



Prepare for Ontario's HST: #3 – Compensation for RST Vendors

This information will help Retail Sales Tax (RST) vendors prepare for the Harmonized Sales Tax (HST) in Ontario.

Vendor Compensation

The RST vendor compensation is designed to compensate vendors for collecting RST during the government's fiscal year of April 1 to March 31. General vendor compensation will end as the RST is wound down with the implementation of the HST.

In the 2010 Ontario Budget, the government announced that it proposes to extend compensation to RST vendors of up to \$375 for the period April 1, 2010 to June 30, 2010.

Claiming Compensation for Periods Ending after March 31, 2010

All RST returns mailed to vendors for periods ending after March 31, 2010 will indicate AT LIMIT in the Compensation box at Line 5. Do not try to enter an

amount in this line. In order to claim compensation, vendors must first determine their total tax collectable on sales during the reporting period and then deduct from that amount the eligible compensation. The result of this calculation must then be entered on line 2 of the RST return.

Proposed compensation limits for the period April 1, 2010 to June 30, 2010 would be:

- If RST charged in the return filing period is \$20 or less, claim the amount charged
- If RST charged in the return filing period is more than \$20 and less than \$400, claim \$20
- If RST charged in the return filing period is \$400 or more, claim 5% of the amount (up to a maximum \$375)

Example:

A vendor, X Ltd, files its RST return on a quarterly basis. The last return was filed on March 23, 2010 for the quarter ending February 28, 2010. X Ltd's subsequent return covers the period March 1 to May 31, 2010. During this period it charged RST in the amount of \$1,800. X Ltd is eligible to claim compensation of \$90 (\$1,800 x 5%) on its March 1 to May 31, 2010 return. X Ltd will record \$1,710 (\$1,800 - \$90) on line 2 of the return as shown:

Use black or blue ink - Detach and return with payment ▼

		<input type="checkbox"/> Single Event Retail Sales Tax Return	
Vendor	Identification No.		
X Ltd	9999-9999		
I certify that the information in this return is, to the best of my knowledge, true, correct and complete.			
Signature	Name (print)		
This return covers the period:		Due Date	
01-Mar-2010 to 31-May-2010		23-Jun-2010	
RST - rL008 - 14			

	Dollars	Cents
① Total Sales	22,500	00
② Tax Collectable on Sales	1,710	00
③ Tax Payable for Own Use		.
④ Current Penalty		.
⑤ Compensation (based on ②)	AT LIMIT	
⑥ Total Tax Due	1,710	00
⑦ Payment Amount	1,710	00

During the month of June 2010 X Ltd charged RST of \$660. On its final RST return (for the month of June) X Ltd may claim \$33.00 ($\$660 \times 5\%$) as it has not exceeded the maximum of \$375 for the period April 1 to June 30, 2010. To claim the amount for compensation X Ltd must deduct the compensation from the tax collectable ($\$660 - \$33 = \$627$) and report the net amount on Line 2 of its return.

Vendors must keep accounting records to substantiate their tax return filings.

Insurance Vendors

After implementation of the HST, Ontario will maintain its RST at a rate of 8 per cent on taxable premiums for contracts of insurance and benefits plans. The 2010 Ontario Budget also proposed to continue vendor compensation for vendors collecting RST on insurance premiums. Further information can be found in **Tax Tip #4 - Insurance Premiums** available on the ministry's website.

For More Information:

- Call Ontario's Budget hotline at 1-800-337-7222 and Teletypewriter (TTY) 1-800-263-7776 or visit ontario.ca/taxchange for general information on introduction of the HST in Ontario and wind down of the RST.
- To obtain a written RST interpretation on a specific situation not addressed in this publication, please send your request in writing to:

Ministry of Revenue
Tax Advisory Services Branch
Retail Sales Tax Section
33 King Street West, 3rd Floor
Oshawa ON L1H 8H5

- Canada Revenue Agency is your source for the latest information on how the transitional rules apply, how to get ready for the HST and the application of HST. Visit the CRA's "Are You HST Ready" website at cra.gc.ca/harmonization or call 1 800 959-5525.

