TO: Staff with Financial Responsibilities

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

DATE: April 6, 2010

RE: HST Transition from PST

The replacement of Provincial Sales Tax (PST) with the Harmonized Sales Tax (HST) will involve many changes over the coming months. HST transitional rules that determine which tax – the existing PST or the BC component of the HST – will apply to transactions that straddle the July 1, 2010 implementation date for HST is one of the first things to address.

Whether buying or selling, the transitional rules operate on the basis of the following factors:
- HST follows GST rules
- Key dates defining the rules of transition
- Place of Supply determine when to charge tax at 5%, 12% or 13%
- Self-Assess requirements

SALES
1. Determine if supply relates to a taxable or exempt activity, establish place of supply to determine which provincial tax is applicable
2. Charge HST if consideration becomes due, or is collected without having become due before July 1, 2010 for property or services provided on or after July 1, 2010
3. Record HST collected to 11-99999-2159 HST Payable

PURCHASES – Payment Services is reviewing all invoices and payment requisitions to determine and apply HST self-assessment where consideration becomes due, or paid without having become due, before July 1, 2010 for property and services provided after July 1, 2010. Where HST self-assessment is required a JV will be posted to debit the expense account and credit the HST 75% Rebate account 11-99999-1269. The JV will reference an AP or EX voucher. Please make a notation on the approved payment document to acknowledge and notify Payment Services if the above scenario applies.

Key Dates
- **October 14, 2009** – HST will not apply to consideration that was due or paid on or before this date
- **May 1, 2010** – Pre-Implementation date, collect HST/self-assess if prepaid for goods or services that will be provided on or after July 1, 2010 in accordance with Place of Supply Rules
- **July 1, 2010** – Implementation date – HST applies
Place of Supply Rules

- **Supply of Goods** – tax rate depends on place of delivery:
  - if customer picks up – the place where possession is transferred
  - if vendor sends goods to customer – the delivery destination. This includes goods sent by mail, courier, common carrier arranged by vendor even if customer pays for shipping

- **Short Term Rental** (< 3 months)- where supply was made available first, rate applies throughout rental period

- **Long Term Leases/Rentals** are deemed supplies in the province where the goods are ordinarily located in a lease period. Place of supply determined each month
  - Motor vehicle – supplied where registered
  - Other Tangible Personal Property (TPP) – supplied where ordinarily located

- **Supply of Real Property** – based where property is located.

- **Intangible Personal Property (IPP)** - tax rate depends on where the rights are exercised. If use of the IPP is:
  - Restricted to a particular location - the supply is deemed to be made in that location
  - Not restricted to a particular location - the supply generally at the address of purchaser

- **Services** – tax rate based on recipient of supply address:
  - if no address obtained, then Canadian portion of where work is primarily performed
  - **Exceptions** for Services where work is done in respect to:
    - **Real Property** – based on primary location
    - **Tangible Personal Property (TPP)** – based on place TPP located
    - **Personal services** – based on place of performance and if >90% performed in physical presence of individual to whom the service is rendered
    - **Location-specific event** – based on location of event
    - Transportation services: passenger based on where the journey starts, freight based on destination
    - **Custom brokerage** – based on place goods released for commercial imports or based on residency of importer for non-commercial imports
    - **Postage & mail delivery** – based on place purchased unless price >$5 and item is sent to non-HST province
    - **Litigation, Trustee fees** – based on province proceeding held
    - **Computer related services & internet access** – based on location of end user

**Requirement to Self-Assess**

<table>
<thead>
<tr>
<th></th>
<th>October 15/09 to April 30/10</th>
<th>May 1/10 to June 30/10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No HST</strong></td>
<td>HST Self-Assess applies to consideration that becomes due or is paid for taxable goods delivered after June 30, 2010</td>
<td>Vendors begin collecting, if not Self-Assess</td>
</tr>
</tbody>
</table>
**Matrix Guide** to help tax assessment on typical transactions for the transition period

<table>
<thead>
<tr>
<th>Type of supply</th>
<th>Consideration due or paid before October 14, 2009</th>
<th>Consideration due or paid after October 14, 2009 and before May 1, 2010</th>
<th>Consideration due or paid on or after May 1, 2010 and before July 1, 2010</th>
<th>Consideration due or paid on or after July 1, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admissions to events, seminars, conferences</td>
<td>No HST applies</td>
<td>Self Assess</td>
<td>HST applies - registered vendors will begin collecting</td>
<td>HST applies</td>
</tr>
<tr>
<td>Commercial parking passes</td>
<td>No HST applies</td>
<td>Self Assess</td>
<td>HST applies</td>
<td>HST applies</td>
</tr>
<tr>
<td>Leases and Licenses</td>
<td>No HST applies</td>
<td>Self Assess</td>
<td>HST applies</td>
<td>HST applies</td>
</tr>
<tr>
<td>Lifetime memberships</td>
<td>No HST applies</td>
<td>Self Assess</td>
<td>HST applies if consideration exceed 25% of total consideration</td>
<td>HST applies</td>
</tr>
<tr>
<td>Memberships that occur on or after July 1, 2010</td>
<td>No HST applies</td>
<td>Self Assess</td>
<td>HST applies - registered vendors will begin collecting</td>
<td>HST applies</td>
</tr>
<tr>
<td>Periodical publications (i.e. magazines, newspapers)</td>
<td>No HST applies</td>
<td>No HST applies</td>
<td>No HST applies</td>
<td>HST applies</td>
</tr>
<tr>
<td>Services</td>
<td>No HST applies</td>
<td>Self Assess</td>
<td>HST applies - registered vendors will begin collecting</td>
<td>HST applies</td>
</tr>
<tr>
<td>Sales of Tangible personal property (i.e. goods)</td>
<td>No HST applies</td>
<td>Self Assess</td>
<td>HST applies - registered vendors will begin collecting</td>
<td>HST applies</td>
</tr>
<tr>
<td>Sales of Intangible personal property (i.e. copyrights)</td>
<td>No HST applies</td>
<td>No HST applies</td>
<td>No HST applies</td>
<td>HST applies</td>
</tr>
</tbody>
</table>
EXAMPLES:

**Purchase of Goods**

On May 3, 2010 SFU is issuing a cheque for an Office Furniture invoice which was delivered April 30, 2010
- HST would not apply.

On June 15, 2010 SFU is issuing a cheque for Office Furniture to be delivered on July 15, 2010.
- HST would apply.

**Combined Supplies**

Chemistry Lab *equipment* is delivered June 15, 2010 to be installed July 25, 2010.
- HST does not apply to the equipment purchase
- HST does apply to the installation service

Lease interval starts July 1, 2010 and ends July 7, 2011
- HST would apply

Lease interval starts June 30, 2010 and ends July 29, 2010
- HST would not apply

Lease interval starts May 15, 2010 and ends August 14, 2010
- HST would apply from July 1, 2010 to August 14, 2010 (prorated)

**Purchase of Services**

Landscaping services are to be delivered 10% in the month of June, 2010 and 90% during the month of July, 2010
- PST would apply for June Services
- HST would apply to the portion of services delivered in July.

**Space Rental**

- Rent is paid every 1st of the month for a lease interval that commenced on July 1, 2009 and ends on July 31, 2010
- HST will not apply to the consideration for the period July 1-31, 2010

**Contacts**

For personal assistance please contact either:
- Sabina Diaconescu at 778-782-7255 or sabina_diaconescu@sfu.ca
- Debbie Castagner at 778-782-6899 or debbie_castagner@sfu.ca

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