

## **HARMONIZED SALES TAX (HST)**

**May 7 2010**

### **Harmonized Sales Tax (HST)**

Harmonized Sales Tax (HST) is a value-added tax that blends the Provincial Sales Tax with the Federal Goods & Services Tax (GST) and is applied to taxable goods and services.

Effective July 1, 2010, HST will be implemented in the participating provinces of British Columbia and Ontario, in addition to the participating provinces of Nova Scotia, New Brunswick and Newfoundland & Labrador which have applied HST since 1997.

### **Rates of HST**

British Columbia – 12%

New Brunswick – 13%

Newfoundland & Labrador – 13%

Nova Scotia – 15%

Ontario – 13%

### **HST on Imported Goods**

**HST will not apply to commercial goods** at the time of importation and **GST only** will continue to be applied unless the goods are zero rated or exempt from GST.

**HST will apply to non-commercial goods** and will be charged at the rate applicable in the destination province regardless of where the goods clear customs.

### **HST on Service Fees**

#### **Customs Brokerage Service Fees**

Customs brokerage service fees for **commercial goods** are taxed at the HST rate associated with the province where the goods clear customs.

Customs brokerage service fees for **non-commercial goods** are taxed at the HST rate associated with the province where the goods are delivered.

#### **Other Service Fees**

Includes services such as amends, appeals, refunds, consulting, warehousing, pick & pack, software sales & maintenance, etc.

The general place of supply rules are used to determine the HST rate.

- If the recipient of the service has a Canadian address then the HST specific to that province applies regardless of where in Canada the service was provided.
- If no Canadian address of the recipient exists then the HST rate of the province in which 50% or more of the service was provided applies.
- If no Canadian address of the recipient exists and the service was provided equally in two provinces then the province with the highest rate applies.
- If no Canadian address of the recipient exists and the service was provided equally in two provinces that have the same rate then that rate applies.

#### **Domestic Freight Transportation Services**

Freight transportation services are taxed at the HST rate associated with the province where the goods are **delivered**.

#### **Zero-rated / GST Exempt Services**

All services currently zero-rated or exempt from GST will continue to be exempt.

## Brokerage Services (province of Quebec)

The province of Quebec is not a participant in HST but the QST (Quebec Sales Tax) is also assessed on customs brokerage service fees when goods clear customs in Quebec unless the importer is not registered in Quebec. **If we are not notified in writing to the contrary**, QST will be charged on all service fees on shipments that clear customs in Quebec. The QST rate is calculated on the service fee (including the GST) at the rate of 7.5%.

## Non-resident Importers

Non-resident importers **not registered** for GST with the CRA (Canada Revenue Agency) will continue to be exempt from HST on all services. GST on commercial shipments and HST on non-commercial shipments will continue to be assessed by the Broker at time of importation.

Non-resident importers **registered** for GST with the CRA will be charged HST on all taxable service fees. GST on commercial shipments and HST on non-commercial shipments will continue to be assessed by the Broker at time of importation. Information provided to date suggests that non-resident importers will need to invoice and remit the appropriate HST on these sales. In addition, security requirements with CRA may require adjustments.

Non-resident importers are advised to contact their accounting professionals for advice on HST specific to their business model.