

Behind the Counter

HST Transition

So even with all the petitions and the public outcry, the HST received Royal Assent and became law on December 15, 2009. In the agreement, the government agreed to not change the provincial portion of the HST for two years and that the agreement would be reviewed every 5 years.

The transition date for most transactions to the new HST is **July 1, 2010**. Now we have various issues around transitioning to the new HST. The main thing to remember is that the PST is gone, so any rebates etc., that you may have received thru PST are now gone. The hotel room tax is also gone, except for certain situations that will be phased out over time.

All transactions are now governed under the GST legislation. So if you are wondering how to handle a situation, please refer to the GST legislation. Basically everything is HST taxable except for the exceptions noted in the legislation. If you are already registered for the GST, you will automatically be registered for the HST.

The threshold continues to exist for small companies and charities. If you have less than \$30,000 in taxable gross sales (\$50,000 for charities), you are not required to register for HST. If you should achieve more than \$30,000 in taxable gross sales in the year, the CRA will give you a 30 day grace period to enable you to register for HST. Once you are registered, you will always need to collect and remit the HST regardless of your sales level.

If you enter into a contract after May 1, 2010 to order supplies that will not be delivered until July 1, 2010, you must pay the HST as of May 1, 2010. If you enter into a sales contract after May 1, 2010 for something you promise to deliver after July 1, 2010, you must collect and remit the HST on that contract. The exception to this rule will be funeral services and subscriptions to newspapers or magazines. If you are travelling and your round trip starts on June 30, 2010, you will not be required to pay HST on that trip. Most other transactions that straddle the July 1 cut off date will need to be prorated. The portion prior to July 1 will be PST and the portion after will be HST.

If you are a direct seller such as Avon, Tupperware, Nikken, you will continue to pay the HST upfront when you purchase your inventory and then charge that HST to your customers and independent sales contractors when it is sold as was the case with the PST. However, you will need self assess and pay HST on any inventory that was purchased after October 14, 2009 that was not delivered before July 1, 2010.

The continuous supplier companies such as Bell Canada or Telus will need to determine the PST portion up to June 30, 2010 and the HST portion from July 1, 2010. This may be quite a nightmare for these larger organizations to handle on their bills as many of the bills straddle the monthend.

There are also some significant issues to the construction and housing sectors that I will reserve for the next column.

We will receive what are called provincial point of sale rebates on certain items. This means that we will not be charged the provincial portion of the HST on the item. In BC this applies to books, children's sized clothing and footwear, children's car seats and booster seats, feminine hygiene products and diapers, motor fuels, residential energy such as Fortis, BC Hydro and BC Gas. We will, however, have to pay the provincial portion of HST at Tim Horton's and Starbucks.

The Public service bodies and charities will now have different rebates for the federal portion of the HST and the provincial portion therefore they must continue to record each portion separately in their accounting system. In order for a charity or not for profit to qualify for a rebate they must receive at least more than 40% of their funding from the government.

I would recommend that until we get thru the first five years of this HST, that we all record the federal portion and the provincial portion in separate general ledger accounts. Most small accounting programs such as Simply and Quickbooks have already issued updates that will accommodate the changes to the HST. The Canada Revenue Agency will be modifying the existing GST remittance forms for the HST.

The GST credit on personal taxes will now be called the HST credit and will be indexed to include a rebate for the provincial portion of the HST. For individuals with income up to \$20,000 annually, they will receive an additional \$230 annually. For families with income up to \$25,000 annually, \$230 per family member is available. These credits will continue to be split and paid on a quarterly basis.

The last PST return is due to be filed on July 23, 2010 except for situations where PST was required to be self assessed and collected after the July 1 conversion date (mainly to do with the construction and housing industries). The final return for those situations is expected to be November 23, 2010.

When the GST was originally implemented, there was an inventory rebate given to companies that had to pay the GST on inventory. With the HST there will not be a rebate as no PST was paid on the inventory originally.

For more information on the transition issues please refer to the government website

www.fin.gov.bc.ca

I apologize for the headline on the last column. It was a column on Windows 7 and not on Vista as was indicated by the headline. I do not have any control over the headline, nor would I want any as I am not a writer, so we had a bit of a mix up. Hopefully those that read the article could determine what the subject matter was about.

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