TO: Staff with Financial Responsibilities

FROM: Larry Guthrie, Director, Accounting Services
Sabina Diaconescu, Manager, Payment Services

DATE: April 12, 2010

RE: HST Introduction

On July 1st, Harmonized Sales Tax will replace the current 5% GST and 7% PST with a single 12% tax consisting of 5% CVAT (Canada) and 7% BC PVAT (BC provincial) value added taxes. In the coming weeks, we will need to organize ourselves to be compliant with the law.

Planning Considerations

This and future memos on HST will primarily address organizing ourselves to be legislatively compliant. However, knowledge of the law can also present tax planning opportunities. Planning considerations include the following opportunities.

- Safety equipment is currently PST exempt; but will become HST taxable. Thus it may be beneficial to stock up on safety equipment before the end of June.
- Most services are not PST taxable. Savings can be realized by utilizing services before the end of June rather than after.
- Most supplies purchased other than for commercial purposes are PST taxable. As a result, there will be no difference in the amount of tax paid when HST comes into effect. However, there will be a new 75% rebate on the provincial portion of the tax. Therefore, it will often be beneficial, where practical, to defer the purchase of most non-commercial supplies until after July 1st.

Understanding how taxes will be changing can present opportunities to time transactions to minimize the incidence of taxation. However, as with all tax planning, one should be cautious to ensure that the core actions being taken are for necessary purposes.

Overview of HST

In general, the HST will be applied in the same manner as the existing GST with the following leading differences.

Point of Sale Rebates on the 7% BC PVAT apply to: gasoline, diesel fuel, bio-fuel components for motor vehicles, boats and aircrafts; books; children’s sized clothing, car
seats and booster seats; diapers; and feminine hygiene products. 5% CVAT is charged where applicable.

**BC PVAT Rebates for Universities** will be 75%; except for commercial activities where the rebate will be at 100%. CVAT will be rebated the same as the current GST.

**Place of Supply Rules** have been introduced that change the determination of which tax is applicable to inter-provincial transactions.

**Transition Rules** apply to transactions that straddle the July 1st introduction date in order to know which tax needs to apply.

While the foregoing is a succinct summary, when applying it to specific transactions, it is not simple. In fact, at this time, all of the rules are not known. Never-the-less, we must proceed with implementation in order to be legally compliant.

**Implementation Roles & Support**

One monthly HST return must be filed by the University and this is done by the Manager, Payment Services, Sabina Diaconescu. In order to do this all information on HST charged, self-assessed, rebates claimed and blended rates applied must flow to her and, accordingly, she will be coordinating this project.

As the university has decentralized systems with financial elements that are not operated by Finance, the managers responsible for those systems will need to take appropriate action. Where systems are supported by Information Services, they will be involved; but in other cases managers will need to look to the software vendors that they deal with directly. Currently, Denyse Dallaire is surveying decentralized revenue recording systems to identify preparation steps that are taking place.

In order to assist people to gain a general understanding of how HST will operate and appreciate actions they will need to take, an information presentation has been prepared and the following alternative sessions have been scheduled.

**Thursday April 15 1:00PM to 3:00PM – 10081 Saywell Hall, Burnaby**

**Friday April 16 – 1700 Labatt Hall, Harbour Centre**

**Tuesday April 20 – Room 3310, SFU Surrey**

**Thursday April 29 10:00AM to 12:00PM – Images Theatre, Burnaby**

As these are large venues, no reservations are necessary.
Government websites provide information on the topic that will be of interest to designated accountants and managers with roles that have a significant tax administration component. We will be posting HST information that has particular applicability to SFU on the Finance website. http://www.sfu.ca/finance/

For personal assistance please contact either:
Sabina Diaconescu at 778-782-7255 or sabina_diaconescu@sfu.ca
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**Transitional Rules**

Concurrent with the distribution of the *HST Introduction*, we are distributing a memo on *HST Transition from PST*. Please refer to this memo as there are tax administration matters which need to be dealt with forthwith.

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Director, Accounting Services

Sabina Diaconescu  
Manager, Payment Services