

RC4049 – GST/HST INFORMATION FOR MUNICIPALITIES

The CRA handbook for GST and HST

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This is a Canada Revenue Agency (CRA) publication that has been published on an on-going basis, the last posted update being dated March 16, 2009. You can find this online at [RC4049 - GST/HST Information for Municipalities](#). It provides a good overview and guide to issues that you and your municipality must be aware of to be compliant with your obligations concerning GST under the [Canadian Excise Tax Act](#).

You have probably made good use of this publication over the years for dealing with GST. What happens come July 1, 2010? Ontario changes from levying the Ontario Retail Sales Tax, currently at 8%, to being part of the Harmonized Sales Tax at a combined Federal and Provincial rate of 13%.

The Guide to GST/HST

Beginning July 1, 2010, CRA publication RC4049 becomes your guide and information source for issues relating to HST, just as it now is for GST. This includes both the Federal and the Provincial portions of HST.

To remind you again from a CRA information sheet (09-114):

“..... The HST will use the same tax base and structure as the GST, with some exceptions.....”

Ontario is harmonizing its sales tax collection with the GST into a single tax regime, administered by CRA, using a single tax, the HST. The Federal Government and CRA have agreed to allow and to manage some special Ontario provisions, so that the March 16, 2009 version of RC4049 will require some updating to cover Ontario's and British Columbia's adoption of the Harmonized Sales Tax. This newsletter will give an overview of what those changes may look like for an Ontario municipality, based on current legislation and other provisions.

The “Ontario” RC4049

Current Version	Ontario Provisions, effective July 1, 2010
To bottom of column 1 on page 10. For Ontario, read GST at 5%.	No change except for Ontario, read HST at 13%. This replaces and supercedes the Ontario Retail Sales Tax.
Goods and services are taxable at 5% or 13% (column 2, page 10) – for Ontario, this would currently read 5%	As of July 1, 2010, the rate in Ontario becomes 13% (and RST will no longer be charged or payable). The amendments to the Act provide for “point of sale” 100% rebates of the 8% Ontario portion of the tax imposed under Part IX of the Excise Tax

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	<p>Act(Canada) in respect of Ontario with respect to,</p> <p>(a) books;</p> <p>(b) children’s clothing, footwear and diapers;</p> <p>(c) children’s car seats and car booster seats;</p> <p>(d) feminine hygiene products;</p> <p>(e) newspapers; and</p> <p>(f) prepared food and beverages purchased in prescribed circumstances for not more than \$4.00.</p> <p>The “point of sale” rebates will be administered by the Government of Canada, and result in a net HST rate of 5%, equal to the Federal portion only.</p>
Pages 11 to 15	No change
Page 16. The Input Tax Credit in Ontario is equal to the 5% GST paid, on inputs for commercial operations.	The Input Tax Credit claimable in Ontario for commercial operations will be equal to the 13% HST paid on the acquisition of inputs.
GST/HST public service bodies rebate (page 17). Note that you can claim an Input Tax Credit of 100% of GST paid on inputs for your commercial operations, or a Municipal (PSB) Rebate of 100% of GST paid on inputs for your municipal activities. The tax treatment is quite different, though the net result is the same = 0% net GST paid.	The Note in column one will change to note that municipalities in Ontario will be able to claim a Municipal Rebate of 78% of the Provincial portion (8%) of HST paid on all inputs for municipal activities, or get back 6.24% of the 8% Provincial portion. This means that the net HST rate or expense for municipal activities will be an additional 1.76% of the actual cost of the good or service. If the good or service is currently subject to RST, there will actually be a net saving come July 1, 2010, since that 8% RST expense will not apply any longer.
Sub-sections “Eligible purchases and expenses”, “Apportionment of rebates”, “General operating expenses” (pages 17 and 18) apply to the 5% GST paid on taxable transactions.	These sub-sections apply to the 13% HST paid on transactions, with the proviso that the PSB rebate for Ontario municipalities will be 78% of the Provincial portion of HST paid (78% of 8%).
How to apply for the rebate (page 18) instructs you to claim the 5% GST paid on municipal activities on line 111 of your GST return. The only PSB rebate being the Federal one, of 100% of GST paid.	This doesn’t change, except that you will be required to prepare Form GST66, Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund . A copy of this form and detailed information for completing it can be found in CRA Publication RC4034, GST/HST Public Service Bodies’ Rebate . You will still claim the PSB rebates on line 111 of your HST return, but Form GST 66 will be required to inform CRA as to the breakdown between the Federal and Provincial rebates being claimed. Form GST66 will likely be revised to either

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	(a) include reporting for Ontario and British Columbia, or (b) be issued as “Form GST 66 – Ontario”. Stay tuned. The rest of this sub-section will apply as is.
Simplified method for claiming rebates (page 19) is based on 5/105 of what you actually paid, if you cannot claim an Input Tax Credit for the transaction.	The calculation will be the same as currently for the Federal PSB rebate, and you will claim 78% of 8/113 of the amount actually paid for the Ontario PSB rebate. This will be the same whether you are a registrant municipality or a non-registrant municipality.
Other rebates available (page 19, column 2) has provision for claiming back the Provincial portion of HST paid in participating provinces, such as if an employee is traveling in NB, NL and NS on business. This is also the case for purchases of intangible personal property and services (page 20).	These will not apply any more, because your municipality is now located in a participating province. Ontario has joined the club.
Purchases of printed books (page 20, column 1) applies to publications purchased for purposes other than for resale. Note that there is a POS rebate of the provincial part of HST in the participating provinces.	This will not change. Note that Ontario is offering a POS rebate of the Provincial 8% portion of the 13% HST on the same range of publications listed here. Thus that “exception” is really a harmonization with the way the HST is handled in the other participating provinces.
Sales of capital personal property by a non-registrant municipality (page 20, column 2) relates to GST.	No change, except it now relates to HST.
Capital Property and Seizures and Repositions (pages 20 to 22) should be read as GST at 5% where applicable.	These sections will not change, except to include Ontario in references to HST, and tax references should now be read as HST at 13%, where applicable, and a Provincial rebate of 78% of the Provincial portion of HST.

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Special Quick Method of accounting (pages 22 and 23) is probably used by few Ontario municipalities. It is remitting GST collected at a lower rate than 5%, but not claiming ITCs or the PSG rebate. The rates to use are the third set in the table at the top of column 1, Page 23.	This method will still be available, but your municipality is now located in a participating province, and CRA will be publishing special rates for Ontario, since the Ontario PSB rebate is higher than those in New Brunswick and Nova Scotia. Stay tuned, if you want to use this method for filing HST.
Special Issues (pages 23 to 25) should be read as GST at 5% where applicable.	This section will not change, except to include Ontario in references to HST, and tax references should now be read as HST at 13%, where applicable, and a Provincial rebate of 78% of the Provincial portion of HST.
For more information (page 25) has useful references and contact addresses. Note that the CRA website has all publications and forms available on-line.	No change.

Note that the new section 14.1 of the Ontario Retail Sales Tax Act authorizes the Ontario Minister of Finance to pay a small business transition support payment to eligible businesses to offer some compensation for the costs of implementing this changeover. It is not clear as yet if a municipality is an “eligible business.”

Two Exceptions

There are two exceptions to all of this. The Ontario Retail Sales Tax is not being repealed, only amended. The current tax regime will still be in force for insurance premiums and for the private sales of used vehicles.

The used vehicle provision essentially covers sales of vehicles by private individuals who would not normally be registered for GST. However, RST is still chargeable on such transactions, because it is a sale of tangible personal property. Typically the buyer self-assesses and remits the amount due to the Treasurer of Ontario. Otherwise, the Ministry of Transportation will not register the new ownership. Municipalities do not normally buy or sell vehicles this way, so that this provision will likely never apply to your municipality.

Insurance premiums are a very different matter. Municipalities carry various types of insurance and pay the premiums as they come due. The insurer will continue to charge you the 8% Ontario RST, which you must pay, so that the insurer can remit the amount collected to the Ontario Ministry of Revenue. Remember that financial transactions are GST-exempt and will be HST-exempt. These rules will also apply to premiums paid to insurance companies to underwrite employee benefit plans.

Some municipalities provide insurance, such as charging community groups an insurance premium for the use of community facilities for their activities. These premiums are similarly not subject to HST, but will continue to be subject to Ontario retail sales tax at 8%, which is to be collected and remitted to the Ontario Ministry of Revenue, exactly as you do now, on a Provincial RST return on the same terms and conditions as currently. At time of writing, no other exceptions have been announced.

Summary

Hopefully, this gives you an idea of what an “Ontario edition” of CRA Publication RC4049, “Guide to GST/HST for Municipalities” might look like, including the specific variations to the general application of GST that apply in Ontario under the Memorandum of Agreement concerning the harmonization of sales tax collection in Ontario. This covers the basic requirements for collecting and reporting and remitting GST and HST across Canada.

Our next newsletter will look at issues relating to reporting HST.

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For more information and resources regarding Harmonized Sales Tax, please go to [MFOA's HST webpages](#), or contact:

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NOTE: This Newsletter is published to assist you in preparing for the changeover to HST in Ontario as of July 1, 2010, based on information believed to be current up to a week before posting on the web. While every endeavour has been made to be as complete and accurate as possible, MFOA and the author accept no responsibility for any differences of opinion that the Canada Revenue Agency and the Ontario Ministry of Revenue may adopt with respect to the ideas and concepts presented, nor for any outcomes of those differences. The ultimate authority in these matters is the respective Federal and Provincial legislation.

