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

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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

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
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?

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

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

<table>
<thead>
<tr>
<th>Public Service Bodies</th>
<th>Federal</th>
<th>B.C.</th>
<th>Ontario</th>
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</thead>
<tbody>
<tr>
<td>Municipalities</td>
<td>100%</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>Universities &amp; Colleges</td>
<td>67%</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>School Boards</td>
<td>68%</td>
<td>87%</td>
<td>93%</td>
</tr>
<tr>
<td>Hospitals</td>
<td>83%</td>
<td>58%</td>
<td>87%</td>
</tr>
<tr>
<td>Charities &amp; Qualifying Non-Profits</td>
<td>50%</td>
<td>57%</td>
<td>82%</td>
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</tbody>
</table>
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 the lease/license occurring on or after July 1, 2010

- 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

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
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

The Top 5 Things to know about HST
5) The “POS” Rules

- Point of Sale Rebates

<table>
<thead>
<tr>
<th>Item</th>
<th>ON</th>
<th>BC</th>
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<tbody>
<tr>
<td>Books</td>
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<tr>
<td>Children’s car seats</td>
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<td>Car booster seats</td>
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<td>✔️</td>
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<td>Diapers</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Child-sized clothing &amp; footwear</td>
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<td>✔️</td>
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<tr>
<td>Feminine hygiene products</td>
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<td>✔️</td>
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<tr>
<td>Newspapers</td>
<td>✔️</td>
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<td>Meals $4 and under</td>
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<tr>
<td>Residential energy (BC rebate)</td>
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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
Questions?

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