

# Changes to GST / HST Rules and Filing Requirements

Below is a summary of some of the proposed changes to the GST / HST rules and filing requirements which have been recently announced as well as a summary of some of the new HST rules for BC and Ontario. There are numerous links to various government websites included in this summary since the proposed new rules and requirements are very detailed and, depending on your business' specific situation, you may need to review the details for some of the proposed new rules and requirements.

If you have any questions regarding any of these proposed new rules and requirements, please call Mark Servello at 403-536-5156.

## New electronic filing requirements

Effective for GST / HST reporting periods that end on or after July 1, 2010, proposed measures will require the following GST / HST registrants to file their GST / HST returns electronically:

- All registrants (with the exception of charities) with greater than \$1,500,000 in annual taxable supplies. The \$1,500,000 annual taxable supply threshold includes the annual taxable supplies of all associated persons.
- Registrants that are required to recapture input tax credits for the provincial portion of the HST on certain taxable supplies acquired in BC or in Ontario.
- Builders that are affected by the transitional housing measures announced by BC or Ontario.

Canada Revenue Agency ("CRA") has the following four electronic filing options available:

- GST / HST Netfile
- GST / HST Telefile
- Electronic Data Interchange ("EDI")
- GST / HST Internet File Transfer ("GIFT")

The electronic filing options that are available to a particular registrant will depend on the particular registrant's reporting circumstances. Click on the link below to CRA's website and refer to the table in question 11. For a discussion of the four electronic filing options refer to question 4 from the link below.

<http://www.cra-arc.gc.ca/E/pub/gi/notice249/README.html>

If a GST / HST return is not filed in the correct format, penalties will apply.

If a person is not required to file its GST /HST return electronically, in most cases the person can choose to file its GST / HST return electronically for reporting periods that end on or after July 1, 2010.

## **Harmonized Sales Tax (“HST”)**

Effective July 1, 2010, the new HST rules come into effect for BC and Ontario. BC will have an HST rate of 12% and Ontario will have an HST rate of 13%.

Generally, with the exception of some specific point of sale rebates and changes to the place of supply rules (which are discussed below), the new HST rate will need to be charged on all sales in BC and Ontario on which GST was previously charged so instead of charging 5% GST, the supplier will charge 12% HST on sales in BC (13% on sales in Ontario) on or after July 1, 2010.

For more information on the specific point of sale rebates refer to the link below to Canada Revenue Agency’s (“CRA’s”) website and refer to publications GI – 060 to GI – 065.

[http://www.cra-arc.gc.ca/menu/APAP\\_G-e.html](http://www.cra-arc.gc.ca/menu/APAP_G-e.html)

There will be transitional rules applicable to most transactions which straddle the July 1, 2010 implementation date. For more information on the specific transitional rules refer to the above link to CRA’s website and refer to publications GI – 053 to GI – 059.

Prior to the HST rules coming into effect, there was no provincial portion of sales tax on new housing, there will now be HST charged on new housing. Both BC and Ontario have introduced rebates for new housing.

For more information on the new housing rebate for BC and for transitional rules related to housing in BC refer to the link below on CRA’s website.

<http://www.cra-arc.gc.ca/E/pub/gi/notice246/README.html>

For more information on the new housing rebate for Ontario and for transitional rules related to housing in Ontario refer to the link below on CRA’s website.

<http://www.cra-arc.gc.ca/E/pub/gi/notice244/README.html>

Part of the new HST rules for both BC and Ontario includes provisions that require certain businesses to recapture input tax credits (“RITC”) on purchases of specified property and services. In general, it will be large businesses and certain financial institutions which will be subject to the RITC requirement. A large business is one with taxable supplies in excess of \$10,000,000 annually. The \$10,000,000 taxable supply threshold will include zero-rated supplies and supplies which are subject to the Election for NIL Consideration Between Closely Related Corporations and Partnerships (the form GST25 election) and it will also include the taxable supplies of all associated persons.

The RITC requirement will apply to purchases of specified property and services which will generally mean a specified road vehicle, specified energy, specified telecommunication service, or a specified meal or entertainment which is acquired, or brought into either BC or Ontario, by a large business for use by that business in the particular province, either BC or Ontario. There are

some exceptions to the RITC requirement for specified property and specified services which are being resupplied and for specified property which is acquired for the sole purpose of becoming a component part of tangible personal property that will be sold by the business.

The RITC requirement will apply to the provincial portion of the HST only. In other words, businesses which are subject to this RITC requirement will still be able to claim the 5% GST portion of the HST, but will have to recapture the 7% BC provincial portion of the HST (8% provincial portion in Ontario). This means that a business which is subject to this RITC requirement will have to, in its accounting records, separately track the Federal 5% GST portion of the HST and the 7% or 8% provincial portion of the HST.

The RITC requirement will also apply to supplies which are subject to the Election for NIL Consideration Between Closely Related Corporations and Partnerships (the form GST25 election).

The RITC requirement in both BC and Ontario has been proposed to apply to 100% of input tax credits for large businesses on the purchase of specified property and specified services for the next five years and then the RITC requirement is supposed to be phased out in the three years following.

For more information on the RITC requirement in BC refer to the link below on the BC government's website and then click on the link entitled "Temporary Recapture of Input Tax Credits Requirement".

[http://www.sbr.gov.bc.ca/individuals/Consumer\\_Taxes/Harmonized\\_Sales\\_Tax/hst.html](http://www.sbr.gov.bc.ca/individuals/Consumer_Taxes/Harmonized_Sales_Tax/hst.html)

For more information on the RITC requirement in Ontario refer to the link below on the Ontario government's website.

<http://www.rev.gov.on.ca/en/notices/hst/05.html>

In general, provincial governments and provincial government entities of non-harmonized provinces do not pay GST / HST. When the new HST rules come into effect in BC and in Ontario on July 1, 2010, both the BC government and the Ontario government will pay HST. This means that business will be required to start charging HST for work done for the BC and Ontario government and BC and Ontario government entities effective July 1, 2010.

Coinciding with the implementation of HST, BC will be eliminating the Hotel Room Tax effective July 1, 2010. For more information on the transitional rules related to the Hotel Room Tax in BC refer to the link below on the BC government's website.

[http://www.sbr.gov.bc.ca/individuals/Consumer\\_Taxes/Harmonized\\_Sales\\_Tax/hrt\\_transitional\\_rules.htm](http://www.sbr.gov.bc.ca/individuals/Consumer_Taxes/Harmonized_Sales_Tax/hrt_transitional_rules.htm)

## **Changes to Place of Supply Rules**

On February 25, 2010, the Department of Finance announced proposed changes to the Place of Supply rules for determining whether a supply is made in a particular province. The proposed changes would apply to any supply made on or after May 1, 2010. The proposed changes would also apply to any supply made after February 25, 2010 and before May 1, 2010, if the consideration for the supply has not become due, and has not been paid, before May 1, 2010.

No changes have been proposed to the current place of supply rules for supplies of tangible personal property and supplies of real property. However, there are significant changes proposed to the current place of supply rules for supplies of intangible personal property and supplies of services.

Many of the current HST place of supply rules for property and services rely on the location of the supplier to determine whether a sale is subject to the provincial component of the HST. It is proposed that the HST place of supply rules for intangible personal property and services be changed so that there is less reliance on the supplier's location and greater reliance on where the consumer of the intangible personal property or service is located.

For more information on the proposed changes to the place of supply rules for determining whether a supply is made in a province refer to the link below on CRA's website.

<http://www.cra-arc.gc.ca/E/pub/gm/b-103/README.html>

There are also changes proposed to the rules that, in certain circumstances, require self-assessment or provide for rebates of the provincial component of the HST on property or services where the property or services are brought into a province or are acquired in a province for consumption, use or supply outside that province. For more information on these proposed changes please refer to the link below on Finance Canada's website and go to the sections entitled "Self-Assessment of the Provincial Component of the HST" and "Rebates of the Provincial Component of the HST".

[http://www.fin.gc.ca/n10/data/10-014\\_1-eng.asp](http://www.fin.gc.ca/n10/data/10-014_1-eng.asp)

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