

STAFF REPORT: Financial and Information Services



REPORT TO: Finance and Administration
MEETING DATE: May 18, 2010
REPORT NO.: FIS.10.37
SUBJECT: HST – Revenue Implications
PREPARED BY: Ruth Prince, Manager of Revenue

A. Recommendations

THAT Council receive Staff Report FIS.10.37 “HST – Revenue Implications”, for information purposes.

B. Background

Legislation to enact the Harmonized Sales Tax (HST) has been passed by the Governments of Canada and Ontario. The HST will be applied on most supplies of goods and services made in Ontario at a rate of 13%, consisting of the 5% Federal portion and an 8% Provincial portion. The HST will generally utilize the same regulations and rules currently applying to the Federal GST system. Therefore, the majority of goods and services that are currently subject to the 5% GST (prior to July 1, 2010) will become HST applicable at 13% after July 1, 2010.

Transitional rules are required to determine which tax – the existing Retail Sales Tax or the Ontario component of HST – would apply to transactions that straddle the July 1, 2010 implementation date for the HST. An important transitional date for HST is May 1, 2010. HST is due on consideration due or paid after May 1, 2010 and before July 1, 2010 for property and services provided after July 1, 2010.

The impact of HST and the transition rule for The Blue Mountains are discussed in the following revenue areas:

Recreation Fees and Charges – Recreation fees and charges will all be subject to the HST. Currently, fees such as ice rental, community hall rental and athletic field rental are charged GST (5%) but after July 1, 2010, an additional 8% provincial portion will be added. For example, we currently charge \$123.30 (\$117.50 + \$5.80 GST) per hour for prime time ice rental. After July 1st the cost per hour will be \$132.70 (\$117.50 + \$15.20 HST). Any hall bookings, ice rentals or athletic field rentals that are booked after May 1st for services provided after July 1, 2010 will be charged HST.

Harbour User Fees – Harbour fees and charges are subject to HST, however the seasonal mooring fees for 2010 only included 5% GST since all fees were paid before May 1, 2010. Transient rates and off season land storage will be charged HST after July 1, 2010. For 2011, seasonal mooring fees will be charged HST.

Water and Wastewater Rates – Water and Wastewater rates are exempt from GST and therefore exempt from HST.

Cemetery Fees – Currently all cemetery fees (lots and internment charges) are subject to GST only and as such after July 1, 2010 these fees will be subject to HST.

Fire Fees and Charges – The supply of fire protection services is an exempt supply of goods and services for GST and therefore will **not** be subject to HST. This includes Fire Department response to non-emergency activation of a Fire Alarm/Early Warning system and emergency response services.

Building Permits & Licensing – The supply of licences and permits is an exempt supply of goods and services for GST when the supply is made by a municipality and therefore will **not** be subject to HST.

The Town's financial software has been updated to accommodate the HST. Staff will continue to monitor the revenue implications of HST for any changes that may occur.

C. The Blue Mountains' Strategic Plan

Ensuring long-term financial sustainability and providing a strong, well managed municipal government.

D. Environmental Impacts

None

E. Budget Impact

There is no budget impact with the implementation of HST as it relates to revenue. The HST will be charged accordingly and remitted to the Canada Revenue Agency.

F. Attached

None

Respectfully submitted,

Ruth Prince,

For more information, please contact:

Ruth Prince, Manager of Revenue
rprince@thebluemountains.ca
519-599-3131 x228