

MUNICIPALITIES

HARMONIZED SALES TAX

► **THERE IS LITTLE DOUBT THAT MUNICIPALITIES ACROSS THE PROVINCE OF BRITISH COLUMBIA (BC) ARE IMPACTED BY THE HARMONIZED SALES TAX (HST) THAT CAME INTO EFFECT ON JULY 1, 2010. THE PURPOSE OF THIS DOCUMENT IS TO PROVIDE YOU WITH GUIDANCE REGARDING THE GENERAL HST RULES AND PROVIDE SPECIFIC EXAMPLES.**

As a GST/HST Registrant you may have certain rights and obligation which include the following:

- You are required to charge and collect HST on all taxable supplies of goods and services provided to your customers with some exceptions for taxable sales of real property;
- You can claim an Input Tax Credit (ITC) to recover the HST you paid or owe on purchases and expenses that you use, consume or supply in your commercial activities; and
- You may be able to claim a rebate of the HST paid or owed on purchases and expenses for which you cannot claim an ITC.

Taxable Supplies (Goods & Services):

The following are examples of supplies of goods and services that are taxable at a rate of 12%:

- Most supplies of real property which would include banquet facility rentals, public parking rentals, licenses to use real property, municipal golf course fees, and commercial property leases;
- Most supplies of personal property and capital personal property which would include office furniture, equipment and computers;
- Telecommunication services, hydro-electricity and natural gas;
- Municipal services provided on an optional fee-for-service basis, such as driveway paving; and
- Services for testing or certifying that property meets a particular standard of quality.

Zero-Rated Goods & Services

The following are examples of supplies of goods and services taxable at 0%:

- Medical devices such as wheelchairs, eyeglasses, canes and artificial teeth;
- Basic groceries such as fruit, vegetables, meat and flour;
- Most agricultural and fishery products; and
- Goods and services exported from Canada.

Exempt Supplies of Goods & Services

The following are examples of exempt supplies of goods and services:

- Fire protection;
- Law enforcement;
- Garbage collection, including the collection and delivery of recyclable materials;
- Certain licenses and permits; and
- Municipal transit.



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The following table highlights some goods and services that are common to municipalities. The table also illustrates whether or not HST applies to these items:

Goods and Services	HST applicable – YES or NO	Rationale
Property Taxation revenues	NO	Not a supply of a good or service
Cemetery fees (plots, interment fees, grave markers, liners)	YES	Supply of a good or service
Application fees (Zoning, Subdivision)	NO	Specifically exempted
Building permits	NO	Permits specifically exempted
Fines - Parking, Bylaw	NO	Specifically exempted
Commercial Property Lease/Rent	YES	Supply of Real Property
Residential Property Lease/Rent	NO	Supply of Real Property ; However, exempted due to residential housing component
Photocopying - Non Municipal Information	YES	Supply of a service
Photocopying - Zoning Bylaw, Financial Plan, Council agenda	NO	Exempt - Supply of municipal document and/or information
Property Tax Certificates	NO	Supply of municipal document information
Water fees	NO	Supply of a municipal service on a non-optional basis
Sewer fees	NO	Supply of a municipal service on a non-optional basis
Garbage Collection	NO	Specific exemption when provided by a municipality (regardless of how garbage tags are distributed)
Police Services	NO	Specific exemption when provided by a municipality
Fire Protection Services	NO	Specific exemption when provided by a municipality
Snow Removal - Contracted out	YES	Service is provided to the municipality rather than by the municipality
Snow Removal - Municipality	NO	Specific exemption when provided by a municipality
Provincial funding - Cost of utilizing local fire resources (equipment, labour) to fight provincial fires	NO	Supply of a service to the Province; However, fire protection specifically exempt
Provincial Funding - A percentage contribution to commence a capital project (such as a new road)	NO	Not a supply of a good or service; construction of a road does not result in a taxable supply
Provincial Funding - Establish a Training Program to be offered in the community	NO	Likely NOT a supply to the province, but more in the nature of a grant. However, taxable if a supply of a service is made to the province.
Library Services (Library cards and fines related to borrowing privileges)	NO	Specific exemption
A supply of service of installing, repairing, maintaining or interrupting the operation of a water, sewerage or drainage system	NO	Specific exemption
Municipal Transit service provided directly to the public	NO	Specific exemption

Continued on the next page.

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Amusement Place of Admission - Any price greater than \$1.00	YES	Supply of service
Amusement place of Admission - All prices \$1.00 or less	NO	Specific Exemption
Amateur Performances/Events	NO	Specific Exemption as long as >90% of the athletes, competitors or performers are not remunerated, directly or indirectly
Fees – Recreation programs primarily for persons age 15 and older	YES	Supply of recreation services
Fees – Recreation programs primarily for persons age 14 and younger	NO	Specific exemption; Note – Taxable if overnight supervision provided throughout a substantial portion of the program
Fees - Recreation programs primarily for underprivileged or disabled individuals	NO	Specific exemption
Installing, replacing, repairing and removing street or road signs, barriers, street or traffic lights	NO	Specific exemption
Removing, cutting, pruning treating or planting vegetation	NO	Specific exemption
Repairing or maintaining roads, streets, sidewalks or similar adjacent property	NO	Specific exemption
Supplies between municipalities, even if they are under the same regional municipality	YES	Supply of goods or services
Supply of service (such as Engineering or Planning) from a regional municipality to a local municipality	NO	Specific exemption

If you require additional information please contact your professional advisor or your local BDO office.

BDO would like to thank Trevor Seibel, CA, Director of Financial Administration, District of Coldstream, for his contributions to this publication.

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