On July 1, 2010, Ontario harmonized its Provincial Sales Tax (PST) with the federal Goods and Services Tax (GST) to create the Harmonized Sales Tax (HST). The HST is imposed under federal legislation, the Excise Tax Act (Canada), and is administered by the Canada Revenue Agency (CRA).

The HST is applied on most purchases of taxable supplies of goods and services. The 13% HST in Ontario consists of the 5% federal portion and an 8% provincial portion.

Businesses in Ontario that were registered for GST are now required to collect and report the HST according to their previous GST filing frequency. You are no longer required to file a PST return. A detailed list of items subject to HST can be found on the Ontario Ministry of Revenue webpage What's Taxable under the HST and What's not? at www.rev.gov.on.ca/en/taxchange/taxable.html.

**Participating Provinces**

**HST**

- B.C. – HST 12%
- Ontario, New Brunswick, and Newfound and Labrador – HST 13%
- Nova Scotia – HST 15%

**GST & PST**

- Saskatchewan, Manitoba, and Prince Edward Island (PEI) all have GST and PST. The GST rate is 5%.
  - The respective PST rates are:
    - Manitoba – PST 7%
    - Prince Edward Island – PST 10%
    - Saskatchewan – PST 5%

**GST**

- In Alberta, Yukon, Nunavut, and the Northwest Territories, only the GST applies as these provinces and territories don't have provincial sales tax.

**Quebec Sales Tax**

- The provincial sales tax is Quebec Sales Tax (QST); the current rate is 7.5%.

**Registration**

You have to register for the GST/HST if:

- You provide taxable supplies in Canada.
Small Supplier

If you meet one of the following conditions you do not have to register:

- You are a sole proprietor and your total revenues from taxable supplies (before expenses) from all your businesses are $30,000 or less in the last four consecutive calendar quarters.
- You are a partnership or a corporation and your total revenues from taxable supplies (before expenses) are $30,000 or less in the last four consecutive calendar quarters.
- You are a public service body (charity, non-profit organization, municipality, university, public college, school authority, or hospital authority) and your total revenues from taxable supplies from all the activities of the organization are $50,000 or less in the last four consecutive calendar quarters. A gross revenue threshold of $250,000 also applies to charities and public institutions. For more information, see Guide.

Generally, whether or not you charge HST on the goods or services you provide depends on the place of supply. Specific rules determine whether the place of supply is inside or outside a participating province.

- For supplies of tangible personal property and real property, no changes are proposed to the place of supply rules.
- For supplies of intangible personal property and for services, the place of supply rules have changed considerably with the introduction of HST.

For the collection of HST, place of supply rules are detailed and you may require the assistance of a professional accountant to determine their application.

HST Collection on Services

HST calculations are now based upon the location of the purchaser. As a result, there are multiple rates that could apply. For example, Company A invoices a client:

- In British Columbia for work performed in Ontario, you would charge 12% HST.
- In Nova Scotia for work performed in Ontario, you would charge 15% HST.
- In Ontario for work performed in Ontario, you would charge 13% HST.
- In a non-HST province such as Québec, Saskatchewan, Manitoba, Alberta or PEI, you would charge 5% GST.

A detailed breakdown of the place of supply rules can be found on the CRA website: http://www.cra-arc.gc.ca/E/pub/gm/b-103/README.html.

Tax Relief

To reduce the burden during the transition period, cash payments will be provided to Ontario individual income tax filers in June and December 2010, and June 2011. Eligible families with income of less than $160,000 will receive 3 payments totaling $1,000, while eligible individuals who earn less than $80,000 will receive 3 payments totaling $300.
Examples of HST Rebates and Exemptions

The HST is not charged on the following items that were not subject to PST:

- Basic groceries
- Prescription drugs
- Certain medical devices
- Child care
- Residential rents
- Municipal public transit
- Most health and education services
- Legal aid
- Most financial services
- Tutoring
- Music lessons

Consumers do not have to pay the provincial portion (8%) of the HST for:

- Qualifying prepared food and beverages sold for $4.00 or less
- Print newspapers
- Children's clothing and footwear
- Children's car seats and car booster seats
- Diapers
- Feminine hygiene products
- Books (including audio books)

The Quick Method of Accounting

Quick Method provides a simplified system of calculating and remitting GST/HST. With Quick Method:

- You charge and collect the GST/HST on taxable goods and services you supply to your customers in the usual way.
- You calculate the net GST/HST to remit by multiplying your taxable supplies—comprising the GST and your taxable supplies including the HST made during the reporting period—by the applicable Quick Method remittance rate(s).

The remittance rates depend on the following factors:

- Whether you are in the service, retail, or manufacturing business.
- The province in which your permanent establishment is located.
- The province where your supplies are made or your services are provided.


Important HST Information for First Nations

Effective September 1, 2010, First Nations status cardholders are exempt from the provincial part of the Harmonized Sales Tax (HST) for eligible off-reserve purchases. The exemption generally follows the former practice of the Retail Sales Tax (RST) exemption for goods and certain services purchased off-reserve by a First Nations individual, which was in place for 30 years.

This exemption is in addition to the current relief provided to First Nations under the GST/HST framework, such as for purchases on a reserve or delivered to a reserve. It is also in addition to point-of-sale rebates offered to people living in Ontario on items such as books or children's clothing.

If you have any questions on the GST or HST, please call us.