



To: Divisional Financial Officers
From: Lou Ranalli, Manager Financial Services
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HST Bulletin #1 - Proposed Harmonized Sales Tax (HST)

The 2009 Ontario Budget has proposed a Harmonized Sales Tax (HST) for Ontario, which is to come into effect on July 1, 2010. While the federal legislation to implement the HST has not yet been tabled, it is expected that the HST will come into force as planned on July 1, 2010.

The Financial Services Department is putting together a committee which is analyzing the proposals to determine the impact of the HST on the University. During the period leading up to the implementation of the HST, the Financial Services Department we will be providing guidance and updated tax codes to complete the process within FIS.

At this time, we can confirm that the proposals will combine the Federal GST of 5% and the Provincial sales tax of 8%, into one single tax of 13%. The HST for the most part, will follow the same rules and tax base as the GST.

Currently, the University receives a 67% rebate on the 5% GST. The GST rebate will remain unchanged. The Province has proposed a 78% rebate on the 8% PST portion of the HST. This would result in a combined rebate of approximately 73.76%. Currently when most goods are purchased, the 8% PST applies with no rebate available. The net of the proposed provincial portion of the HST, will result in an effective tax of 1.76%, a reduction of 6.24% from the current PST of 8%.

Overall the University expects some benefits from the HST through the new 78% rebate on the 8% PST portion of the HST. But for some areas of the University, the new HST will add a financial burden. For example, equipment purchased for research purposes is currently PST exempt, and therefore will now incur an effective tax rate of 1.76% on the PST portion of the HST. Please note that any contracts or leases or other payments that straddle the July 1, 2010 implementation date for HST will be affected. HST will need to be self assessed on the portion of any payment that is prepaid and relates to a period subsequent to June 30, 2010.

As a result of the proposed HST, there will be a number of purchase considerations that will require some planning over the next 7 months to minimize the immediate impact on your budgets.

Further communication will follow as more details are revealed.