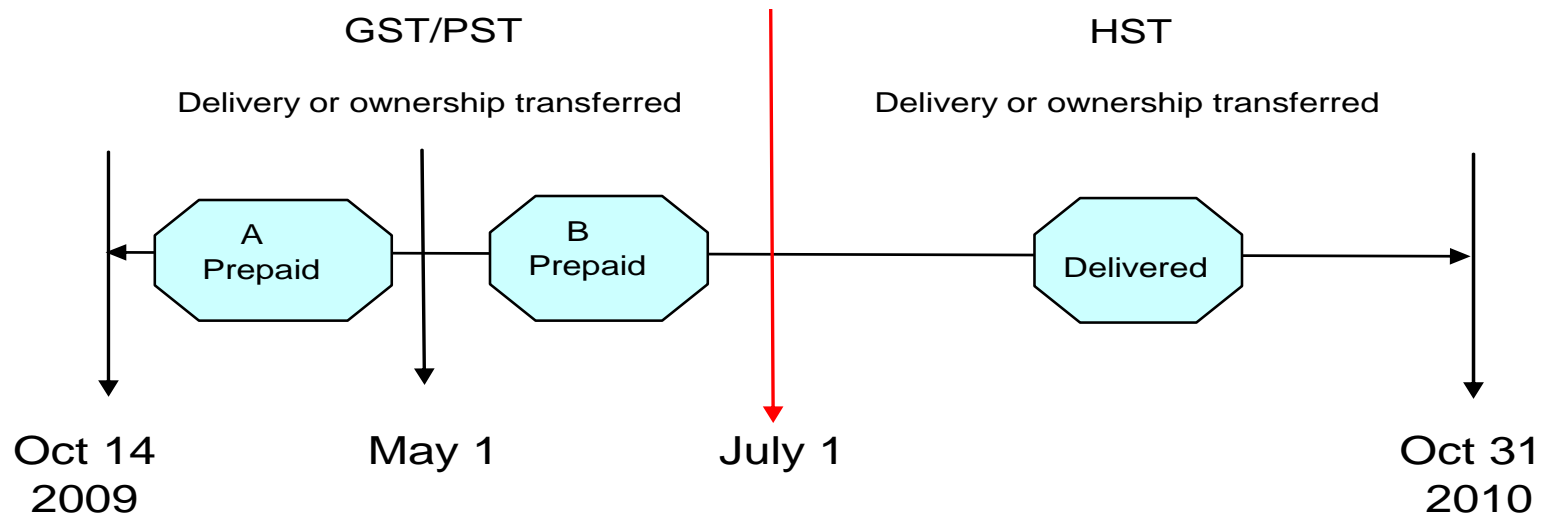
- University hires a consultant (March – Aug)
- Currently PST exempt
- Prepaid



University must self assess HST for July and August

Computers for Research

- Paid for computers delivered in July
- Prepaid
- Currently PST exempt

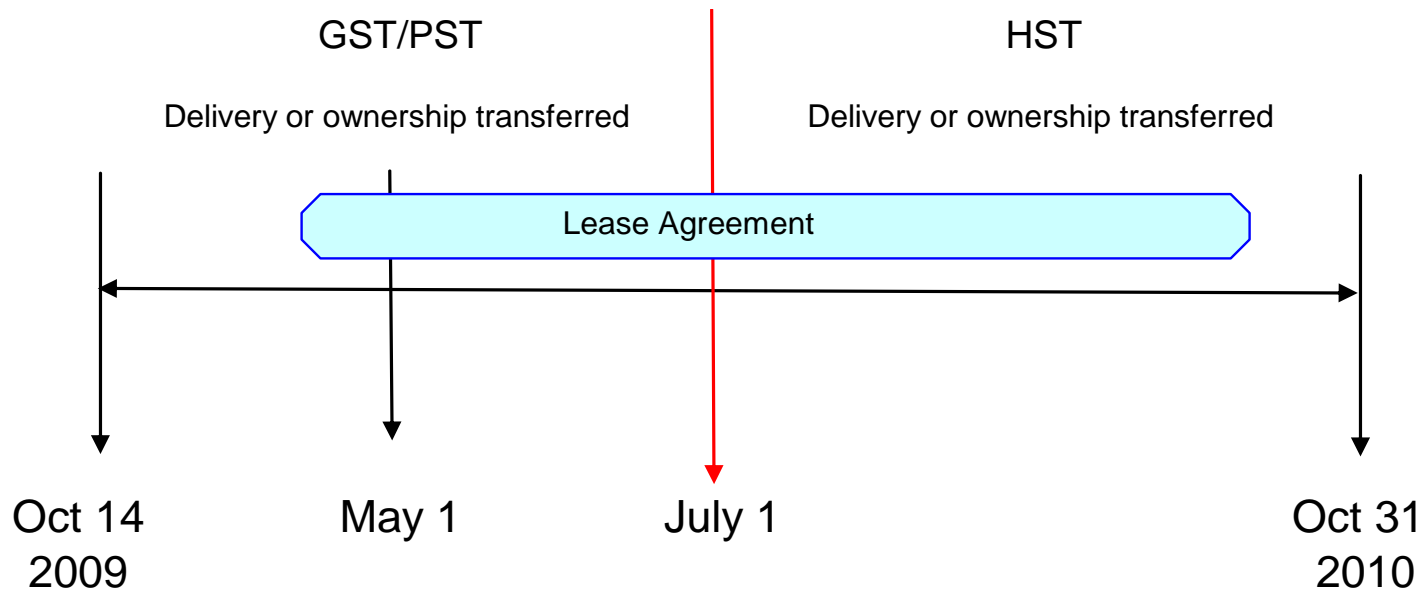


A – University must self assess for HST

B – University will be charged HST

Leases

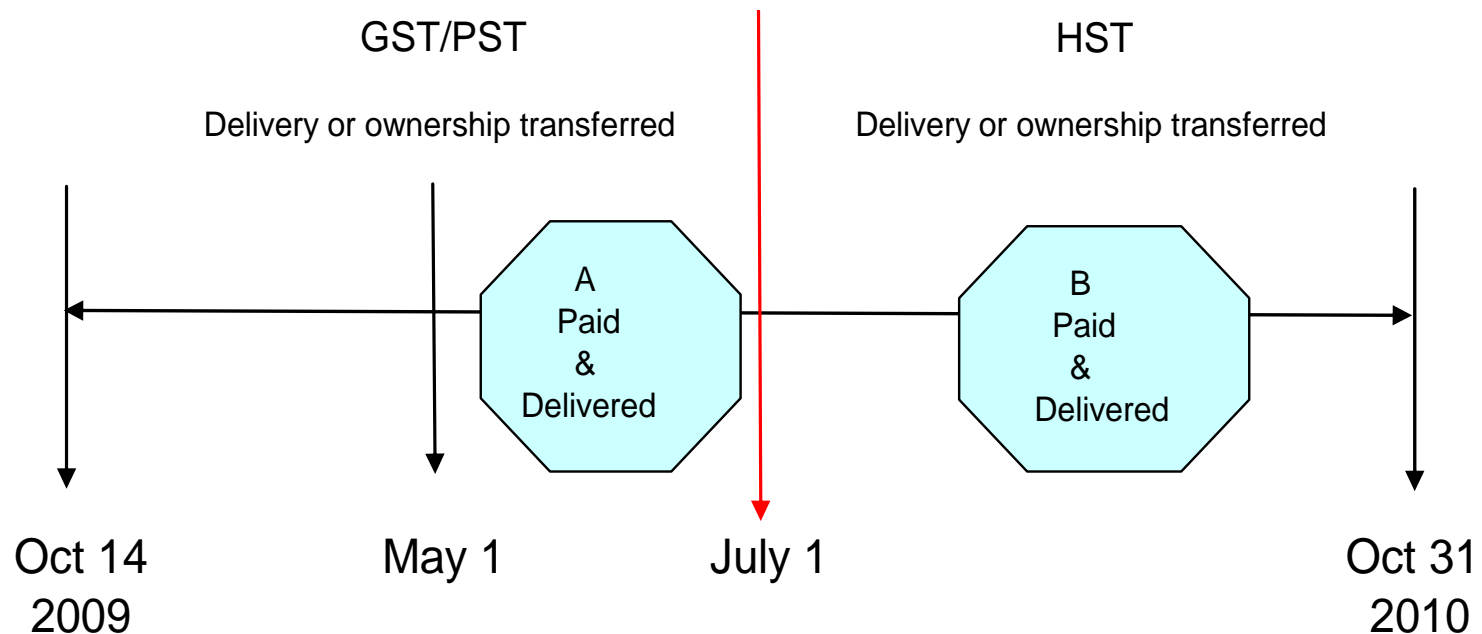
- Lease for equipment
- Regular monthly payments



HST will apply to payments on and after July

Lab Equipment for Research

- Currently PST exempt



A – GST will be charged

B - HST will be charged



Travel & Business Expense Claim

- Form must change to identify
 - In Ontario expenses
 - Out of Ontario and in Canada
 - Out of Canada
- To properly record & remit HST



Outstanding Issues

- Issuing PO's and Blanket Orders
- Commitments on FRS
- How will HST appear on FRS
- Self Assessment by Financial Services
- Expense (travel) Form
- Update forms
- Test systems
- Continue to communicate

Available Information

- www.fin.uoguelph.ca
 - Email – hsthhelp@uoguelph.ca
 - Tax Status Table
- www.ontario.ca/taxchange
- www.cra.gc.ca/harmonization