

Ministry of Finance

Tax Notice



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Notice to Social Service Tax Vendors and Lessors

Transition to the Harmonized Sales Tax

Social Service Tax Act

As the Province of British Columbia winds down the administration of its provincial sales tax (PST) as a result of the implementation of the harmonized sales tax (HST) on July 1, 2010, it has come to the ministry's attention that there are still a number of businesses with questions about the transition out of the PST. Therefore, the ministry would like to take this opportunity to provide you with some information about this important transition.

As a result of the elimination of the PST, you are no longer required to pay PST on the goods and services you purchase for use in your business, nor are you required to self-assess and pay PST on the goods you bring into British Columbia for use in your business. Although you are generally required to pay HST, businesses making taxable or zero-rated sales can claim input tax credits for the HST paid on their business inputs.¹ Businesses that could only claim input tax credits for the 5% goods and services tax (GST) under the PST system can now claim input tax credits for the full 12% HST. The ability to claim input tax credits will save businesses an estimated \$1.9 billion by removing PST from business inputs (everything from your monthly telephone/cell phone bill, the cost of your lawyer, office supplies, energy costs, equipment, furniture, computers and software, and much more).

Subject to the transitional rules, as of July 1, 2010, any goods and services you supply in British Columbia are no longer subject to PST. Instead, goods and services are generally subject to the 12% HST (5% federal portion and 7% provincial portion), the lowest HST rate in Canada.

If you are still receiving payments on which PST is owed, you are required to send in a supplemental PST return, along with the tax due, on, or before, the 23rd day of the month following the month in which the PST is collected or becomes payable. All PST

¹ A temporary restriction on input tax credits applies to businesses with over \$10 million in taxable sales. Please see [HST Notice #4](#), *Temporary Recapture of Input Tax Credits Requirement*.

not otherwise payable on an earlier date is payable and must be collected by December 31, 2010. Therefore, you must file all supplemental returns on, or before, January 23, 2011. However, in limited circumstances, an extension is provided. For more information on extensions, please see [Notice 2010-013](#), *Final Supplemental PST Returns and Applicable Extensions*.

Once all supplemental returns are remitted, the duplication that existed under the previous system of collecting, accounting and remitting two taxes - the PST and GST - will be eliminated. Under the streamlined HST system, you collect and remit only one tax, saving you time and money. Administrative cost savings to businesses are estimated to be about \$150 million annually.

Although you cannot make internal adjustments on supplemental PST returns, you may be eligible to claim a refund of the PST you remitted on goods that are returned, on services that are cancelled, or on goods and services where the price is reduced. There is a limited time period in which you may apply for these refunds. For more information, please see [Notice 2010-012](#), *Notice to Social Service Tax Vendors*. Also, if you have remitted PST but received no payment or only a partial payment from your customer, and the account has been written off as a bad debt, you may claim a refund of that PST. For more information, please see [Bulletin GEN 001](#), *Refund of Tax Remitted on Sales Written off as Bad Debts*.

In addition to the refunds of PST you have collected and remitted, the province is providing a number of transitional refunds of PST paid by businesses. For example, the commercial activities refunds are provided so that businesses are not denied the benefits of the transition to the HST for goods and services purchased for use exclusively in the course of a commercial activity after October 14, 2009, and before May 1, 2010, but delivered or performed on, or after, July 1, 2010. For more information on this and the other transitional refunds, please see [HST Notice #8](#), *General PST Transitional Rules for Transitioning to British Columbia HST*.

The HST is good for British Columbia's economy because it makes us competitive with 140 countries with a similar value added tax. It is estimated the HST will enable businesses to create 113,000 additional new jobs and generate an estimated \$11.5 billion in new capital investment by 2020. Building on British Columbia's low provincial corporate income tax rates, the HST will attract more investment and that is good for your business.

Further Information

If you have any questions related to winding down the PST, please call us toll-free at 1 877 388-4440, or e-mail your questions to CTBTaxQuestions@gov.bc.ca

You can also find information on our website at www.gov.bc.ca/hst

If you have technical questions related to the HST and your business, please contact the Canada Revenue Agency at 1-800-959-5525 or www.cra-arc.gc.ca/harmonization

The information in this notice is for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/legislation.htm