



The government of British Columbia (BC) will be harmonizing the Provincial Sales Tax (PST) with the federal Goods and Services Tax (GST) to create the Harmonized Sales Tax (HST), effective July 1, 2010.

The BC HST rate will be 12%, composed of a 5% federal component and a 7% provincial component. Like GST, HST will be a value-added sales tax and will be charged on most goods and services sold in Canada. Businesses will collect HST on their sales and may also claim input tax credits (ITC's) to recover HST paid on purchases that they use in commercial activities.

The HST will be administered by the Canada Revenue Agency (CRA). If a business is already a GST registrant, there is no need for separate registration for HST. The business' former GST number will become its new HST number and reporting will continue under the current GST system.

Transitional Rules

Effective May 1, 2010, HST will generally apply to all sales billed or collected for goods delivered and services provided after June 30, 2010.

If sales are billed or collected during the period from October 15, 2009 to April 30, 2010, but the goods are delivered or the services are provided after June 30, 2010, certain businesses may be required to self-assess the provincial component of HST

HST will not apply to sales billed or collected before October 15, 2009 even if the goods are to be delivered or the services provided after June 30, 2010.

If any of the transitional provisions apply, the provincial portion of HST collected or self-assessed should be reported in the HST return that includes the period of July.

Input Tax Credit (ITC) Restrictions

Certain large businesses may be denied ITC's in respect of the 7% provincial component of HST paid on certain expenditures. The regulations detailing this have not yet been introduced but are expected to impose restrictions on expenditures relating to energy, telecommunications services, certain road vehicles, and meals/beverages/entertainment. These restrictions will be temporary and are expected to be phased out over the next several years.



Mandatory electronic filing for certain HST registrants

It is proposed that HST registrants with greater than \$1.5 million in annual taxable supplies in their previous fiscal year (including those of all their associates), be required to file their GST/HST returns electronically for reporting periods ending on or after July 1, 2010. Penalties may be imposed for not filing electronically even if the regular paper filings are submitted on time.

Wind-down of PST

Effective July 1, PST will generally cease to apply. A final PST return will need to be filed by July 23, 2010. Where PST is collected after June, 2010 a supplemental return may need to be filed no later than the 23rd day of the following month.

Other Items of Note

Point-of-Sale Rebates: BC will allow point-of-sale rebates of the provincial portion of HST on certain items, resulting in only 5% GST for certain items including books, diapers, children's clothing/footwear, car seats, feminine hygiene products and gas & diesel motor fuel.

BC New Housing Rebate- BC will pay a rebate of 5% to a maximum of \$26,250 to eligible purchasers of new homes in BC. This is in addition to the Federal New Housing Rebate.

Your Johnsen Archer LLP adviser can help you with this or other provincial or federal tax matters that may affect your business. For additional information, contact your Johnsen Archer adviser.

Johnsen Archer will be offering a half-day course on March 15th on the impact of HST on residential housing contracts and sales. The transitional rules moving from PST to HST in this area are particularly intricate. Please RSVP to Griselda Castillo (gcastillo@johnsenarcher.ca, 604-501-2822) who will provide additional details to you.