

**Harmonization:
The Top 5 Things Charities and Not-for-Profits
Need to Know about the HST**

Toronto - June 10, 2010
Paul Casuccio
pcasuccio@fasken.com

FASKEN
MARTINEAU
www.fasken.com

Introduction

- Status of Legislation and Policies
- GST/HST Basics for NFPs and Charities
- The Top 5 Things to Know about HST
 - Dealing with the Retail Sales Tax
 - Public Service Body Rebates
 - Transition Issues
 - What is not changing?
- Implications and Application of the "POS" Rules
 - Point of Sale
 - Place of Supply
- Action Items

1

FASKEN
MARTINEAU
www.fasken.com

Status of Legislation and Policies

- The Canada Revenue Agency and the Department of Finance are VERY LATE in releasing the legislation and most of the applicable policies
- Promised for the end of March 2010
- We've seen draft legislation with respect to place of supply rules and a number of draft policy statements
- We're awaiting the remainder of the legislation and approximately 30 more policy statements by the middle of June 2010

2

FASKEN
MARTINEAU
www.fasken.com

GST/HST Basics for NFPs and Charities

- Collecting GST/HST on supplies
 - General exemption for charities and Public Institutions
 - Numerous exemptions for not-for-profits
 - Broad exemptions for healthcare sector
- Paying GST/HST on inputs
 - Public Sector Body Rebate
 - Limited input tax credits
- Special Accounting Rules for Charities
- Changing the Tax Base
 - What was subject to RST?
 - What will be subject to HST?

3

The Top 5 Things to know about HST 1) Dealing with the Retail Sales Tax

- Rebate claims by Charities
 - Capital Investment Rebates must be claimed within the ordinary time limitations or by June 30, 2014 (whichever is earlier)
- Assessments, Objections, Appeals
 - Will continue to apply until time limitations expire
- Final RST Returns
 - Final Regular RST Return - July 23, 2010
 - Supplemental Monthly Returns
 - Remaining RST deemed payable on Oct 31, 2010
 - Final Supplemental Return - November 23, 2010
- Continuing RST on certain types of insurance
 - Notably group insurance and property insurance

4

The Top 5 Things to know about HST 2) The Public Service Body Rebate

Public Service Bodies	Federal	B.C.	Ontario
Municipalities	100%	75%	78%
Universities & Colleges	67%	75%	78%
School Boards	68%	87%	93%
Hospitals	83%	58%	87%
Charities & Qualifying Non-Profits	50%	57%	82%

5

The Top 5 Things to know about HST 3) Transition Issues

- Sales of Tangible Personal Property & Real Property
 - Ownership **and** Possession/Delivery after June 2010 – HST, otherwise PST (on personal property)
- Leases/Licenses of Tangible Personal Property, Intangible Property & Non-Residential Real Property
 - Generally, leases/licenses will be subject to HST to the extent that the consideration is attributable to the part of the lease/license occurring on or after July 1, 2010
 - For amounts paid before May 1, 2010 by charities, public institutions or other entities not engaged in commercial activities, **SELF-ASSESSMENT REQUIRED** for amounts attributable to the part of lease/license occurring on or after July 1, 2010

6

The Top 5 Things to know about HST 3) Transition Issues

- Services
 - If more than 10% of a service is performed after July 1:
 - Generally, services will be subject to HST to the extent that the consideration is attributable to the portion of the service occurring on or after July 1, 2010
 - For amounts paid before May 1, 2010 by charities, public institutions or other entities not engaged in commercial activities, **SELF-ASSESSMENT REQUIRED** for amounts attributable to the portion of the services occurring on or after July 1, 2010
- Personal tax planning tips

7

The Top 5 Things to know about HST 4) What is not changing?

- Existing GST exemptions
 - Healthcare property and services
 - General charity and public institution exemptions
- Special Accounting Rules for charities
- Elections
 - 211 elections re real property
- Self-Assessment Requirements
 - Imports
 - But now includes imports from other provinces
 - Changes in use of property
- Input tax credits
 - Restricted ITCs – not applicable to NFPs, charities, public institutions

8

The Top 5 Things to know about HST 5) The "POS" Rules

- Place of Supply Rules
 - What are they?
- Rates
 - BC – 12%
 - Ontario, New Brunswick, Newfoundland – 13%
 - Nova Scotia – 15%
 - Rest of Canada – 5%
- Generally will not apply to healthcare industry because of single-jurisdiction of operations
- But, still relevant where:
 - Supplier is to Charge & Collect HST
 - Recipient must Self-Assess
 - Increased cost of supplies acquired from out of province

9

The Top 5 Things to know about HST 5) The "POS" Rules

- Point of Sale Rebates

	ON	BC
Books	✓	✓
Children's car seats	✓	✓
Car booster seats	✓	✓
Diapers	✓	✓
Child-sized clothing and footwear	✓	✓
Feminine hygiene products	✓	✓
Newspapers	✓	
Meals \$4 and under	✓	
Motor fuels		✓
Residential energy (BC rebate)		✓

10

Action Items


- Contract Review
 - Transitional Rules
 - Self-Assessment requirement for charities et al. for payments made between Oct 14, 2009 and April 30, 2010
- Systems modifications
- RST Rebates
- Strategic last-minute purchases
 - Mitigating RST on acquisitions of tangible personal property
 - Mitigating HST on acquisition of one-time services

11

Questions?

Paul Casuccio
Partner
416 868 3491
pcasuccio@fasken.com

12



FASKEN
MARTINEAU
www.fasken.com



FASKEN
MARTINEAU
www.fasken.com

13
