



Tax

# FEI Canada – HST is Near

June 10, 2010

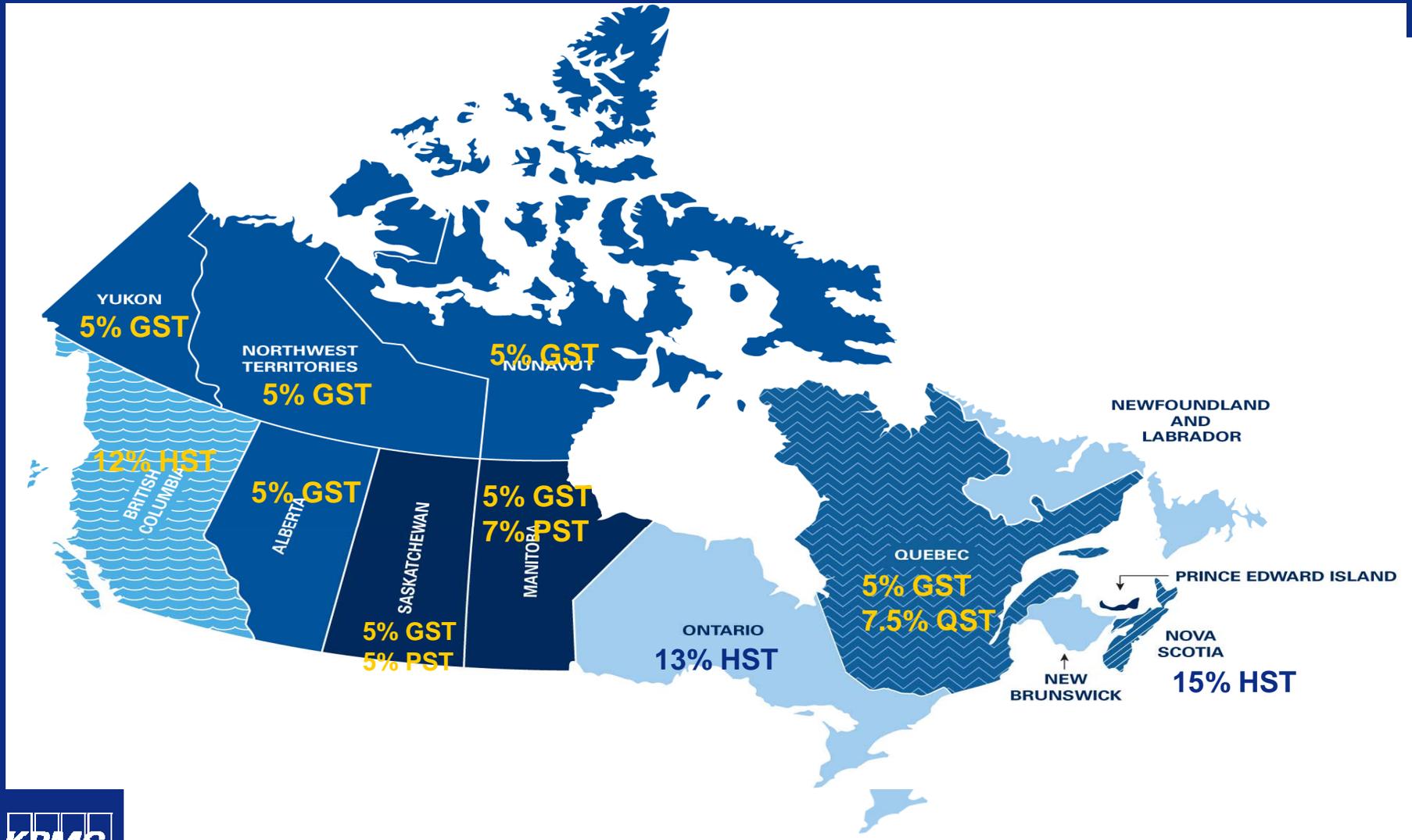
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# Harmonized Sales Tax Agenda

- ◆ Harmonization -
  - Landscape & Overview
- ◆ Transitional Rules
- ◆ Recaptured ITC's
- ◆ Place of Supply Rules
- ◆ Self-Assessment

# Canadian Sales Tax Landscape Effective July 1, 2010



# Harmonized Sales Tax

## Quick Update

- ◆ **Tax base under HST not substantially different from GST (with exception of the point of sale items) however:**
  - **BC and ON Provincial government departments, agencies and crown corporations will ALL pay HST for supplies beginning July 1, 2010**
  - **8 Place of Supply Zones in Canada**
  - **New reporting requirement for recaptured ITC's (RITC's)**



# HST Transitional Rules

# HST – Transitional Rules

## ◆ General rules – For supplies after June 30, 2010

- HST on consideration payable on or after July 1, 2010
- No HST if invoiced or paid before October 15, 2009
- GST and PST, where applicable, if invoiced or paid after October 14, 2009 and before May 1, 2010
- HST on most prepayments between May 1, 2010 and June 30, 2010

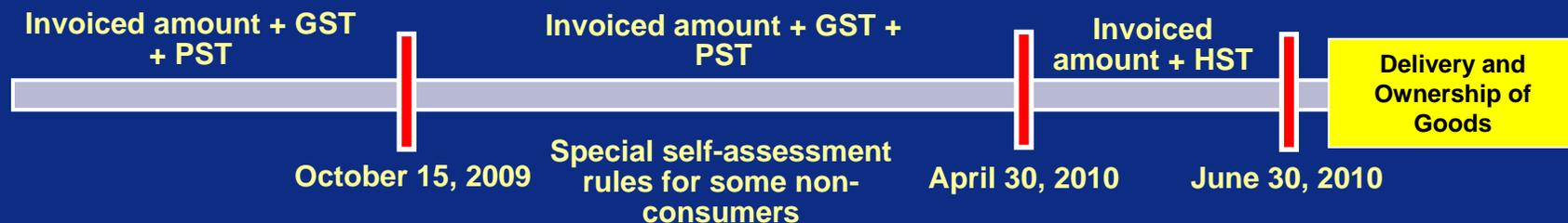
## ◆ Specific rules

# HST Transitional Rules

## Tangible Personal Property (Goods) – GST- PST or HST

### ◆ What does it all mean?

- Will you have to self-assess the provincial component?
  - When do you have to self-assess, if applicable?
  - How will you track the amounts on which to self-assess?



# HST

## Leases and Licences – GST/HST and PST

### ◆ General HST rule

- HST will generally apply to the part of a lease interval that occurs on or after July 1, 2010
- Exception - No HST if lease interval begins before July 2010 and ends before July 31, 2010

### ◆ General PST rule

- PST will cease to apply to the lease of property for the part of the lease interval that is on or after July 1, 2010
- However, PST will apply if lease interval begins before July 2010 and ends before July 31, 2010

# HST

## Leases and Licences – GST/HST and PST

### ◆ Similar transitional rules to services



# HST

## Intangible Personal Property

### ◆ General rule

- HST will generally apply to consideration that becomes due or is paid on or after July 1, 2010 for a supply of intangible personal property by way of sale

### ◆ Special rules

- Memberships
- Lifetime memberships
- Admissions
- Passenger transportation passes



# New Recaptured Input Tax Credit Requirements

# Recaptured ITCs – Phase Out

## ◆ RITC requirements

- Applies to “Large Businesses”
- Provincial component of HST paid or payable
- Specified goods and services
- RITC period is July 1 – June 30, not fiscal year.

## ◆ RITC is temporary and will be phased out

First 5 Years	100% (full denial)
Year 6	75%
Year 7	50%
Year 8	25%
Year 9 onwards	0% (full ITCs available)

# Recaptured ITCs – Who Is Affected?

## ◆ Large Business

- Annual taxable supplies for taxpayer exceeding \$10 million in previous fiscal year
- Financial institutions and related parties
  - Bank, credit union, insurer, etc.

## ◆ Excludes:

- Public Service Bodies
- Principal business is farming
- Item is acquired only for resupply

# Recaptured ITCs – Specified Goods and Services

## ◆ Specified property and services

- Road Vehicle
- Energy
- Telecommunication
- Meals, beverages, entertainment
- Motor fuel (other than diesel) – Ontario only

# Recaptured ITCs – Reporting

- ◆ **Must report RITC in return for “reporting period” when ITC first becomes available**
- ◆ **Separately identify RITCs (by province) on the GST/HST return**
  - The amount of ITC’s that is recaptured will be reported in separate information fields on the schedule
- ◆ **Estimation/installment approach**



# New HST Place of Supply Rules

# New HST Place of Supply Rules – Tangible Personal Property

- ◆ Nothing new in terms of Place of Supply Rules for supplies of tangible personal property

- GST/HST will apply depending on where possession and ownership of the TPP is provided to the recipient

# New HST Place of Supply Rules – Services

- ◆ **To determine HST place of supply of services:**
  - Type of service is important
  - Determine if supplier has obtained recipient's home or business address "in the normal course of business"
  - Determine percentage of "Canadian element" performed in HST province(s)
  
- ◆ **Several exceptions to general rules of HST place of supply for services**

# New HST Place of Supply Rules – Intangible Personal Property

- ◆ **General rules – 3 types of intangible personal property (IPP)**
  - IPP that can be used only primarily in HST provinces
    - HST but at what rate?
  - IPP that can be used only primarily outside HST provinces
    - Generally, GST
  - IPP that can be used other than only primarily in HST provinces or in non-HST provinces
    - I.e., Agreement doesn't specify use of Canadian rights or Canadian rights can be used only equally between HST province(s) and non-HST province(s)
    - Place of supply will depend on a number of factors

# HST and Self-Assessment

## ◆ HST concepts and issues

- Need to self assess if goods are brought into a higher rate participating province
- Only applies if supply is not for exclusive use in commercial activity (ITC available) or for recaptured ITC's
- Current HST rebates (not eligible for an ITC) for goods removed from participating province



**Thank You**

# New HST Place of Supply Rules – Services

## Summary of general rules

Services	Made in HST province?
<p>If:</p> <ul style="list-style-type: none"> <li>◆ Obtains no address in Canada, <u>and</u></li> <li>◆ Services performed in Canada <u>more than 50% in non-HST provinces</u> or equally between HST province(s) and non-HST province(s)</li> </ul>	<p><b>NO, non-HST province(s)</b></p>
<p>If obtains one of following addresses in Canada:</p> <ul style="list-style-type: none"> <li>◆ Home or business address,</li> <li>◆ If two or more home or business addresses, address that is most closely connected with supply, OR</li> <li>◆ Where no home or business address in Canada, another Canadian address that is more closely connected with supply</li> </ul>	<p>Made in that province</p>
<p>If:</p> <ul style="list-style-type: none"> <li>◆ Obtains no address in Canada, <u>and</u></li> <li>◆ Service performed in Canada is performed <u>more than 50% in HST provinces</u></li> </ul>	<ol style="list-style-type: none"> <li>1. In HST province with greatest proportion of service</li> <li>2. However, if equal among HST provinces, highest HST rate</li> <li>3. If same HST rate between HST provinces, that HST rate</li> </ol>

# New HST Place of Supply Rules – Services in Relation to Real Property

## ◆ Rule 1

Regarded as made in HST province if real property in Canada is situation primarily in HST provinces

- Regarded as made in the HST province in which the greatest proportion of real property is situated

## ◆ Rule 2

If single HST province cannot be determined as being HST province in which the greatest proportion of the real property is situated because equal proportion of real property situated in 2 or more HST provinces, supply made in HST province with highest HST

## ◆ Rule 3

If single HST province still cannot be determine because HST provinces have same rate, HST must be charged at that particular rate

# New HST Place of Supply Rules – IPP

## Can be used primarily in HST provinces

Rules	IPP - Can be used primarily in HST provinces – HST but at what rate?	Place of Supply
Rule 1 	<ul style="list-style-type: none"> <li>◆ Agreement; and</li> <li>◆ Greatest proportion of use of Canadian rights are restricted to HST provinces would occur in particular HST province if such rights were used</li> </ul>	IPP regarded as made in particular HST province
Rule 2 	<ul style="list-style-type: none"> <li>◆ \$300 or less</li> <li>◆ Supply made in person at supplier's permanent establishment <u>in a HST province</u> through which supply is made and where IPP can be used</li> </ul>	IPP regarded as made in the HST province
Rule 3 	<ul style="list-style-type: none"> <li>◆ If obtains one of following addresses in Canada is in HST province in which Canadian right can be used:               <ul style="list-style-type: none"> <li>–Home or business address,</li> <li>–If two or more home or business addresses, address that is most closely connected with supply, OR</li> <li>–Where no home or business address in Canada, another Canadian address that is more closely connected with supply</li> </ul> </li> </ul>	IPP regarded as made in that HST province
Rule 4 	IPP regarded as made in HST province with highest HST rate	Highest HST rate
Rule 5	If same HST rate between HST provinces	That HST rate

# New HST Place of Supply Rules – IPP

## Can be used otherwise than primarily in HST and non-HST provinces

Rules	IPP - Can be used otherwise than primarily in HST provinces or non-HST provinces – HST or GST?	Place of Supply
Rule 1 	<ul style="list-style-type: none"> <li>◆ \$300 or less</li> <li>◆ Supply made in person at supplier's permanent establishment in a <u>province</u> through which supply is made and where IPP can be used</li> </ul>	IPP regarded as made in that province
Rule 2 	<ul style="list-style-type: none"> <li>◆ If obtains one of following particular addresses in Canada which is in a <u>particular province</u> where Canadian rights of IPP can be used, :               <ul style="list-style-type: none"> <li>–Home or business address,</li> <li>–If two or more home or business addresses, address that is most closely connected with supply, OR</li> <li>–Where no home or business address in Canada, another Canadian address that is more closely connected with supply</li> </ul> </li> </ul>	IPP regarded as made in that province
Rule 3 	<ul style="list-style-type: none"> <li>◆ IPP regarded as made in HST province with highest HST rate</li> </ul>	Made in HST province with highest HST rate
Rule 4	<ul style="list-style-type: none"> <li>◆ If same HST rate between HST provinces</li> </ul>	That HST rate