Implementation of a Harmonized Sales Tax in Ontario

On March 26, 2009, the Provincial Government announced its intention to harmonize its retail sales tax (RST) with the federal goods and services tax (GST) effective July 1, 2010. The 8% provincial component, together with the 5% federal component will result in a combined rate of 13%.

This new harmonized tax (HST) will result in provincial tax being imposed on many goods and services that are not currently taxed in Ontario under RST.

To mitigate the impact of this additional tax on Universities, a rebate of 78% on the provincial sales tax portion has been proposed by the Provincial Government.

Costs will be higher in areas where they had previously been exempt under PST rules or where they were not previously subject to PST. Some examples include:

- Consulting services
- Energy
- Service contracts
- Professional fees
- Supply and installation contracts
- Research equipment
- Advertising

Costs will be lower on items that were previously subject to PST and that will now be eligible for a rebate on a portion of their PST. Some examples include:

- Office supplies
- Equipment
- Travel costs

While some initial information has been released, the specific details are still not currently available. Analysis has begun to assist faculties and departments in determining the budgetary impact of this new tax on the 2010/11 fiscal year. The Comptroller’s office has commenced preliminary planning to make the necessary changes to the various University systems as well as revision of forms for the processing of transactions.

Specific details on transition rules with respect to transactions that cross the pre and post July 1, 2010 implementation date are yet to be released. As the information becomes available, seminars will be scheduled and information bulletins will be released.

**Tax Planning Opportunity – 2009/10**

Faculties and Departments anticipating making significant dollar purchases over the next twelve months should consider the timing of these expenditures to take advantage of the opportunity that will materialize from this new tax regime.

**Points to Consider**

Major expenditures on items that are currently subject to Ontario Retail Sales Tax should be considered for deferral to post July 1, 2010 to take advantage of the rebate on the provincial tax portion of HST.

Major expenditures on items exempt from Ontario Retail Sales Tax (i.e. research equipment) should be accelerated where possible to prior to July 1, 2010.

If a department or faculty anticipates that they may be in one of the above situations, please contact either Trudy Pound-Curtis, AVP Finance & CFO at ext. 77100, Aldo Dimarcantonio, Comptroller at ext. 55799, or Cameron Rogers, Assistant Comptroller at ext. 55877 for further advice.

Additional information seminars will be scheduled as detailed information is released from the Ministry.