

CORPORATE UPDATE

– Ontario Harmonized Sales Tax

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SALE OR LEASE OF GOODS HST Transitional Rules

By Maralynne A. Monteith

The following is a summary of the Ontario HST transitional rules affecting supplies of goods.

GST (5%) will continue to apply as usual to the supply of goods by way of sale or lease, subject to available exceptions. GST (5%) will be included in HST (13%) as it commences to apply. GST registration will automatically extend to HST.

HST (13%) will generally apply and must be collected by the supplier in respect of a supply of goods by way of sale to the extent that ownership and delivery of the goods occurs after June 2010 if the consideration for the supply becomes due or is paid after April 2010.

Periodical subscriptions (magazines, etc.) are excepted from the transitional rules and will not be subject to HST if paid before July 2010.

HST will generally apply to any lease payment that becomes due or is paid after April 2010 to the extent it relates to all or part of a lease period that begins after June 2010.

Exception – HST does not apply to a lease period that begins before July 1, 2010, and ends before July 31, 2010.

Suppliers would first be required to account for collected HST and registrant recipients would first be able to claim available input tax credits for HST in their GST/HST return for the reporting period including July 1, 2010.

Recipients who are not consumers must self-assess HST in respect of a supply of goods if ownership and delivery occurs after June 2010 or in respect of taxable lease periods, for payments due or paid after October 14, 2009, and before May 2010 if:

1. the goods are not used 90% or more in a commercial activity of the recipient
2. the recipient's input tax credits are subject to restrictions or recapture
3. the recipient is using any simplified method to calculate net tax, or
4. the recipient is a selected financial institution using a special attribution method to determine net tax

Recipients must account for self-assessed HST on the GST/HST return for the reporting period that includes July 1, 2010, but in no event later than October 31, 2010.

Exemptions under GST will generally extend to HST.

Input tax credits for registrants will generally follow existing GST treatment.

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