



Dear Member:

We are pleased to provide you with information on the new Harmonized Sales Tax (HST) and how it impacts our industry.

The Harmonized Sales Tax (HST) will replace the Ontario Retail Sales Tax (PST @ 8%) and combine with the federal Goods and Services Tax (GST @ 5%) to create a single, value-added sales tax, which will apply at a rate of 13%. The same GST number that has been assigned to businesses will be used for the HST.

As a general rule of thumb, if you are charging GST on a product or service now, you should charge HST, once implemented, on those products or services, though there are certain exceptions that may apply. To make the transition to a harmonized system as smooth as possible for your organization, it may be advisable to consult with a tax specialist to create your own HST implementation strategy.

Suppliers will be responsible for charging the appropriate taxes on goods they are shipping to their retailers based on the retailer's place of business. For example, if a supplier is shipping goods to a BC retailer they will have to apply HST at the BC rate. If they are shipping goods to a retailer in Ontario, they will have to apply the 13% Ontario HST rate.

To access more information on the HST, please visit the Canada Revenue Agency website at [www.cra.gc.ca](http://www.cra.gc.ca) or the Ontario Ministry of Revenue's HST website at <http://www.rev.gov.on.ca/en/taxchange/index.html>.

Below are important dates to note regarding the HST implementation and transition period:

- **October 14, 2009 – May 1, 2010** – Supplier has no obligation to collect the HST, but certain purchasers may be required to self-assess (i.e., determine on their own how much tax they owe, report it on their return and remit it to the Canada Revenue Agency) the 8 per cent provincial portion of the HST on property and services to be provided on or after July 1, 2010.
- As of **May 1, 2010** companies must begin to collect the HST on property and services to be provided on or after July 1, 2010.
- **July 1, 2010** is the implementation date for the HST.
- **October 31, 2010** – Any PST outstanding will become payable.
- **November 2010** – No PST adjustment at point of sale (i.e., no refund of PST from vendor for returned or exchanged items).
- If an invoice is paid or payable by May 1, 2010, a supplier has no obligation to collect the HST, though certain purchasers (e.g., banks, health care providers, certain not-for-profit organizations and charities) may be required to self-assess the 8 per cent provincial portion of the HST.

Other provinces in which the HST applies include Newfoundland and Labrador, New Brunswick, Nova Scotia, Quebec (partially with the QST) and British Columbia (to harmonize on July 1, 2010 at a 12% rate).

Generally, the HST is charged at the rate applicable in the province in which a good or service is provided. It is important to note however that the rules for place of supply of services are complex, especially in light of recent proposed amendments to the rules.

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