



To: Divisional Financial Officers  
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Date: April 26, 2010

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## HST Bulletin #3 – Harmonized Sales Tax (HST) Impact on External Sales of Goods and Services

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This Bulletin examines the impact of HST on University sales to external parties made on or after July 1st, 2010 and in some situations as early as May 1<sup>st</sup>, 2010.

### Introduction

Effective July 1, 2010 the Ontario Retail Sales Tax (PST) will be replaced with a value added tax (OVAT) and combined with the federal goods & services tax (GST) to create a federally administered Harmonized Sales Tax (HST). The new Ontario HST will be encompassing a provincial component (OVAT) at 8% and a federal component (GST) at 5%, for a combined HST rate of 13%.

***As a general rule, the University will be required to collect the additional 8% OVAT on all goods and services subject to the existing GST. In other words, all goods and services currently subject to the 5% GST will be taxed at 13% HST (OVAT plus GST) beginning July 1, 2010 and in some cases, as early as May 1, 2010. (The primary exceptions are sales of books and prepared meals less than \$4. These items will be taxed at 5% HST, since an OVAT point of sale exemption has been legislated for these items).***

Departments that currently generate GST taxable sales and use third party software should begin to contact their service providers to ensure that the appropriate modifications are implemented to allow for the billing and collection of the HST. ***Batch files uploaded into FIS will need to be updated to ensure they are using the new HST tax codes.*** Please note that cash registers, websites and forms will also need to be updated to reflect HST sales.

### HST Information Sessions

Members of the University community with any budget or financial accounting responsibilities are strongly encouraged to attend the HST Information Sessions conducted by the FAST Team and FSD. These sessions provide a broad overview of the HST. Attendance is recommended, particularly if a department is engaged in taxable sales of goods or services.

To register, please click on the link below:

**Registration:** <http://www.finance.utoronto.ca/fast/training/hsttraining.htm>

## HST Transition Website

The Financial Services Department has created a special website to assist the University community in transitioning to the HST. The website will contain an overview of the HST, recently published HST bulletins, external web links, HST training dates and documents and much more. Please visit the website at:

<http://www.finance.utoronto.ca/services/tax/hsttransition.htm>

The web site will continue to be updated and expanded as we approach the July 1, 2010 HST implementation date.

## What Goods and Services Are Taxable for HST?

For assistance in determining the taxable status of goods and services provided by the university to external parties please review the HST Tax Status Table for Sales to External Parties located at:

<http://www.finance.utoronto.ca/Assets/Finance+Digital+Assets/Services/Taxation/hstsales.pdf>

This table provides general guidance in determining which goods and services are subject to HST.

All taxable sales occurring prior to May 1, 2010 are subject to PST and/or GST, as per current practice.

All taxable sales occurring on or after July 1, 2010 are subject to HST.

Taxable sales taking place on or after May 1, 2010 and on or before June 30, 2010 are subject to transitional rules as described in Figure 1. These rules are explained at the HST Information Sessions and members of the University community are encouraged to attend to gain a better understanding of these rules.

	Old Tax Environment		New Tax Environment
	PST	GST	HST
<b>Sales before May 1st, 2010</b>			
Does not depend on when goods/service are provided/performed	8%	5%	N/A
<b>Sales between May 1 and June 30, 2010</b>			
Delivery of goods/service before July 1, 2010	8%	5%	N/A
Delivery of goods/service on or after July 1, 2010	N/A	N/A	13%
Services where 90% has been performed before July 1, 2010	8%	5%	N/A
Services where 10% or more has been performed after July 1, 2010 (need to prorate taxes for each period)	8%	5%	13%
<b>Sales on or after July 1st, 2010</b>	N/A	N/A	13%

## Steps to Follow to Ensure the Correct Taxes are Charged

In order to ensure that departments charge and collect the correct taxes, please follow these steps:

1. Look up the good or service in the HST Tax Status Table for Sales to External Parties (web link provided above) and determine if HST applies to the sale.
2. Determine when the sale takes place and which taxes apply to the sale (refer to Figure 1)
  - Before May 1, 2010 (PST and/or GST may apply)
  - Between May 1 and June 30, 2010
    - When does delivery or service take place? (PST and/or GST and/or HST may apply)
  - On or after July 1, 2010 (HST applies)
3. Record tax collected using the appropriate tax code in FIS: (visit the HST Transition website for an updated list, web link provided above)
  - For HST use tax code - R1
  - For GST only, use tax code – O4 now and R3 after July 1st.
  - For GST and PST use tax code - OA
4. For additional assistance on classifying sales, departments/faculties can visit the HST transition website or email [hst.help@utoronto.ca](mailto:hst.help@utoronto.ca)

## Sales invoices

Sales invoices should show the total amount of HST charged as a single line item - there is no need to show the federal and provincial components of HST separately on invoices. For tax included pricing, invoices should show that the amount payable includes HST at 13%.

The minimum requirements for sales invoices are shown below in Figure 2.

	Total Sale		
	< \$30.00	\$30.00 - \$149.99	>= \$150.00
Business Name - University of Toronto	√	√	√
Invoice date or, if you do not issue an invoice, the date on which the HST is paid or payable	√	√	√
Total amount paid or payable	√	√	√
An indication of the total amount of HST charged or that the amount paid or payable for each taxable supply (other than zero-rated supplies) includes HST at the applicable rate		√	√
If you supply items taxable at the GST rate and the HST rate, an indication of which items are taxed at the GST rate and which are taxed at the HST rate		√	√
UofT's Business Number (10816 2330)		√	√
The buyer's name or trading name or the name of their duly authorized agent or representative			√
A brief description of the goods or services			√
Terms of payment			√

## Sales to Third Parties Located in Other Canadian Provinces

The guidelines below relate to external sales where delivery of goods occurs outside of Ontario.

### Category 1: Sales to Harmonized Provinces

Harmonized provinces (those that participate in HST) consist of Nova Scotia, Newfoundland and Labrador, New Brunswick and effective July 1, 2010 Ontario and British Columbia. HST must be collected on external sales for any taxable goods that are sold and delivered to any of the harmonized provinces.

The HST rate in effect for most harmonized provinces is 13% with the exception of BC where the rate will be 12% and Nova Scotia where the rate changes to 15% on July 1, 2010.

### Category 2: Sales to Non-Harmonized Provinces

Only GST will apply to sales to third parties for taxable goods that are sold and delivered to any of the non-harmonized provinces - Quebec, PEI, Manitoba, Saskatchewan, Alberta, as well as the Yukon, Nunavut, and Northwest Territories.

HST will NOT apply to these sales.

### Sale of Services

There are special place of supply rules which apply to the sale of services (i.e. conferences, etc.) that are provided in Canada but outside the Province of Ontario, please contact [hst.help@utoronto.ca](mailto:hst.help@utoronto.ca) for details.

## HST Exemptions

HST will not apply to the following external sales transactions:

- Goods or services that are exported outside Canada.
- The sale of the following goods will receive a point of sale rebate of the provincial component of the HST (OVAT) and therefore only the federal component of 5% HST (GST) will apply:
  - Print (newspapers)
  - Books (includes audio books)
  - Prepared food & beverages sold for \$4.00 or less
  - Children's clothing, footwear, diapers, car seats & booster seats
  - Feminine hygiene products
- Sales made for a nominal consideration (Direct Cost Recovery) - HST will not apply to goods or services provided for a nominal charge\*.

\* Nominal charge refers to an amount equal to or less than the direct cost of the goods or services purchased, less the HST rebate. Direct costs cannot include any allocation of overhead, salaries, etc.

## **In the Coming Weeks**

- The FAST team will be setting up workshops to assist departments with the processing of FIS documents that are affected by the implementation of the HST.