
GST/HST in BC

What to expect & how to prepare: using QuickBooks 2010

Presenter: Eileen Reppenhagen, CGA, Certified QuickBooks ProAdvisor
June 24th, 2010 11:30 am PST



Our speaker today...

Intuit Canada is concerned about how small business owners who use our products will manage the change from GST to HST at July 1st.

We're sure you have questions about how to convert your QuickBooks data file to HST.

That's why we've asked Eileen Reppenhagen, a Certified General Accountant and a Certified QuickBooks ProAdvisor to spend the next hour with you.

Please join me to welcome Eileen Reppenhagen

Agenda



Small business owner's concerns:

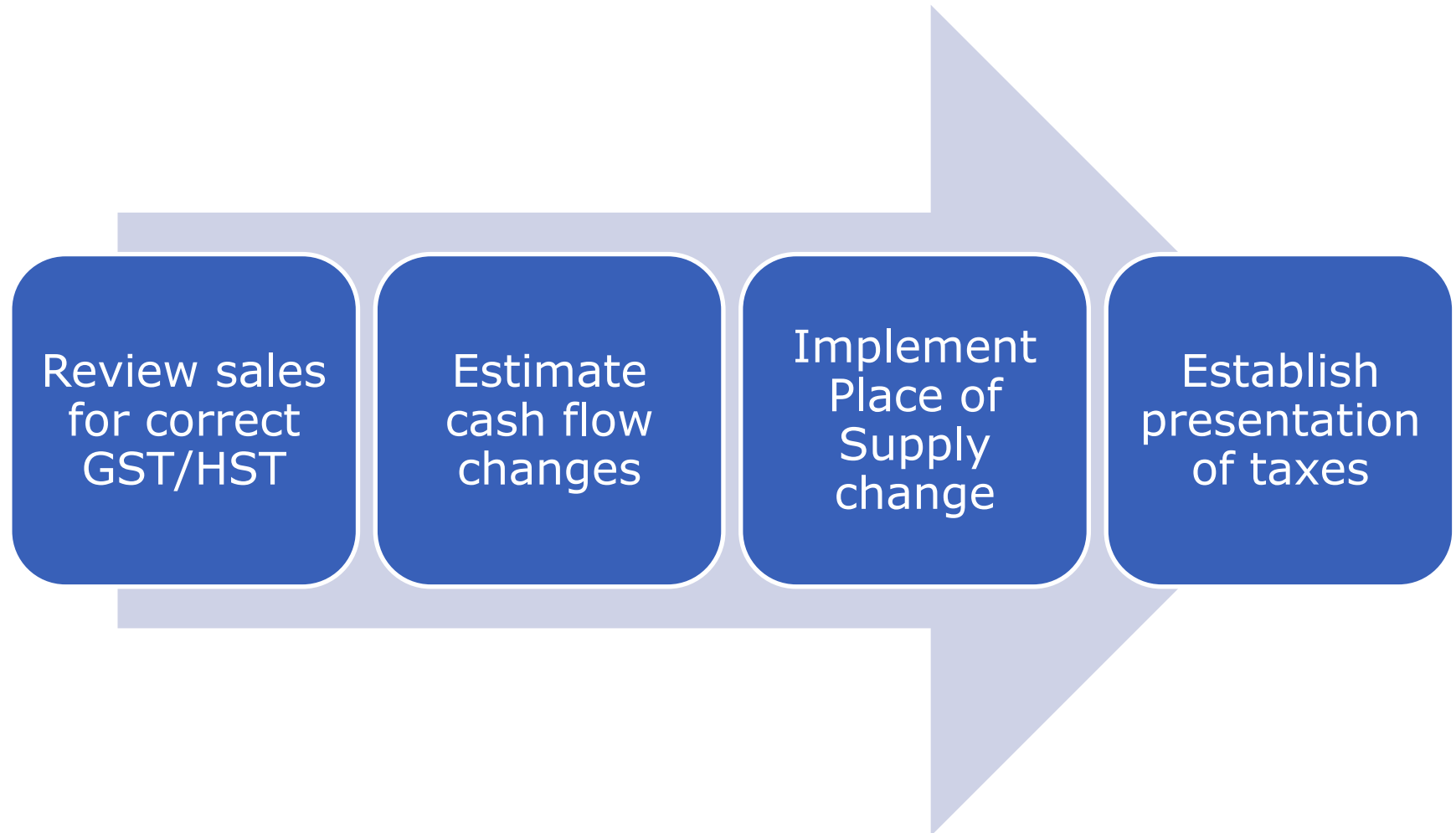
Bottom line

- No more PST
- HST (BC) is an Input Tax Credit
- Large business's and financial institutions have "Recaptured ITCs" called RITCs on specified meals, vehicles, energy and telecommunications

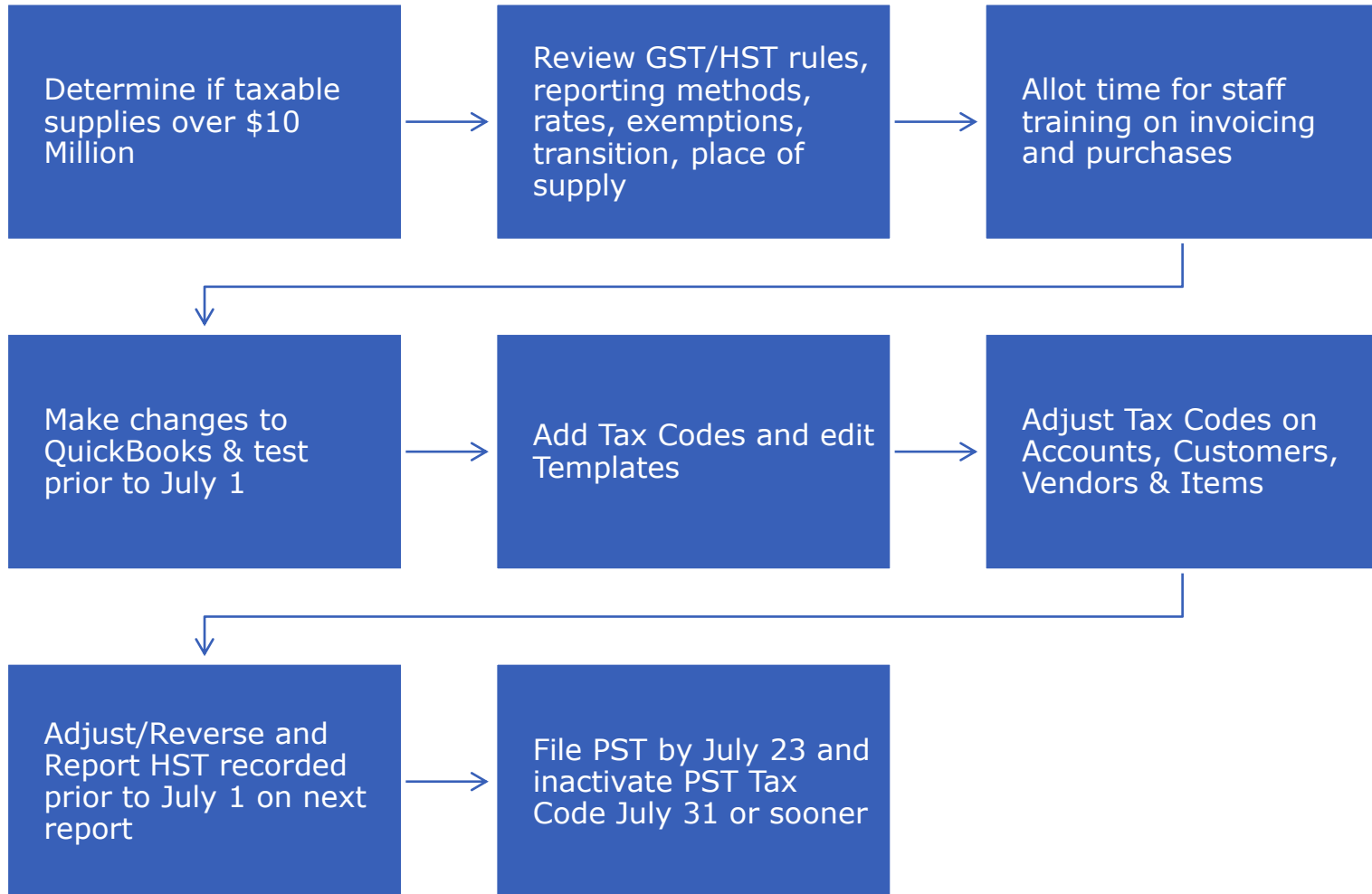
Cash flow

- Increase or decrease? Depends on industry
- May wish to adjust filing frequency
- Investigate instalment method
- Review filing: electronic filing may be mandatory

Before you convert: GST/HST check-up



Transition checklist:



HST rates July 1 2010

| | BC | AB | ON | NS | NB/N FLD | SK, MN & PEI | Que |
|------|-----------|-----------|-----------|-----------|---------------------|---------------------------------|------------|
| GST | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| PST | | | | | | 5/7/1 0 | |
| PVAT | 7 | 0 | 8 | 10 | 8 | 0 | 0 |
| QST | | | | | | | 7.5 |
| HST | 12 | 5 | 13 | 15 | 13 | 10/12 /15 | 12.5 |

Transition dates

- Oct 14, 2009: Exempt sector must self-assess HST on purchases
- Nov 18, 2009: New Housing/Grandparent rule
- May 1, 2010: Vendors must collect HST
- July 1, 2010: HST
- July 23, 2010: Final PST returns
- Oct 31, 2010: PST refund deadline
- Dec 31, 2010: PST final deadline: legal services

Filing options

Frequency

- Annual, quarterly, monthly

Payment Method

- Instalments, Actual

Filing Method

- QuickMethod, Simplified Method, Full Method

Electronic options

- Netfile, E-File...

Mandatory Electronic Filing

- 1.5 Million
- Builders

My Payment

- Instant payment

Where to find information

Minister of
Finance

Parliament

Canada
Revenue
Agency

Province
of BC

Canada Revenue Agency

www.cra-arc.gc.ca/harmonization

Read

Harmonization

GST/HST
general
information

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Province of BC:

<http://hst.blog.gov.bc.ca/>

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What's Taxable
and What's Not
Taxable

Business Toolkit

Publications

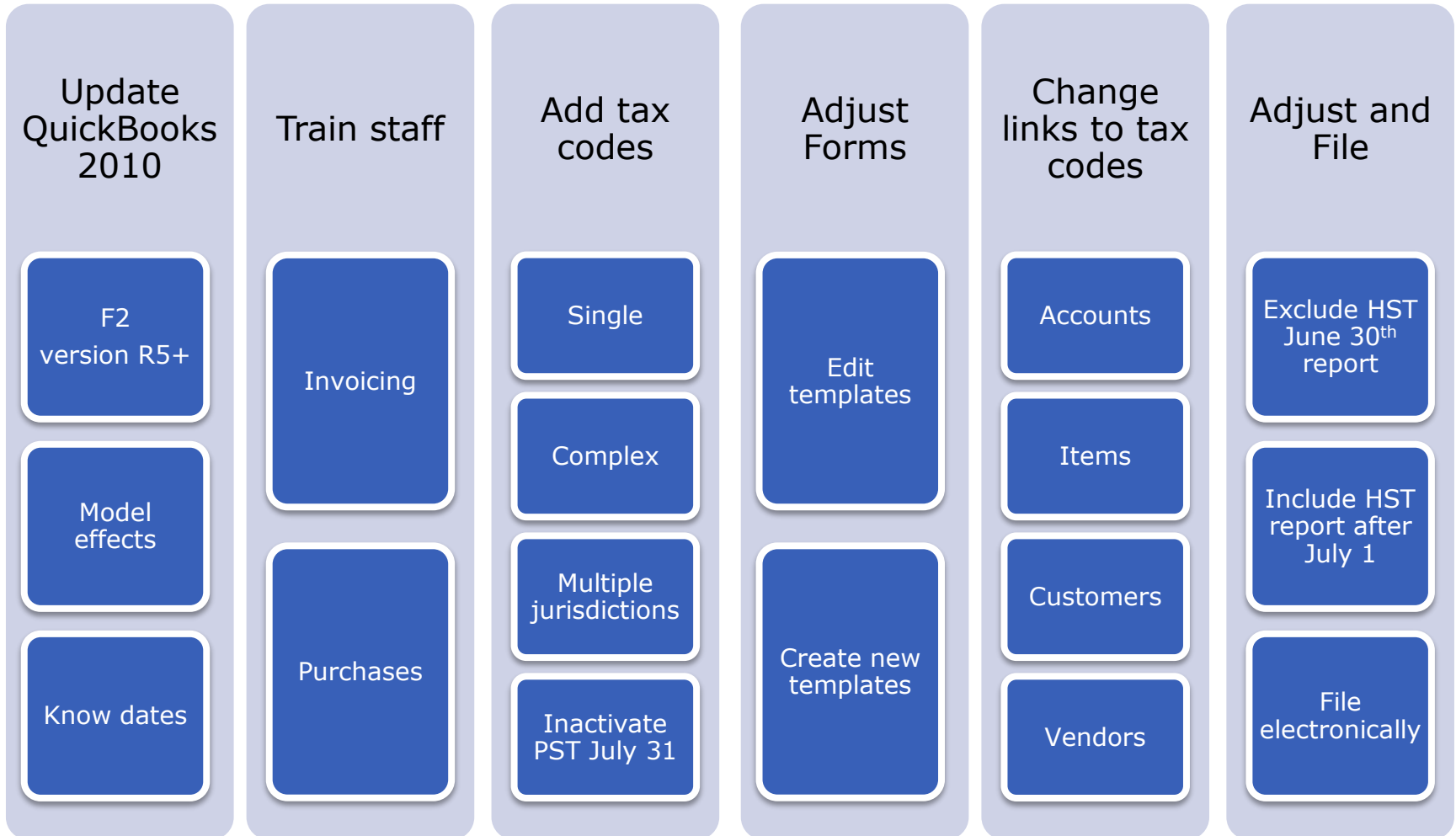
Email or Call

PST and Hotel
Room Tax
wind-down

Residential
Energy Credit

Tax on private
sale of vehicles,
boats & aircraft

QuickBooks HST (BC) Transition



HST Tool: Company > Reminders > Alerts...

HST Setup Tool

Convert your sales tax to HST...

HST comes into effect on July 1, 2010, for the provinces of British Columbia and Ontario. QuickBooks helps you convert your sales tax to the new system in **3** easy steps.

To return to the HST Setup Tool at a later time, go to the **Sales Tax** menu and select **Manage Sales Tax**, then **Change Tax Setup**.

- 1** [Set up HST for British Columbia](#)
Create sales tax items and codes for HST. [Add Reminder](#)
- 2** [Set up HST for Ontario](#)
You don't have Ontario tax set up.
(Use the Sales Tax Setup Wizard to add additional provincial taxes.) [Add Reminder](#)
- 3** [Update your default sales tax code](#)
Set your default tax code to HST if most of your sales are to B.C. or Ontario. [Add Reminder](#)
- [Change the sales tax codes for lists and accounts](#)
Assign tax codes to items, customers, vendors, and accounts. [Add Reminder](#)

Additional information

HST takes effect on July 1, 2010; transitional rules apply as early as **May 1, 2010**.
[Learn more about the rules that affect your business](#)
[How should I handle transactions that straddle July 1, 2010?](#)

[Update Memorized Transactions](#)
Manually update (memorize again) any memorized transactions to which you apply HST. [Add Reminder](#)

[Help with this screen](#) Close

Manage Sales Tax

Manage Sales Tax

Click the Pay Now icon, or View to make payments and see sales tax reports.

| Agency | Accounts | Amount | As Of |
|--------------------------|------------------|-----------|---------|
| Ministère du Revenu | GST/QST Payable | 0.00 | 6/11/10 |
| Ministry of Finance (BC) | PST Payable (BC) | 0.00 | 6/11/10 |
| Receiver General | GST/HST Payable | 72,038.33 | 6/11/10 |

Change the tax you owe:

- > [Claim PST compensation or commission](#)
- > [Pay an instalment](#)
- > [Record a discount or penalty](#)
- > [Record bad debt](#)
- > [Make other adjustment](#)

Tax codes and rates

Click a tax code in the table below to view its tax rates. Click Change Tax Setup to make changes.

Sales Tax Codes

| Name | Description |
|------|--------------------|
| G | GST Only |
| HBC | HST(BC) |
| LBC | Liquor sales BC |
| LG | Liquor purchased c |
| P | PST Only |
| S | Standard Taxes (C |
| Z | GST Zero Rated |

Sales Tax Items

| Name | Tax Rate | Return Line |
|---------------|----------|----------------------------|
| GST | 5.00% | Line 103 GST/HST collec... |
| HST(BC) Sales | 7.00% | Line 103 GST/HST collec... |

Purchase Tax Items

| Name | Tax Rate | Return Line |
|-------------------|----------|-----------------------------|
| GST (ITC) | 5.00% | Line 106 Input tax credi... |
| HST(BC) Purchases | 7.00% | Line 106 Input tax credi... |

Sales tax setup

View and edit tax codes for Items, Vendors, Customers and Accounts:

Manage Sales Tax

- Tax Vendors
- Tax codes and Tax rates
- Tax Items, Groups
- Change Tax Setup: HST Tax Tool
- Assign Tax Codes
- Adjust Tax Owing

Tax Setup Wizard

Manage Sales Tax

Manage Sales Tax

Sales Tax Code Setup Wizard

QuickBooks
Tax Setup

Your progress...

Make a selection

Welcome to the Tax Setup Wizard

What would you like to do?

- Add the provincial sales tax for a different province.
(For example, your business is in Ontario, but you also sell goods to a company in Québec.)
- Change the rate (% or amount) of an existing tax.
(For example, the GST is reduced from 5% to 4%.)
- Add another rate for an existing tax.
(For example, add a standard and reduced rate for an existing tax; for instance, a standard GST rate of 5% and one of 3% to be used for home sales.)
- Add a new tax, including a new tax agency and tax accounts.
(For example, you need to set up a tax that is unique for your business; for instance, a hotel tax for a bed and breakfast.)
- Set up HST for British Columbia and/or Ontario.
(For example, you have Customers or Vendors in Ontario and British Columbia; after July 1st, 2010, you can only apply HST to transactions, not GST + PST.)

Back

Next

Finish

Help

Cancel

Sales tax adjustments

Change the tax you owe:

- > [Claim PST compensation or commission](#)
- > [Pay an instalment](#)
- > [Record a discount or penalty](#)
- > [Record bad debt](#)
- > [Make other adjustment](#)

Adjust Tax Owning

Sales tax setup

Change Tax Setup

View and edit tax codes for Items, Vendors, Customers and Accounts:

Assign Tax Codes

Assign tax codes

Assign Tax Codes

Change tax codes for:

Accounts

OR

Bulk Change

| Name | | Currency | Tax Code |
|--------------------------|---------------------|----------|----------|
| Bank | | CAD | |
| Accounts Receivable | Accounts Receivable | CAD | |
| Employee Advances | Other Current Asset | CAD | |
| Inventory Asset | Other Current Asset | CAD | |
| Prepaid Insurance | Other Current Asset | CAD | |
| Undeposited Funds | Other Current Asset | CAD | |
| Cost | Fixed Asset | CAD | |
| Accumulated Depreciation | Fixed Asset | CAD | |
| Furniture and Equipment | Fixed Asset | CAD | |

- Items
- Vendors
- Customers
- ✓ Accounts

Adjustments

Sales Tax Adjustment [X]

Adjustment Date: 06/22/2010 [Calendar Icon]

Entry No.: [Empty Field]

Tax Agency: CRA [Dropdown Arrow]

Sales Tax Item: GST (ITC) Adjustments [Dropdown Arrow]

Tax Line: **Line 107 Adjustments**

Sales Tax Account: **Not Used (GST Payable)**
[What account should I pick?](#)

Adjustment Account: Vehicles:Toyota Tundra GST Rebate [Dropdown Arrow]

Amount: 22.47 [Empty Field] Increase Sales Tax line
 Decrease Sales Tax line

Memo: GST on CCA 105/5 x 45% business use [Empty Field]

[OK] [Cancel] [Help]

Use Adjustment screen to Accrue & Reverse early HST not due until next filing date

Clearing - Canadian Dollar

Go to... Print... Edit Transaction QuickReport

| Date | Ref | Payee | Increase | Decrease | Balance |
|------------|---------|-----------------------------------|----------|----------|---------|
| 06/30/2010 | 81 | Receiver General | 150.00 | | 150.00 |
| | GENJRNL | GST/HST Payable | | Decrease | |
| | | Memo | | | |
| | | Accrue early HST on sales | | | |
| 07/01/2010 | 82R | Receiver General | | 150.00 | 0.00 |
| | GENJRNL | GST/HST Payable | | | |
| | | Memo | | | |
| | | Reverse Accrue early HST on sale: | | | |

Make General Journal Entries

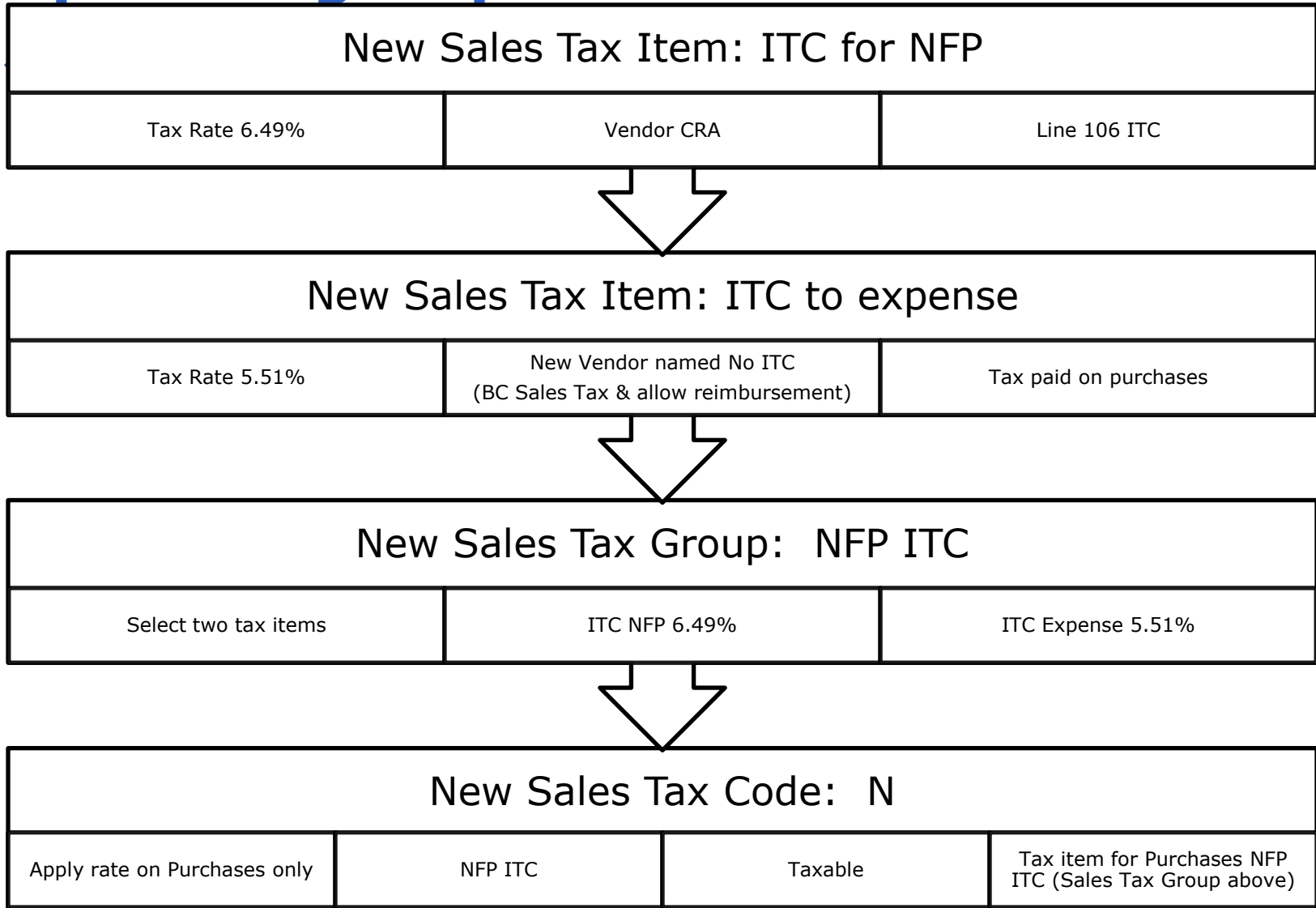
Previous Next Print... Find History **Reverse** Reports

Currency: Canadian Dollar Home Currency Adjustment

Date: 06/30/2010 Exchange Rate 1 CAD = 1 CAD Entry No. 81 Adjusting Entry

| Account | Debit (CAD) | Credit (CAD) | Memo | Name | Tax Item | Billa... |
|-----------------|-------------|--------------|---------------------------|------------------|---|----------|
| GST/HST Payable | 150.00 | | Accrue early HST on sales | Receiver General | Adjustments | |
| Clearing | | 150.00 | Accrue early HST on sales | | | |
| | | | 7 BC Purchases | Sales Tax Item | 7 BC on purchases | |
| | | | 7 BC Sales | Sales Tax Item | 7 BC on sales | |
| | | | GST | Sales Tax Item | GST on sales | |
| | | | GST (ITC) | Sales Tax Item | GST on purchases (Input Tax Credit) | |
| | | | GST (ITC) 50% | Sales Tax Item | GST (ITC) 50% | |
| | | | GST (ITC) Adjustments | Sales Tax Item | GST Adjustments on purchases (Input Tax Credit) | |
| | | | GST (ITC) Zero Rated | Sales Tax Item | GST on Zero Rated purchases (Input Tax Credit) | |
| | | | ✓ GST Adjustments | Sales Tax Item | GST Adjustments on sales | |
| | | | GST Instalments | Sales Tax Item | GST Instalments and net tax paid | |
| | | | GST Zero Rated | Sales Tax Item | GST on Zero Rated sales | |
| | | | HST (BC) | Sales Tax Item | HST (BC) on sales | |
| | | | HST (BC) (ITC) | Sales Tax Item | HST (BC) on purchases (Input Tax Credit) | |
| | | | HST (BC) 50% | Sales Tax Item | HST (BC) 50% | |

Split tax group



HST ITCs partial claim for Not for Profit:

| | Tax Rate | Eligible ITC | NFP ITC Claim | NFP ITC Expensed |
|-------|-----------------|---------------------|----------------------|-------------------------|
| GST | 5% | 50% | 2.50% | 2.50% |
| HST | 7% | 57% | 3.99% | 3.01% |
| Total | 12% | | 6.49% | 5.51% |

Results: NFP

| Type | Date | Name | Memo | Account | Debit | Credit |
|--------------|-----------|-----------------|--------------------------|------------------|----------------------|----------------------|
| Bill | 08/22/... | Staples | | Accounts Payable | | 112.00 |
| | | Staples | | Office Supplies | 105.51 | |
| | | Receiver Gen... | ITC NFP on purchases | GST/HST Payable | 6.49 | |
| | | No Tax Vendor | NFP (NoITC) on purchases | | 0.00 | |
| | | | | | <u>112.00</u> | <u>112.00</u> |
| TOTAL | | | | | <u>112.00</u> | <u>112.00</u> |

RITC: BC & ON Report separately by Province!

Specified Meals & Entertainment, Telecommunications, Energy and Vehicles, excludes PSOs, farming, reimbursement

| | Tax rate | RITC | Net ITC claim | | Meals @ 50% Gross ITC | RITC | Net ITC claim |
|-------|-----------------|-------------|----------------------|--|------------------------------|-------------|----------------------|
| GST | 5.0 % | 0.0% | 5.0% | | 2.5% | 0.0% | 2.5% |
| HST | 7.0 % | 7.0% | 0.0% | | 3.5% | 3.5% | 0.0% |
| Total | 12 % | 7.0% | 5.0% | | 6.0% | 3.5% | 2.5% |

Results: RITC on Specified Meals & Ent..

| Type | Date | Name | Memo | Account | Debit | Credit |
|--------------|------------|-----------------|-------------------------|------------------|----------------------|----------------------|
| Bill | 06/22/2... | Earls | | Accounts Payable | | 112.00 |
| | | Earls | | Meals (Business) | 109.50 | |
| | | Receiver Gen... | GST (ITC) 50% | GST/HST Payable | 2.50 | |
| | | No Tax Vendor | GST (ITC) 50% No Tax | | 0.00 | |
| | | Receiver Gen... | HST (BC) 50% | GST/HST Payable | 3.50 | |
| | | No Tax Vendor | HST (BC) 50% No Tax | | 0.00 | |
| | | Receiver Gen... | RITC BC 3.5% Specifi... | GST/HST Payable | | 3.50 |
| | | No Tax Vendor | RITC BC 50% No Tax | | 0.00 | |
| | | No Tax Vendor | RITC expense | | 0.00 | |
| | | | | | <u>115.50</u> | <u>115.50</u> |
| TOTAL | | | | | <u>115.50</u> | <u>115.50</u> |

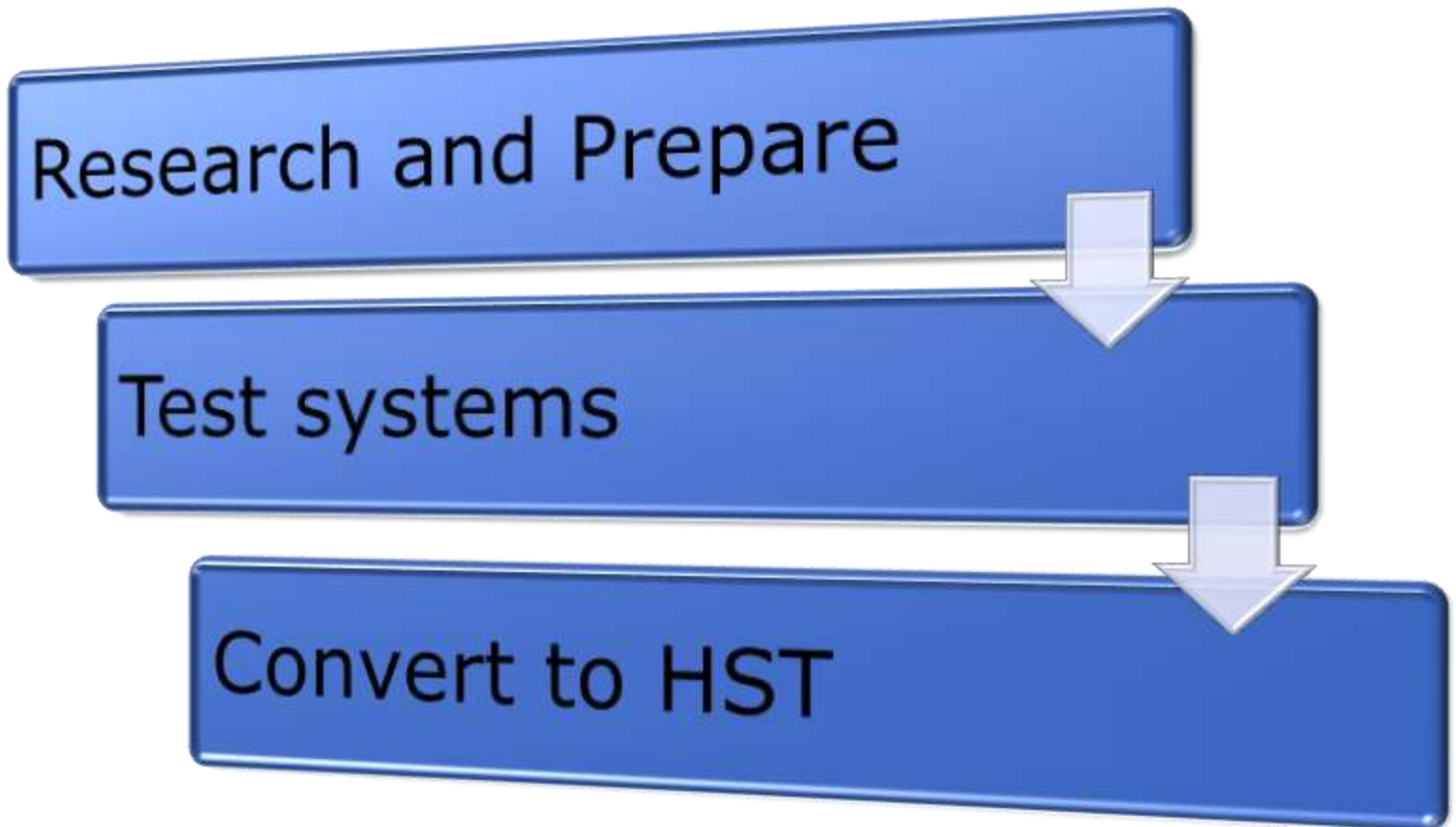
RITC threshold

- > \$10 million in a year
- RITC period begins July 1-June 30 not fiscal year
- Watch for changes in year:
 - Amalgamation, windup
- Associated entities, Parent co, Sub co partnerships, joint ventures

Invoice templates

| | | |
|--------------------------|--------------|------------|
| | | |
| Subtotal | | CAD 350.00 |
| Sales Tax Total | | CAD 42.00 |
| | | |
| Sales Tax Summary | | |
| GST@5.0% | | CAD 17.50 |
| HST(BC) Sales@7.0% | | CAD 24.50 |
| Total Tax | | CAD 42.00 |
| | Total | CAD 392.00 |

Summary



Closing comments before Q&A

Review sales for GST/HST

- Rules may have changed

Charge Province and Crown Agencies

- No longer zero rated
- Exception Alberta Gov't no GST/HST

Know when and what to charge or self-assess

- Transition

Home office opt out

- Contact suppliers about Residential Energy Credit

Set up and test accounting system before July 1

- Tax rates, codes, templates

Know mandatory electronic filing rules

- 1.5 Million Taxable Supplies
- Builders

Consider changing filing frequency or method

- If appropriate
- Helpful for cash flow management

Q&A

New BN #?

- No, same account

Commercial rent and cost plus subject to HST?

- Yes and RITC resides with landlord

Reimbursed expenses subject to HST?

- Yes, same treatment as before with GST, included in Taxable Supplies
- Tax must be charged

Q & A

How is this going to impact my bottom line?

Short term PST is no longer an expense, should be small increase in profit for PST no longer expensed

Cost of conversion, staff training?

Cost of new compliance

Longer term: consumer pressure to reduce prices as PST no longer included in costs?

Should I be concerned about cash flow management?

Yes, depends on your business whether cash will increase or decrease

Question reporting period, especially if cash is tight and there are refunds

Q&A

When should I be doing all of this?

- Start now as transition is under way
- Transition dates started in October 2009 through May 1st
- Effective date July 1

Can I do this myself? When should I involve my accountant?

- Research and interpretation of rules and transition
- Tax rates / exemptions / large business
- Place of supply

Q&A

Why do economists think HST(BC) will result in lower prices?

Competition

- Pricing of products and services to compete with Alberta
- Negotiating for reduced costs may result

Consumers

- Pressure to lower prices as our costs are not dropping, in fact they are increasing for consumables such as services

Q&A Home offices and energy

Is it true that I won't qualify for the Residential Energy Credit (BC) if I have a home office?

Yes and here's what you need to know:

- Automatic Credit applied to July 1st energy bills
- Business use of residential property
- Potential fines for accepting automatic credit

To Do before July 1

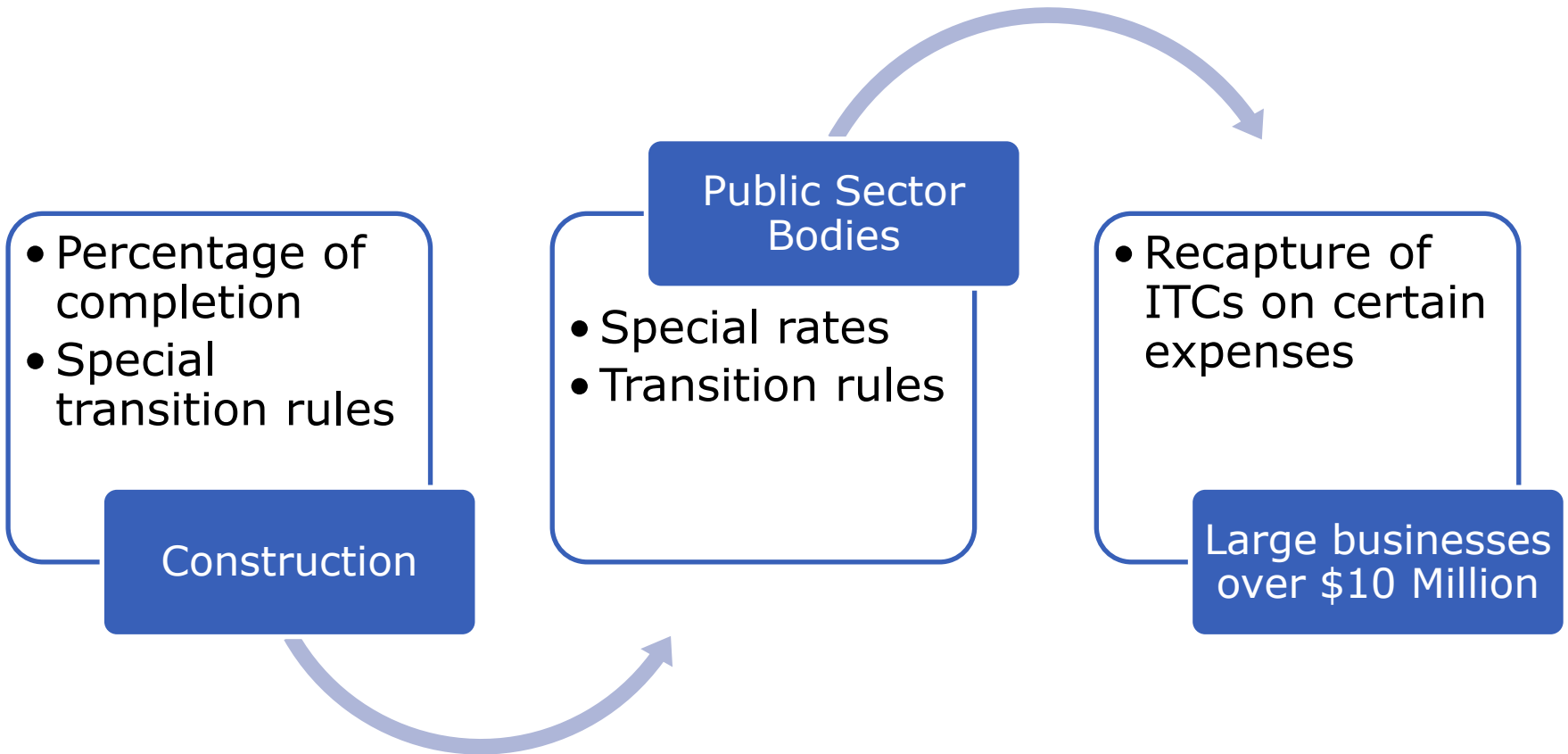
Contact suppliers directly to request to opt out

- <http://hst.blog.gov.bc.ca/faqs/energy-credit/#5>

Q&A

Is this all there is to know?

Oh no, there are over 300 new documents to read and review between CRA and BC gov't. There are some special concerns not addressed in this small business webinar:



Canada Revenue Agency www.cra-arc.gc.ca

- **Read**

- GST/HST Harmonization for BC and Ontario:
 - www.cra-arc.gc.ca/harmonization
- GST/HST main webpage (under the Business tab on Home page):
 - <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/menu-eng.html>
- Publications, technical, pamphlets, booklets, guides and forms
 - <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/frmspbs/bytyp-eng.html>
- GST/HST News #76
 - <http://www.cra-arc.gc.ca/E/pub/gr/news76/news76-e.pdf>

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- Video casts 7-17 minutes / to be released soon: one hour webinar
- <http://www.cra-arc.gc.ca/gncy/hrmnztn/wbcsts/menu-eng.html>

- **Contact**

- Business Enquiries 1-800-959-5525
- GST/HST Rulings & Interpretations 1-800-959-8287

Province of BC <http://hst.blog.gov.bc.ca>

- **Read**

- Blog

- <http://hst.blog.gov.bc.ca/>

- Link to PDF: What's Taxable under HST and What's Not?

- http://hst.blog.gov.bc.ca/wp-content/uploads/2010/05/GST_PST_HST_List_v04.pdf

- Help to transition to HST:

- <http://hst.blog.gov.bc.ca/businesses/help-to-transition-to-the-hst/>

- Business Toolkit: HST Checklist for Business

- Credits, Exemptions and Rebates

- <http://hst.blog.gov.bc.ca/2010/03/27/rebates-exemptions/>

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- <http://www.sbr.gov.bc.ca/applications/SUBS/scripts/subscribe.asp?docTitle=What%27s+New>

- **Download**

- Technical publications

- BC HST Notices #1 - #11

- http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Harmonized_Sales_Tax/notices.htm

- **Contact BC Consumer Taxation only when you have concerns about**

- PST wind-down concerns

- Tax on private sales of vehicles, boats and airplanes

- Residential Energy Credit program

Where to find this recorded session...

<http://community.intuit.com/category/media-library-canada>

<http://community.intuit.com/posts/intuit-hst-webinars>

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Laws and regulations change frequently, and their application can vary widely based upon facts and circumstances involved

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