



THE TORONTO CURLING ASSOCIATION

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Harmonized Sales Tax

As most will be well aware, the Ontario government will be introducing the new Harmonized Sales Tax (referred to as HST) on July 1, 2010. The Provincial Sales Tax (PST) will be replaced with a more modern, value-added tax that will be combined with the federal Goods and Services Tax (GST) to create a Harmonized Sales Tax (HST) for Ontario, effective July 1, 2010.

The following information is provided to clubs concerning the aspects of the tax as it affects the activities conducted by the Toronto Curling Association.

Most curling clubs and the Toronto Curling Association that are existing GST registrants will automatically become HST registered. Most businesses currently charging GST at 5% will now charge HST of 13% on billings and will pay HST on various goods and services that previously included two parts of GST at 5% and the Ontario Retail Sales Tax (ORST) of 8%. The HST is a combination of the two former charges into one tax, 13%. For all areas of operations that presently include a charge for GST, this will change to HST effective July 1st.

Most businesses will view the new system favourably as there will be a recapture now – as part of the HST – of the additional 8% that was previously paid as ORST. This has now been combined into the HST. Using an example where a customer is billed for \$125 while there are expenses incurred of \$110, the two tax situations are shown as follows:

	<u>GST</u> <u>SYSTEM</u>	<u>Net CRA</u> <u>Filing</u> <u>Position</u>	<u>HST</u> <u>SYSTEM</u>	<u>Net CRA</u> <u>Filing</u> <u>Position</u>
Charge to customer	\$ 125.00		\$ 125.00	
GST collected @ 5%	\$ 6.25	\$ 6.25		
HST collected @ 13%			\$ 16.25	\$ 16.25
Total Charge To Customer	<u>\$ 131.25</u>	<u>\$ 6.25</u>	<u>\$ 141.25</u>	<u>\$ 16.25</u>
Expenses incurred/paid	\$ 110.00		\$ 110.00	
GST paid @ 5%	\$ 5.50	\$ 5.50		
ORST paid @ 8%	\$ 8.80			
HST paid @ 13%			\$ 14.30	\$ 14.30
Total Amount Paid	<u>\$ 124.30</u>	<u>\$ 5.50</u>	<u>\$ 124.30</u>	<u>\$ 14.30</u>
Net Remittance To CRA		\$ 0.75		\$ 1.95
Cash Flow	\$ 6.95		\$ 16.95	

As can be seen, the business under the HST system will be able to claim an input tax credit for the additional 8% amount that can be applied to offset, or reduce, the HST charged on billings to customers.

Notice in the above example that under the new HST system that there is an increase in cash flow due to the recovery of the previous ORST now rolled into the HST. There may be an overall change in the timing of the business' cash flow as there may be a lag between CRA

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filings on collecting HST and paying HST. The lower expense structure may have an effect on the billings by the business as the government is anticipating that these cost savings will be passed along to the consumer. In theory, in the above example, the charge to the customer should be reduced from \$125 to \$116.15 to have the same overall cash flow impact and similar net tax filing for the business.

Annual Membership Dues and Levies will be considered payments for services for the purpose of the HST. The TCA bills annual membership fees to the member clubs on October 1st of each curling season. The OCA bills clubs in November. Both billings will include HST.

There are transitional rules that payments for services which relate to the period after June 30th but made prior to May 1st, will not be subject to HST. However, any changes in an organization's billing practices to circumvent the charging the full HST may result in the government assessing for the additional tax on dues for next season. Any person or business making a voluntary prepayment for annual dues for the 2010/2011 curling season must understand that any such prepayment would be non-refundable and the person or business may be responsible for any HST that may subsequently be assessed by the government and determined to be due, including interest and penalties.

There will be a change as certain fees incurred previously (i.e. legal and accounting services, for instance) were only subject to a GST charge of 5% without any ORST component; however, under the new system, these will now have the full HST of 13% charged. This will result in added cash flow issues to a business to fund payment of these costs and to wait until able to collect the rebate for HST amounts paid. The HST will not be charged on the following items that are currently not subject to PST: Basic groceries; Prescription drugs; some medical devices, Municipal public transit, Health and education services, and several other items.

To help people deal with the transition to the new HST, the Ontario government is providing \$11.8 billion in personal tax relief over three years. This includes tax-free payments to help individuals and families (including seniors) transition to the HST. These payments will be delivered to eligible Ontario tax filers in June 2010, December 2010 and June 2011.

Overall, businesses that are GST registrants will essentially be unaffected by the changeover to the new HST. The primary impact of the HST will be on individuals, or the end consumer, who is not able to claim a rebate for HST paid. For the TCA, the impact will primarily be felt on participants in bonspiels. At present, the TCA includes the portion of GST charged to its bonspiel participants within the posted entry fee and this will be replaced to include an amount for HST. At the present time, the TCA has not announced the entry fees for bonspiels that will be held next curling season.

Please note that the business and operational circumstances for each curling club will be different and to obtain specific advice on the new HST, the club should consult its professional advisors.

For further information about the HST, you may wish to visit the provincial government's website at: <http://www.rev.gov.on.ca/en/taxchange/index.html>