

Tax Talk

Why you should plan ahead for the July 1 HST deadline

When it comes to HST, planning pays

Harmonized Sales Tax (HST) is coming to Ontario on July 1 and the government is selling the idea that blending the 5% GST and 8% PST in Ontario is going to save manufacturers, restaurants, retailers, and other businesses so much money that they'll be able to lower their prices and we'll all benefit.

Stop laughing. That's what they're saying.

Personally, I figure there'll be more to gain during the rush to beat the deadline on purchases that will cost more after the HST takes effect.

Think about your local gas station. Gasoline already has GST in the price, so if gas is \$1 a litre on June 30 it's going to be \$1.08 on July 1. I'll see you in line.

Industry lobbyists have been calling for an HST in the province for years, saying the current system is inefficient and regressive. The basic principle is that HST is fully-refundable whereas PST is not. HST is also simpler to administer. Right now, truckers face at least three different sales tax regimes: the PST, the Multi-Jurisdictional Tax (MJVT, a special PST on IRP vehicles), and the federal GST.

Probably the easiest way to think about how HST will affect you is to look at IRP and non-IRP operations.

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For IRP fleets

When Ontario introduced IRP in 2001, one selling feature was that PST is not applied to repairs and maintenance or the purchase and leasing of equipment.

Just show the dealership your Cab Card and you were PST-exempt. Instead, PST (renamed MJVT) is paid annually with your IRP plate renewal. After July 1, IRP vehicles will now have to pay HST on all of these items.

Because HST is fully-refundable, owner/operators and fleets will get their money back. But isn't it better not to pay it at all, to have the purchase be tax-exempt, rather than to pay the cash and wait three months to claim an input tax credit on the HST? It's a step sideways, not ahead or backwards.

For non-IRP fleets

Non-IRP fleets will be able to claim the HST as fully-refundable instead of having to pay non-re-

fundable PST on everything, potentially a big savings.

For example, a \$100 repair for an IRP vehicle costs \$105 with \$5 refundable through GST. For non-IRP vehicles, that same repair costs \$113 with \$5 refundable. Starting on July 1, everyone will pay \$100 for the repair plus \$13 HST and then file to have the \$13 refunded.

The numbers get bigger on capital purchases. For example, that non-IRP truck that cost \$100,000 plus \$8,000 PST will cost \$100,000 after the \$13,000 HST refund. That's where the government is gambling that the HST will have its biggest effect.

Those savings on capital purchases may entice companies to stay in Ontario, creating jobs and reducing unemployment.

Bad timing

The existing tax on multi-jurisdictional vehicles would no longer apply to renewals or new registrations of these vehicles under IRP on or after July 1.

In addition, these vehicles will no longer be subject to RST (exit tax) when they cease to be registered under the IRP on or after July 1.

Ontario has told IRP jurisdictions that they will no longer be required to charge the annual prorated sales tax on behalf of Ontario for renewals or new reg-

istrations under IRP if the registration year begins on or after July 1.

What about vehicles registered before July 1? If your IRP fee structure covers May 2010 to April 2011, will Ontario refund tax for months beyond June 2010? We've asked IRP officials and no one knows the answer.

I do know this: carriers are delaying some capital purchases – trucks and trailers – until July when they feel they will be cheaper due to HST.

The transition to HST won't be easy, and you should talk to your accountant about how to manage the process with respect to taxes on your own billing – like, if you pick up a load on June 29 and deliver it on July 3, how do you apply the taxes?

But let's hope auto companies and other manufacturers in Ontario see the benefits and decide to stick around.

And hey, since they're saving so much money because of HST, maybe they'll pay more for your service. Stop laughing! □

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