

## The New Harmonized Ontario Sales Tax

Ontario will harmonize the Retail Sales Tax (RST) with the GST starting July 1, 2010. This will result in a combined sales tax of 13%. The new Harmonized Sales Tax (HST) will operate similar to the GST where businesses selling taxable or zero-rated goods and services would be able to claim input tax credits (ITC) on their purchases, with limited exceptions. In general, businesses selling tax-exempt goods or services would not be able to claim ITC's.

The HST would generally use the same rules and tax base as the GST and will be administered by the Canada Revenue Agency (CRA). The current vendor compensation for collection of Ontario RST will end with the RST return filed for the period ending March 31, 2010 under the existing RST system.

A transition credit will be available to small business to help compensate for the cost of the making the changes to accounting systems as follows:

<b>Total Taxable Revenues in First Full Fiscal Quarter Commencing After June 30, 2010</b>	<b>Amount of Transition Credit</b>
Up to \$15,000	\$300
\$15,001 to \$50,000	2 % of Taxable Revenue for Quarter
\$50,001 to \$500,000	\$1,000

Small suppliers with taxable sales of \$30,000 or less (\$50,000 or less for public service bodies) will not be required to be registered.

Point-of-sale rebates will provide exemptions for books, children's clothing and footwear, children's car seats and car booster seats, diapers and feminine hygiene products.

A new housing rebate will be available for new primary residences costing under \$400,000 equal to 6% of the purchase price. This will be in addition to any federal new housing rebate. The amount of the rebate will be reduced for homes costing between \$400,000 and \$500,000. No rebate will be available for homes costing more than \$500,000.

Public Service Bodies will be eligible for a rebates of the provincial portion of HST paid as follows:

Municipalities	78%
Universities and Colleges	78%
School Boards	93%
Hospitals	87%
Charities and Qualifying Non-profit Organizations	82%

Businesses with annual taxable sales greater than \$10,000 and financial institutions will be temporarily restricted from claiming some ITC's. This restriction will apply only to

the provincial portion of the tax for the first five years after implementation, with full ITC's being phased in over a three-year period after that. The temporary ITC restrictions will be for the following:

- Energy, except where purchased by farms or used to produce goods for sale.
- Telecommunication services other than internet access or toll-free numbers.
- Road vehicles weighing less than 3,000 Kilograms (and parts and certain services) and fuel to power those vehicles.
- Food, beverages and entertainment.

The Ontario portion of the sales tax will still apply to private sales of motor vehicles.

Insurance premiums that are currently subject to Ontario RST will continue to be subject to the Ontario portion of the HST.

Adjustments will be made to current alcohol fees, levies and charges to replace the lost revenues from the lower sales tax collected under the HST.

Additional information on technical design issues and transitional rules will be released in the coming months to help prepare business for the proposed changes.

#### Ontario Sales Tax Transition Benefit

To provide relief to Ontarians to help ensure a smooth transition to the new sales tax system a one-time benefit will be paid as follows:

Payment Month	Single Individuals		Single Parents or Couples	
	Maximum Benefit	Phase-out Range *	Maximum Benefit	Phase-out Range *
June 2010	\$100	\$80,000 - \$82,000	\$ 330	\$160,000 - \$166,600
December 2010	\$100	\$80,000 - \$82,000	\$ 335	\$160,000 - \$166,700
June 2011	\$100	\$80,000 - \$82,000	\$ 335	\$160,000 - \$166,700
<b>Total</b>	<b>\$300</b>		<b>\$1,000</b>	

\*Based on the 2009 personal tax return for 2010 payments and the 2010 personal tax return for the 2011 payment.

A new Ontario Sales Tax Credit will be implemented that will be paid quarterly starting in July 2010, when the new HST comes into effect. The credit will provide up to \$260 in annual relief for each adult and child. It will be reduced for net incomes over \$20,000 for single people and \$25,000 for families.