

## CORPORATE UPDATE

– Ontario Harmonized Sales Tax

FALL 2009

## SERVICES HST Transitional Rules

By Maralynne A. Monteith

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

GST (5%) will continue to apply as usual to the supply of services, subject to available exceptions. GST 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 all or part of a service that is performed after June 2010 if the consideration becomes due or is paid after April 2010.

*Exception* – HST will not apply if at least 90% of the service has been performed before July 1, 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.

Passenger and freight transportation services performed after June 2010 will not be subject to HST if they are part of a continuous journey or freight movement that begins before July 2010.

Recipients who are not consumers must self-assess HST in respect of a supply of services performed after June 2010 for payments due or paid after October 14, 2009, and before May 2010 if:

1. the services 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

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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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