

Are you HST-ready?

Checklist for Ontario Small Businesses

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On July 1, 2010, the existing provincial sales tax (PST) and the federal goods and services tax (GST) will be replaced with the federally-administered Harmonized Sales Tax (HST) in Ontario. The HST rate will be 13% (8% going to the province and 5% to the federal government).

The majority of CFIB members—like you—have told us that they are worried about the impact of the HST on their business and customers. While CFIB continues to work hard to represent your views, including measures to make the HST a win for all Ontarians, as a business owner who collects and remits GST/PST, there are steps that you will need to take to get ready for the implementation of the HST on July 1.

To assist you, CFIB has prepared a checklist of areas that you may need to address, as well as highlights of the general transitional rules. Given that the HST rules are complex and will affect various business sectors differently, this checklist should be used as a general guideline, designed to complement information provided through your accountant, the Canada Revenue Agency or the Ontario Ministry of Revenue.



CFIB's Satinder Chera, Director, Provincial Affairs, Ontario and Dan Kelly, Senior Vice-President, Legislative Affairs meet with Ontario Revenue Minister John Wilkinson (centre) to press for changes to the HST, including a lower combined rate and keeping the vendor compensation for tax collectors.

HST Implementation Checklist



General Overview

- Assess the impact of the HST on your budget (e.g. some purchases that are subject to the RST may or may not be recoverable under the HST).
- Determine to what degree the HST will affect your cash flow (e.g. additional tax costs upfront) and then collect and remit additional taxes where warranted.
- Familiarize yourself with the transitional rules that apply to your business and/or industry; plan accordingly for budget items (e.g. larger purchases).
- Familiarize yourself with place of supply rules as they apply to your business and/or industry.

Sales and billing

- Update sales equipment (e.g. cash registers) to reflect the new HST rate; and new invoicing standards.
- Apply the new HST rate to revenues collected via automated payments (e.g. customer bank accounts, credit cards).
- Reprint or correct pre-existing sales materials (e.g. catalogues, price lists) to reflect the new HST rate.
- Adjust online payment software or website interfaces used for selling via the internet to reflect the new HST rate.
- Consider the impact of harmonization on suppliers: will they be able to pass on any savings? Or will there be price increases because of an inability to recover costs under the HST?



Purchasing and accounting processes

- Update accounts payable software.
- Update input tax credit calculations.
- Update taxable benefit calculations.
- Update formulas and spreadsheets (e.g. expense reports).
- Carefully review and enter invoices received during the transition from GST/PST to HST to ensure they accurately reflect both new and old tax rates.
- Take the new HST rate into account when calculating rebate amounts and refunds.

HST Implementation Rules

October 14, 2009 and before May 2010—Between this period, businesses may be required to self-assess the Ontario component of the HST on goods and services that are delivered after July 1, 2010.

May 1, 2010—The HST applies to amounts paid or due on or after this date on goods and services that are delivered on or after July 1, 2010.

June 30, 2010—Last date to claim vendor compensation under the RST system. The 2010 Ontario Budget extended this deadline from March 31, 2010, as originally announced.

July 1, 2010—The HST is payable on goods and services that are delivered on or after that date; The HST would not apply, however, to services if all or substantially all (90% or more) of the service is performed before July 2010.

October 31, 2010—Any outstanding RST would become payable on this date.

For more information on the HST, including ongoing government announcements, up-to-date details and links to the Ontario Ministry of Revenue and the Canada Revenue Agency, visit CFIB's Business Support site: www.cfib.ca/on/business-support

CFIB Business Resources

As always, if you cannot find the information that you are looking for your CFIB Business Resources Department is ready to help. Just email us at msont@cfib.ca or call 1 888 234-2232.



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