

The Partners of Ward & Uptigrove are pleased to invite you to attend a seminar on

Understanding the new HST (Harmonized Sales Tax)

Where: Listowel Golf & Country Club
8380 Fairlane Road, Listowel, ON
www.listowelgolfclub.ca/index.php?/Location.html

When: Wednesday, March 10, 2010
1:30 P.M.

- General rules and implementation session featuring Rose Mailloux from Indirect Tax Consulting Inc. Ward & Uptigrove utilizes Rose's expertise in issues surrounding specialized commodity taxation.
- Q & A following general session
- Break-out sessions to explore specific industries and transitional rules in more detail

Please RSVP to Brenda Sippel or Ruth Helmka
by March 5, 2010 by phone 519-291-3040
or email BrendaS@w-u.on.ca or RuthH@w-u.on.ca

Implementation of the new Harmonized Sales Tax (HST) in Ontario

The Ontario and Federal governments have consented to harmonizing the current 5% Goods and Services Tax (GST) and the 8% Ontario Retail Sales Tax (RST). The Federal government will administer this single 13% HST effective July 1, 2010. For many businesses, administration of this combined tax should be relatively straightforward and provide a financial benefit.

This letter outlines the basic workings and highlights exceptions and areas where there may be additional information required that would impact implementation of the HST. Personalized letters explaining these exceptions will be sent in the following week(s) to affected clients. Information relating to the HST, including these letters, will be made available on our website: www.wardanduptigrove.com

You may also consider attending our free seminar outlined above. Our seminar will provide a brief overview of the basics, but will be focused more on the exceptions that will impact implementation of the HST.

Basic Mechanics of the HST

Businesses currently charging 5% GST and not registered for the RST will commence, on July 1st, charging HST at 13% on taxable goods or services where the service is performed or the ownership of goods transfers on or after July 1st.

Businesses currently charging 5% GST and 8% RST will commence, on July 1st, charging HST at 13% on taxable goods or services where the service is performed or the ownership of goods transfers on or after July 1st. In addition, on July 1st, they will cease charging RST on their goods and services.

In either case, businesses will continue to claim Input Tax Credits (ITC's) for the HST they pay out. This is where the financial benefit arises. Previously the 8% RST paid was not recoverable. Under the HST the 8% component becomes refundable, lowering the cost of the expense or the asset.

The Exceptions that Impact Implementation of HST

As with any change to taxation laws, there are numerous implementation rules and special circumstances set out to ensure a level playing field and compliance with the new rules. These exceptions will impact limited industries. Please review the following special circumstances to see if they may apply to your business.

A) Transactions straddling the implementation date (July 1st, 2010)

Various rules set out deal with transactions for services or contracts for goods that straddle July 1st. Examples include: prepayments for goods or services, leases, service work that began in June and completed in July, progress payments and holdbacks.

B) HST and New Housing

There are many detailed rules that apply specifically to builders of new homes. These will affect both the charging of HST on new construction, as well as the Housing Rebate.

C) ITC Restrictions for large businesses

There is a 5-year ITC restriction that will apply on the provincial component of the HST on certain expenses. Large businesses are defined as having **taxable sales greater than \$10 million**.