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*Please note that this information has been abbreviated for simplicity and as such more restrictions/details may apply than described herein – please obtain professional advice. Also, changes may occur at a later date.*

## Harmonized Sales Tax (HST)

The HST will take effect in Ontario on July 1, 2010 replacing the existing provincial Retail Sales Tax (RST) and combining it with the federal Goods and Services Tax (GST). Starting July 1, 2010, Ontario's businesses will deal with one sales tax, one set of rules and one level of government instead of two.

## INDIVIDUALS

In general, a HST of 13% will apply to all goods and services that are currently subject to GST. For a more complete list please visit: <http://www.rev.gov.on.ca/en/taxchange/taxable.html>

The HST will not be charged on some items that are currently not subject to PST such as:

Basic groceries	Prescription drugs	Child care	Municipal public transit
Health and education services	Legal aid	Most financial services	Residential rents

Consumers will not have to pay the provincial portion (eight per cent) of the HST for some items such as:

Qualified prepared food and beverages sold for a total of \$4 and under	Print newspapers	
Children's clothing, footwear, car seats and car booster seats		
Diapers	Feminine hygiene products	Books (including audio books)

Consumers will pay 13% HST for some items which currently are not subject to PST such as:

Electricity and heating	Many services (such as accounting fees)	Arena/hall rental fees
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Housing:

- New homes will be subject to HST but new home buyers will receive a rebate of up to \$24,000.
- The HST will not apply to purchases of resale homes, condominium maintenance fees, nor residential rents.

Vehicles:

- Vehicles purchased from dealers will continue to be taxed at 13%
- Private resale of vehicles will now be taxed at 13% PST (including registration)

### Tax-free payments to help transition to HST:

- Eligible families - including single parents and senior couples - with adjusted family net incomes \$160,000 or less will receive three payments totaling \$1,000.
- Eligible individuals with adjusted family net incomes \$80,000 or less will receive three payments totaling \$300.
- For families and individuals with higher incomes, each of the three maximum benefit payments will be reduced by 5 per cent of income over the thresholds specified above.

These transition payments will be delivered to eligible Ontario tax filers aged 18 and over or who have a spouse or common-law partner or live with their child in June 2010, December 2010 and June 2011.

## **How HST will be applied to consumer purchases that straddle July 1, 2010**

For purchases made starting May 1, 2010, consumers will be charged the 13% HST for goods received or services performed after June 30, 2010.

## **New Ontario Property Tax Credit**

The government is introducing two new, separate and enhanced tax credits in 2010 — the Ontario Sales Tax Credit and the Ontario Property Tax Credit — to replace the existing combined property and sales tax credits.

The enhanced Ontario Property Tax Credit will be paid **annually** to low- to middle-income Ontario homeowners and renters. Seniors will be able to claim up to \$625 plus 10 per cent of occupancy cost. Non-seniors will be able to claim up to \$250 plus 10 per cent of occupancy cost. The maximum credit will be \$1,025 for seniors and \$900 for non-seniors, and will not exceed occupancy cost. The 2010 income thresholds for the credit will be \$20,000 for single people and \$25,000 for couples and single parents. The credit will be reduced by 2% of adjusted family net income over these thresholds.

To be eligible for the 2010 Ontario Property Tax Credit a **2010 income tax return must be filed**.

## **New Ontario Sales Tax Credit**

The Ontario Sales Tax Credit will be paid **quarterly** beginning in August 2010. The maximum credit will be \$260 for each adult and each child. The 2010 income thresholds for the credit will be \$20,000 for single people and \$25,000 for couples and single parents. The credit will be reduced by 4% of adjusted family net income over these thresholds.

To apply for the payments that will start in August 2010, a **2009 income tax return must be filed**.

## **BUSINESSES**

### **HST Registration**

Businesses that are registered for GST will be required to collect the HST.

Ontario will parallel the federal small supplier threshold. In general, businesses with sales under the threshold (those with total taxable sales of \$30,000 or less in the last year or \$50,000 or less in the case of a public service body) will not be required to register and collect tax.

Small suppliers that choose not to register will not be required to file a HST return and will not be eligible to claim input tax credits. If a small supplier chooses to register, it will be eligible to claim input tax credits related to its taxable supplies when it files its tax return.

### **Change will be required**

All necessary changes to accounting and point-of-sale systems should be implemented to ensure that the HST is properly charged and paid, and to reduce the potential for costly errors and oversights.

Systems that require changes may include:

- point-of-sale terminals, cash registers, computer software and websites
- invoices, sales receipts, purchase orders and expense reports
- special codes for Ontario's point-of-sale rebates
- the ability to track restricted/non-restricted ITCs, federal/provincial components of HST

## **Assistance to be provided to businesses to transition to the HST**

Most businesses, other than financial institutions, with less than \$2 million in annual revenue from taxable sales, will be eligible for the Small Business Transition Credit of up to \$1,000. Ontario will automatically generate and send cheques to all eligible businesses using information obtained from the Canada Revenue Agency (CRA). The issuance of the cheques is expected to commence in late fall of 2010.

In order to qualify for a transition support payment, an eligible business must:

- not be a listed financial institution under the Excise Tax Act (Canada);
- carry on business in Ontario and be a GST/HST registrant on July 1, 2010;
- make GST/HST taxable supplies (including zero-rated supplies) in the course of carrying on business;
- have taxable annual revenues of less than \$2 million (the province will prescribe the 12-month period for calculating the \$2 million taxable revenue threshold for purposes of the transition support payment).

Eligible businesses will qualify for a transition support payment of up to \$1,000 as outlined in the following table:

<b><u>Small Business Transition Support</u></b>	
<b>Total Quarterly Taxable Revenues</b>	<b>Amount of Transition Support Payment</b>
Up to and Including \$15,000	\$300
Over \$15,000 and Up to and Including \$50,000	2% of Taxable Revenue for the Quarter
Over \$50,000 and Up to and Including \$500,000	\$1,000

## **Final RST Returns**

Final RST returns are due on or before July 23, 2010. Supplemental returns will be available for reporting RST amounts collected after July 1, 2010. The government announced that it proposes to extend compensation to RST vendors of up to \$375 for the period April 1, 2010 to June 30, 2010.

Claiming Compensation for Periods Ending after March 31, 2010: All RST returns mailed to vendors for periods ending after March 31, 2010 will indicate AT LIMIT in the Compensation box at Line 5. Do not try to enter an amount in this line. In order to claim compensation, vendors must first determine their total tax collectable on sales during the reporting period and then deduct from that amount the eligible compensation. The result of this calculation must then be entered on line 2 of the RST return.

Proposed compensation limits for the period April 1, 2010 to June 30, 2010 would be:

- If RST charged in the return filing period is \$20 or less, claim the amount charged
- If RST charged in the return filing period is more than \$20 and less than \$400, claim \$20
- If RST charged in the return filing period is \$400 or more, claim 5% of the amount (up to a maximum \$375)

## **List of helpful websites:**

<http://www.rev.gov.on.ca/en/taxchange/needtoknow.html> Preparing for the HST: What You Need to Know

<http://www.rev.gov.on.ca/en/taxtips/hst/03.html> Prepare for Ontario's HST: Compensation for RST Vendors

<http://www.rev.gov.on.ca/en/taxtips/hst/07.html> Prepare for Ontario's HST: Small Business Transition Support

<http://www.rev.gov.on.ca/en/taxchange/taxable.html> What's Taxable Under the HST and What's Not? – chart showing how common product and services affected by HST (click PDF version for colour chart)