Ontario Harmonized Sales Tax

Senior Management Team Meeting
February 2010

Presented by: Tim Russell, Project Manager,
Cynthia Shanahan and Nancy Gray, Co-Chair, HST Implementation Team
Agenda

- HST – what it is
- HST – its impact on McMaster
- HST – proposed implementation plan
- HST – key points for Senior Management
Harmonized Sales Tax (HST)

- HST will become effective July 1st 2010
- HST will be administered by the Canada Revenue Agency (CRA)
- Provides a Federal transfer payment of $4.3 billion back to Ontario
- Regulations still being written
- HST allows Ontario to:
  - Provide rebates and establish rebate rates
  - Phase in Input Tax Credits (ITCs) for certain items
Harmonized Sales Tax (HST)

- HST is charged at 13 %, with a federal component (5%) and an Ontario component (8%)
- Universities will receive a rebate, at different rates on each component:
  - GST rebate will be 67% of the 5% taxed.
  - The Ontario portion of the HST will be rebated at 78% of 8% taxed.
- The overall (revenue) impact is expected to be ‘neutral’
Impact On McMaster University

• After July 1\textsuperscript{st}, the taxation values for the purchase of goods and services includes:
  • GST factor of 1.65 %, and a
  • Ontario HST factor of 1.76 %
    for a total net taxation consideration of 3.41%
• Current net rate is 9.65\% for items already attracting PST and GST
• New items are being taxed
Impact On McMaster University

- As HST generally follows GST rules, then previously PST exempt items will now incur HST.
  - This includes Research Equipment.
  - Gas and Fuel
  - Construction
  - Services
- Ontario commodity taxes will still exist on some items (insurance, alcohol)
- Determination of tax application is based on delivery of goods &/or services, not when purchased
Implementation Timeline

- There are four key dates for HST Implementation:
  - Announcement date: October 14, 2009
  - Specified Pre-implementation: May 1, 2010
  - Implementation Date: July 1, 2010
  - PST Cut-off Date: October 31, 2010

McMaster’s responsibility
Implementation Working Committee (a)

- Nancy Gray, Director Financial Services (Co-Chair)
- Cynthia Shanahan, Director, Purchasing Resources (Co-Chair)
- Tim Russell, Project Manager, UTS (Project Manager)
- Katie West, Service Team Lead, Financial and Student Services, UTS (Central Systems Lead)
- Elizabeth Zelek, Manager, Student Affairs, Business Office (Student Affairs lead)
Implementation Working Committee (b)  
Subject Matter Experts

Jeff Shaw, Ryan Inc (University’s commodity tax experts)
Terri Wetton (Senior Manager, Purchasing Resources, Financial Services)
Karen McGlynn (Manager, Accounting and Financial Reporting, Financial Services)
Dennis Montini (Director of Administration, Faculty of Humanities)
Julie Gienuisz (Manager, Business Services, Facility Services)
Sue Moorcroft (Senior Manager, Media Production Services)
Kathy Charters (Executive Director, Office of Research Services)
Jan Peer (Data Control, Financial Services)
Linda Leo (Purchasing Officer, Purchasing Services)
Donna Walker (Assistant Comptroller, Finance, HSC)
Heidi van Bodegom (Senior Accountant)
Karen Campbell (Team Lead, Accounts Payable)
## Implementation Plan 2010

<table>
<thead>
<tr>
<th>Description</th>
<th>Date</th>
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<tbody>
<tr>
<td>Attend seminars and begin to plan</td>
<td>December 2010</td>
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<tr>
<td>University wide training, confirm systems impacted</td>
<td>January 2010</td>
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<td>Communication plan, review timing of purchases</td>
<td>Early February</td>
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<td>System development and business process alignment. Testing, and training</td>
<td>February – April 30th</td>
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<td>Enter transition phase, reinforce training</td>
<td>May 1&lt;sup&gt;st&lt;/sup&gt; – June 30&lt;sup&gt;th&lt;/sup&gt; 2010</td>
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<td>Implementation for most provisions</td>
<td>July 1&lt;sup&gt;st&lt;/sup&gt; 2010</td>
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<td>Review and Assess</td>
<td>July 1&lt;sup&gt;st&lt;/sup&gt; 2010 – October 31&lt;sup&gt;st&lt;/sup&gt; 2010</td>
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<td>Wind down Ontario Retail Sales Tax October 31&lt;sup&gt;st&lt;/sup&gt; 2010</td>
<td>October 31&lt;sup&gt;st&lt;/sup&gt; 2010</td>
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<td>Assessment and compliance review (Ryan)</td>
<td>On-going</td>
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Senior Management Considerations

- Think May 1, not July 1
- Big purchases may benefit from timing considerations (decide now)
- HST is GST on ‘steroids’, GST knowledge is important
- Advice from experts is that HST for Universities is more complicated than ‘for profits’, our computer systems will be challenged
- Short implementation time frame with rules not yet finalized
- Plan to implement within existing resources
Resources

McMaster Business Management Services:  http://www.mcmaster.ca/bms

Canada Revenue Agency: http://www.cra-arc.gc.ca/gncy/hrmnztn/menu-eng.html


Ryan Sales Tax Consultants: http://www.ryanco.ca/

For Overall HST Implementation project questions:
Nancy Gray, Director, Financial Services (graynan@mcmaster.ca or ext 27464)
Cynthia Shanahan, Director, Purchasing Resources (shanahc@mcmaster.ca or ext 24633)

For Central University Systems issues:
Katie West, Service Team Lead, UTS (westk@mcmaster.ca or ext 23860)

For De-centralized Systems issues:
Tim Russell, Project manager, UTS (trussel@mcmaster.ca or ext 28688)

For Auxiliaries and Student Affairs issues;
Elizabeth Zelek (Manager, SA Business Office (zelekeb@mcmaster.ca or ext 23837)