

January 2013

BC's Transition from HST back to GST and PST

Overview

During the summer of 2011, British Columbians participated in a province-wide referendum on the harmonized sales tax (HST) and voted in favour of eliminating the HST and returning to the provincial sales tax (PST) plus federal goods and services tax (GST) system. The new PST will be re-implemented on April 1, 2013.

The following key points have been announced:

- PST is a retail sales tax that is payable when a taxable good or service is acquired for personal use or business use, unless a specific exemption applies.
- PST will generally apply to:
 - The purchase or lease of new and used goods in BC, unless specifically exempted
 - Goods brought, sent or delivered into BC for use in BC
 - The purchase of :
 - Software
 - Services to most taxable goods
 - Accommodation (hotel, motel, B&B)
 - Legal services
 - Telecommunication services
- All permanent PST exemptions from the previous PST system will be re-implemented with the new PST, including food for human consumption (e.g. basic groceries and prepared food such as restaurant meals), books, newspapers and magazines, children's clothing, and accounting services.
- PST rates:
 - General rate : 7%
 - Liquor : 10%
 - Accommodation: 8% (2% additional tax levied by certain municipalities and regions will continue to apply; e.g. total tax of 10% for cities such as Vancouver, Burnaby, Richmond, Whistler)
 - Vehicle: 7% to 12% (depending on the value of the vehicle)

Who needs to register?

- If you make sell or lease of taxable goods, software or services in the ordinary course of your business, you are required to register if you regularly do any of the following (list not exhaustive):
 - Sell taxable goods – for example: alcoholic beverages, motor vehicles, building materials, household or office furniture, or general merchandise, such as flowers, clothing, appliances or souvenirs

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- Sell taxable related services – for example: repair or maintain taxable goods, such as automobiles, office equipment, and computers; apply protective treatments to taxable goods; set up, install or dismantle taxable goods; restore taxable goods
 - Provide four or more units of accommodation
 - Provide legal services
 - Provide telecommunication services
 - Provide software
- Registration commenced on January 2, 2013. Businesses can register online, mail or fax a paper form, or register in person at a local Service BC Centre.
 - All businesses have to register for a new PST number, even if they previously had a PST number prior to July 1, 2010 under the Social Service Tax Act.
 - Businesses already registered for HST are automatically registered for GST and will continue to use the same HST account number and report their GST according to their current HST filing frequency.

General Transition Rules

- You will pay the 5% GST on purchases of taxable goods, intangible property (such as rights), and services if
 - the tax becomes payable after March 31, 2013, without having been paid before April 1, 2013; or
 - the tax is paid after March 31, 2013, without having become payable before April 1, 2013.

If the tax becomes payable or is paid before April 1, 2013, the 12% HST would apply.

A supply usually becomes payable when an invoice is issued. Date service is performed may be irrelevant.

- PST will also become payable on any portion of the consideration that has not already been paid or become due, if the ownership or possession of the goods is transferred to the purchaser during March 2013.
- PST and GST will apply to goods that are brought, used or sent into BC on or after April 1, 2013.

Requirement for Electronic Filing

Similar to the requirements for GST/HST, the PST rules also require businesses with at least \$ 1.5 million in total Canadian sales per year to file tax returns and remit PST electronically.



Additional Resources

For more information on PST, please visit <http://www.fin.gov.bc.ca/rev.htm>

For more information on GST, please visit <http://www.cra-arc.gc.ca/gncy/hrmnztn/menu-eng.html>

(Note: For Transitional Rules for Real Property Including New Housing in British Columbia, please refer to GST/HST Notice 276: <http://www.cra-arc.gc.ca/E/pub/gi/notice276/notice276-e.pdf>)

Planning Opportunities

- Consider purchasing supplies and capital property prior to April 2013 if the business is eligible to claim input tax credits (ITCs) - can fully recover the HST paid.
- Consider pre-paying the full consideration for leased goods situated in BC and taxable service contracts where the lease period straddles April 1, 2013 – should evaluate cash flow issue versus the 7% PST savings from prepayment.
- Suppliers of goods and services (that are PST exempt) may want to defer invoicing customers who are not eligible to claim ITCs until April 2013 to reduce tax cost to customer.
- Consider impact on business arrangements:
 - Review construction agreements – may need PST price adjustment clause to reflect increased cost to contractor
 - Impact of PST on intercompany transactions – taxable services, leases etc.

Implementation

Accounting systems and point-of-sales systems will need to be updated to accommodate the changes. If you sell specific goods that qualify for the point-of-sale rebate, you will need to consider how your system will handle the rebate. Should you have any questions on PST or GST and would like our firm to assist you in any way in your implementation, please do not hesitate to contact us.

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