Implications of the Harmonized Sales Tax (HST) on University Sales to External Parties

March 2010

Introduction

The HST in Ontario harmonizes the goods and services tax (GST) and the provincial sales tax (PST). HST consists of a federal component at 5% and a provincial component at 8% for a total tax rate of 13%. The HST becomes effective on July 1, 2010 and will be administered by the Canada Revenue Agency (CRA).

As a general rule the tax base for the HST will be the same as for the GST with a few specified exceptions - in other words, all goods and services subject to the existing GST will be subject to the 13% HST effective July 1, 2010 (and in some cases as early as May 1, 2010). The primary exceptions are sales of books and prepared meals costing $4.00 or less. These items will only be taxed at 5% - the federal component of HST.

Units that currently generate GST taxable sales should begin reviewing their systems to ensure that the appropriate modifications are made to billing systems to allow for the charging and collection of the HST.

The information contained in this Bulletin provides assistance to the York Community on determining the HST status of sales transactions to external parties.

Training and Education

Members of the University community with any budget or financial accounting responsibilities are strongly encouraged to attend the HST Education and Information sessions conducted by the Office of the Comptroller. These sessions provide a broad overview of the HST. Attendance is essential to understanding the HST, particularly if a unit is engaged in taxable sales of services or products.

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 Table for Sales to External Parties located at http://www.yorku.ca/finance/documents.htm. This schedule provides 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 past 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 in considerable detail at the Education Sessions and members of the community are encouraged to attend to gain a better understanding of these rules.

### Figure 1. HST Transition Summary for External Sales of Taxable Goods & Services

<table>
<thead>
<tr>
<th>Sales before May 1, 2010</th>
<th>Old Environment PST</th>
<th>GST</th>
<th>New Environment HST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8%</td>
<td>5%</td>
<td>n/a</td>
</tr>
<tr>
<td>Sales between May 1 and June 30, 2010</td>
<td>Delivery before July 1, 2010 of Good/Services</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Delivery on or after July 1, 2010 of Goods /Services</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>Services where 90% have been performed before July 1, 2010</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Services where more than 10% have been performed on or after July 1, 2010 (need to pro rate)</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Sales on or after July 1, 2010</td>
<td>n/a</td>
<td>n/a</td>
<td>13%</td>
</tr>
</tbody>
</table>

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

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

1. Look up the good or service in the HST Tax Table ([http://www.yorku.ca/finance/documents.htm](http://www.yorku.ca/finance/documents.htm)) and determine which taxes apply 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. Report tax collected in the appropriate account:
   - HST: Account 010605 HST Collected
   - GST: Account 010601 GST Payable
   - PST: Account 010720 PST Payable

4. For additional assistance on classifying sales, units/faculties can complete the External Sales Template located at: [http://www.yorku.ca/finance/documents.htm](http://www.yorku.ca/finance/documents.htm) and send it to Finance.

5. Finance will review all templates and provide feedback if needed.
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%.

For a refresher on the minimum requirements for sales invoices please review Figure 2 below.

<table>
<thead>
<tr>
<th></th>
<th>Total Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; $30.00</td>
</tr>
<tr>
<td>Business name - York University</td>
<td>✓</td>
</tr>
<tr>
<td>Invoice date or, if you do not issue an invoice, the date on which the HST is paid or payable</td>
<td>✓</td>
</tr>
<tr>
<td>Total amount paid or payable</td>
<td>✓</td>
</tr>
<tr>
<td>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</td>
<td>✓</td>
</tr>
<tr>
<td>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</td>
<td>✓</td>
</tr>
<tr>
<td>York's Business Number</td>
<td>✓</td>
</tr>
<tr>
<td>The buyer’s name or trading name or the name of their duly authorized agent or representative</td>
<td>✓</td>
</tr>
<tr>
<td>A brief description of the goods or services</td>
<td>✓</td>
</tr>
<tr>
<td>Terms of payment</td>
<td>✓</td>
</tr>
</tbody>
</table>

Sales to Third Parties Located in Other Canadian Provinces

Sale of Goods
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 the harmonized provinces is 13% with the exception of BC where the rate will be 12%.
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 and the Territories.

HST will NOT apply to these sales.

Sale of Services

There are special 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 the Finance Dept. for details. These rules have not been finalized as yet by the taxing authorities.

HST Exemptions

HST will not apply to the following external sales transactions:

- Where the goods or services are exported outside Canada.
- The sale of goods or services when certification is provided to the governments and their recognized bodies for the provinces of:
  - Quebec, Manitoba, Saskatchewan, Alberta, NWT and Yukon

  Note: HST applies on taxable sales to the other provincial governments and their agencies: P.E.I., Nunavut, Nova Scotia, New Brunswick, Newfoundland and Labrador and effective July 1, 2010 British Columbia and Ontario.

- The sale of the following goods will receive a point of sale rebate of the provincial component of the HST and therefore only the federal component of 5% 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.

In the Coming Weeks

The final legislation regarding HST is expected to be released by the CRA by March 31, 2010. Finance will release additional information once it becomes available.

For clarification on any of the information included in this bulletin, please contact the University Comptroller, Aldo DiMarcantonio by email at dimarca@yorku.ca or at ext. 55799, or Desiree Archer at archerd@yorku.ca or at ext 30244.