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# Local Government & Return to GST/PST

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# Agenda

- Return to PST
  - What we know about return to PST
  - What we expect to see
  - What we hope to see in “new” PST
  - What we don’t want to see
- GST/HST Changes
- GST/PST & Local Government
- Possible Transitional Rules
- Planning for GST/PST

**Return to GST/PST**

# What we know

- PST to be reinstated at 7%
- “All permanent exemptions” retained
- Administrative improvements possible
- Tax review panel
  - Return of HST not in scope

## What we expect

- PST as it was, barring some administrative improvements
  - Environmental levies?
  - ICE levy?
  - Parking tax now collected by Translink will remain
  - Hotel Room Tax reinstated
  - Liquor markups adjusted?
- Implementation date – April 1, 2013?
- Transition Rules “Announcement Date” – mid 2012?
- Transitional rules that mirror HST implementation?

# What we hope to see

- Exemptions for mobile industries
  - Film / Software
- Simplification
  - GST alignment
    - Supplies to First Nations / Clothing
  - Retool list exemptions
    - E.g., F/F/A exemptions / School supplies
- “Harmonized” administration
  - Small supplier threshold
  - Filing / remittance timing matching GST

# What we do not want to see

- Expanded tax base
  - Tax on more services?
- Transitional tax on inventory / capital property on hand on transition

# GST/HST Changes

- None announced or likely?
  - Return to pre July 1, 2010
- New federal/provincial RTA
  - Province and qualifying provincial bodies no longer subject to GST/HST

# **GST/PST & Local Government**

# Revenues

- Any revenues currently exempt from HST will continue to be exempt from GST
- Any revenues currently subject to HST will be subject to GST
  - Likely exception supplies to Province and provincial bodies listed in RTA

# Expenditures

- Will commence paying PST on following:
  - Materials
  - Equipment
  - Equipment Repair and Maintenance Costs
  - Telecommunications
  - Legal services
  - Other?
- Will pay GST on all expenditures currently subject to HST in BC

# Self Assessment Requirements

- Currently required to self assess
  - 12% HST on services and IPP from outside Canada\* (unless vendor charges 12% HST)
  - 7% BC portion of HST on TPP acquired from outside BC\* (unless vendor charges 12% HST)
  - 7% BC portion of HST on services and IPP from ROC\* (unless vendor charges 12% HST)
  
- Will be required to self assess
  - GST on services and IPP from outside Canada\* (unless vendor charges GST)
  - PST on TPP acquired from outside BC including software (unless vendor charges PST)

\* Unless 90% or more for use in taxable activities

# Rebates

- Municipal Rebate
  - 100% rebate of GST
    - Subject to restrictions in PSB rebate regulations
      - E.g., market housing

# Impact on Local Government

- Increased compliance costs dealing with two tax regimes
  - Reduced compliance around allocation between rebate and ITC
- Reduced risk on real property transactions
- Increased cost of public works (PST on materials)
- Overall cost impact – varies depending upon nature and quantum of expenditures

# Possible Transitional Rules

# Transition Back to GST/PST

- Key Dates
  - Announcement Date – date transitional rules announced – April 1, 2012?
  - Pre Implementation Date – date suppliers must account for “new” taxes on transactions occurring after Implementation Date – February 1, 2013?
  - Implementation Date – date HST ceases to apply and GST (and PST where applicable) start to apply – April 1, 2013?

## Possible Transition Rules – Revenues

- Charge HST on taxable revenues where consideration payable prior to Pre Implementation Date (February 1, 2013?)
  - Sell annual recreation pass January 1, 2013, charge HST
  - Sell ticket in January 2013 to August 2013 event, charge HST
- Effective Pre Implementation Date must commence collecting on supplies that are to be provided in whole or in part after Implementation Date.
  - 3 month recreation pass sold March 1, 2013, collect HST on 1/3, GST on 2/3
  - Annual parking pass sold February 1, 2013, collect HST on 2/12 and GST on 10/12

# Possible Transition Rules – Prepayments vs. Deposits

- Prepayments vs. Deposits
  - Event to be held in September 2013 is booked in January 2013 with \$10,000 deposit paid with balance due in September
  - No taxes applicable at time of deposit, GST payable on full balance when due and deposit applied against total owing

# Possible Transition Rules – Expenditures

- Purchase of Goods
  - HST on goods where consideration payable before Pre-Implementation Date (regardless of when delivery or transfer ownership takes place)
  - HST on goods where delivery or transfer of ownership prior to Implementation Date (regardless of when consideration becomes payable)
  - GST (and PST where applicable) on goods where ownership and delivery takes place on or after Implementation Date (provided consideration payable on or after Pre Implementation Date)

# Possible Transition Rules – Expenditures

- Services
  - HST on services where consideration payable before Pre-Implementation Date (regardless of when services rendered)
  - HST on services rendered prior to Implementation Date (regardless of when consideration becomes payable)
  - GST (and PST where applicable) to the extent services delivered on or after Implementation Date (provided consideration payable on or after Pre Implementation Date)

# Possible Transition Rules – Expenditures

- Construction
  - HST on progress billings (including holdbacks when payable) for work undertaken prior to Implementation Date.
  - GST on progress billings (including holdbacks when payable) for work undertaken on or after Implementation Date
  - No PST on construction services; however, price adjustment for increased cost borne by contractors on materials and equipment

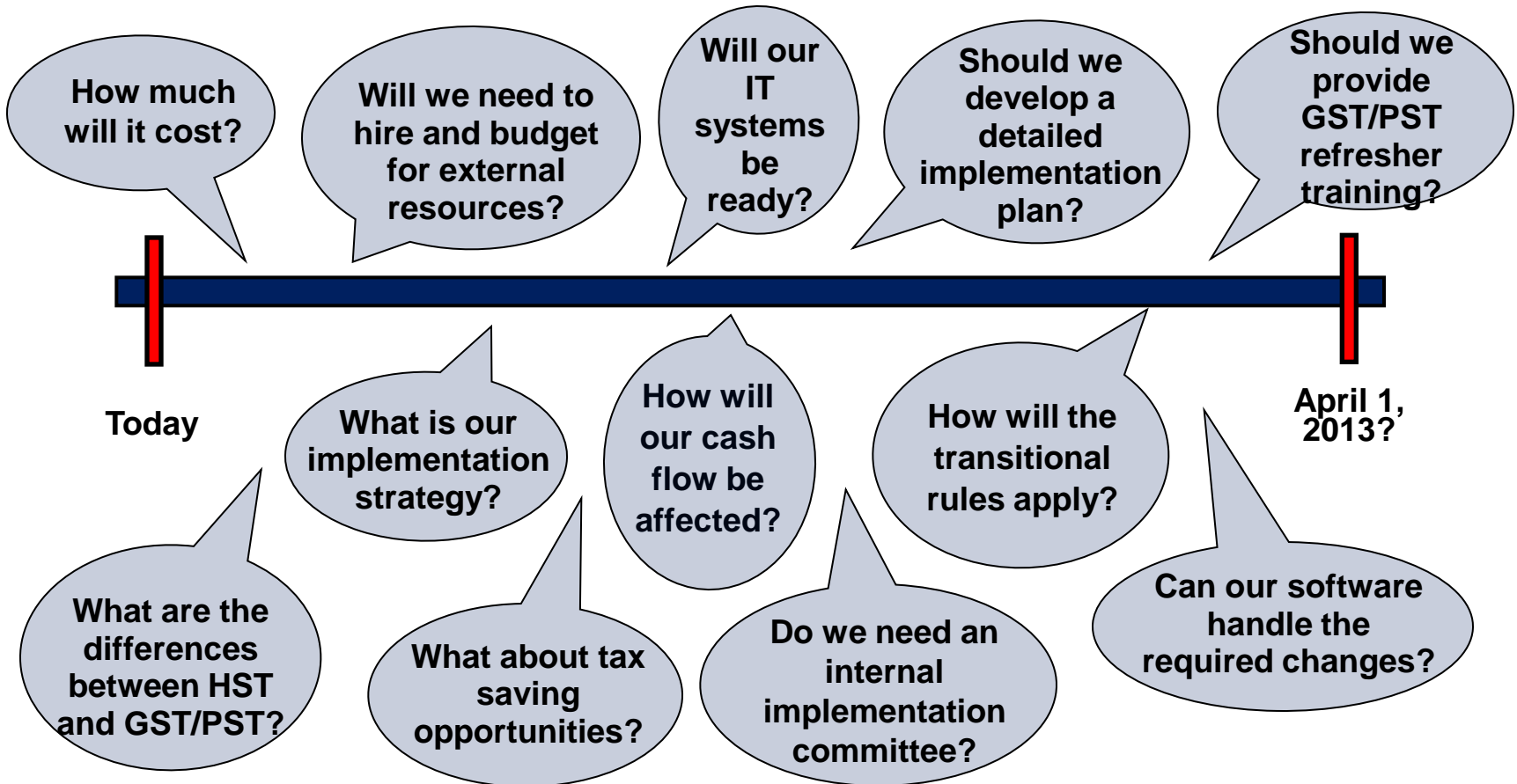
## Possible Transition Rules – Transitional Rebate/Tax

- Likely entitled to transitional rebate of the provincial portion of the HST on expenditures between Announcement Date (April 1, 2013?) and Pre-Implementation Date (February 1, 2013?) to the extent supplies to be received after Implementation Date (April 1, 2013?) unless acquired 90% or more for use in taxable activities:
  - Invoiced for one year software license on January 1, 2013, entitled to rebate of 7% portion of HST on 3/4 of payment
  - Invoiced for one year lease of Zamboni machine on January 1, 2013, no rebate available (since full ITC claimable)
- Likely liable to self assess PST if supply at issue is subject to PST to the extent of post Implementation Date period

# Planning/Implementation

# Return to GST/PST – Are You Ready?

Have you considered the following? (in no particular order)



# Return to GST/PST- Planning Considerations

- Accelerate purchases of PST-taxable items
  - E.g., new fire trucks
- Defer purchases of PST-exempt items
  - E.g., consulting services

**Questions?**



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