Harmonized Sales Tax

Preliminary Update

January 25, 2010
Presenters

- Manny Sheehy
  Manager Accounting & Financial Reporting

- Barry Hodgson
  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

<table>
<thead>
<tr>
<th></th>
<th>Current Taxes</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PST</strong></td>
<td>Rate</td>
<td>GST</td>
</tr>
<tr>
<td></td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Rebate</strong></td>
<td>No</td>
<td>67%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>78%</td>
</tr>
<tr>
<td><strong>Exemptions</strong></td>
<td>Yes - Many</td>
<td>Yes - Many</td>
</tr>
<tr>
<td><strong>Input Tax Credits</strong></td>
<td>No</td>
<td>Yes - Commercial Activity</td>
</tr>
<tr>
<td><strong>Jurisdiction</strong></td>
<td>Provincial</td>
<td>Federal</td>
</tr>
</tbody>
</table>
## Current Taxes

<table>
<thead>
<tr>
<th></th>
<th>PST</th>
<th>GST</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rate</strong></td>
<td>8%*</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td><strong>Rebate</strong></td>
<td>0%</td>
<td>67%**</td>
<td></td>
</tr>
<tr>
<td><strong>Effective Tax Rate</strong></td>
<td>8%</td>
<td>1.65%</td>
<td>9.65%</td>
</tr>
</tbody>
</table>

* Currently there are many PST exemptions
** Does not take into account Input Tax Credits
**Future HST**

<table>
<thead>
<tr>
<th></th>
<th>Provincial Component</th>
<th>Federal Component</th>
<th>Total HST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>8%</td>
<td>5%</td>
<td>13%</td>
</tr>
<tr>
<td>Rebate*</td>
<td>78%</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>Effective Tax Rate</td>
<td>1.76%</td>
<td>1.65%</td>
<td>3.41%</td>
</tr>
</tbody>
</table>

*The rebate rate is specific to Universities*
## Tax Status Example

<table>
<thead>
<tr>
<th></th>
<th>PST</th>
<th>GST</th>
<th>HST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8%</td>
<td>5%</td>
<td>13%</td>
</tr>
<tr>
<td>Consulting</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Furniture</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Research Equipment</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Lab Manuals</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Agricultural Products</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Utilities</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
**Dollar Impact of Change (Using $100,000)**

<table>
<thead>
<tr>
<th>Item</th>
<th>PST effective rate 8% or 0%</th>
<th>GST effective rate 1.65%</th>
<th>Total</th>
<th>HST effective rate 3.41%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting</td>
<td>$0</td>
<td>$1,650</td>
<td>$1,650</td>
<td>$3,410</td>
</tr>
<tr>
<td>Furniture</td>
<td>$8,000</td>
<td>$1,650</td>
<td>$9,650</td>
<td>$3,410</td>
</tr>
<tr>
<td>Research Equipment</td>
<td>$0</td>
<td>$1,650</td>
<td>$1,650</td>
<td>$3,410</td>
</tr>
<tr>
<td>Lab Manuals</td>
<td>$0</td>
<td>$1,650</td>
<td>$1,650</td>
<td>$3,410</td>
</tr>
<tr>
<td>Agricultural Products</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Utilities</td>
<td>$0</td>
<td>$1,650</td>
<td>$1,650</td>
<td>$3,410</td>
</tr>
</tbody>
</table>
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

- **GST/PST**: Delivery or ownership transferred on Oct 14, 2009
- **HST**: Delivery or ownership transferred on Oct 31, 2010
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**

<table>
<thead>
<tr>
<th>DATE</th>
<th>QUANTITY</th>
<th>DESCRIPTION</th>
<th>PRICE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3-FUND (M)</th>
<th>6-UNIT (M)</th>
<th>6-GANT</th>
<th>6-PROJECT</th>
<th>5-OBJECT (M)</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST 100</td>
<td>000000</td>
<td>000002</td>
<td>000000</td>
<td>21328</td>
<td></td>
</tr>
<tr>
<td>PST 100</td>
<td>000000</td>
<td>000003</td>
<td>000000</td>
<td>21383</td>
<td></td>
</tr>
</tbody>
</table>

**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
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

GST/PST
Delivery or ownership transferred

Prepaid

Class Delivered
Delivery or ownership transferred

Oct 14 2009
May 1
July 1
Oct 31 2010

HST is charged
Ice Rental

- Currently PST exempt
- Prepaid before July 1

GST/PST
Delivery or ownership transferred

HST
Delivery or ownership transferred

Oct 14 2009
Prepaid
May 1

July 1
Ice Used

Oct 31 2010

HST is charged
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

GST/PST
Delivery or ownership transferred

Lease Agreement

HST
Delivery or ownership transferred

Oct 14 2009  May 1  July 1  Oct 31 2010

HST will apply to payments on and after July
Lab Equipment for Research

- Currently PST exempt

**GST/PST**
- Delivery or ownership transferred
- Oct 14 2009
- May 1
- July 1

**A**
- Paid & Delivered

**B**
- Paid & Delivered

**HST**
- Delivery or ownership transferred
- Oct 31 2010

**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](http://www.fin.uoguelph.ca)
  - Email – [hsthelp@uoguelph.ca](mailto:hsthelp@uoguelph.ca)
  - Tax Status Table
- [www.ontario.ca/taxchange](http://www.ontario.ca/taxchange)
- [www.cra.gc.ca/harmonization](http://www.cra.gc.ca/harmonization)