



**NEW HARMONIZED SALES TAX - HST**

*Effective July 1, 2010*

***How it will affect your brokerage services, freight and the importing of goods***

The Harmonized Sales Tax (HST) is a value-added tax which combines the provincial sales tax (PST) of the five participating provinces with the Federal Goods and Services Tax (GST).

Effective July 1, 2010, the provinces of British Columbia and Ontario will replace their provincial sales taxes with a single HST.

**CANADIAN PROVINCES WITH HST**

Nova Scotia	13%	Increasing to 15% July 1, 2010
New Brunswick	13%	
Newfoundland	13%	
British Columbia	12%	
Ontario	13%	

**COMMERICAL IMPORTED GOODS**

At time of importation, HST does not apply to Commercial Goods. The rules remain unchanged at the current rate of 5% GST.

**Non-resident importers to Canada (if GST registered)**

The HST can be accounted for through your input tax credits. If you are GST registered with the Canada Revenue Agency and you are a non-resident importer to Canada, you can claim an input tax credit to recover GST and HST on goods and services.

**NON-COMMERICAL IMPORTED GOODS**

These rules have now changed. HST applies to taxable importations of Non-commercial goods imported by a resident of a participating province, regardless of the point of entry into Canada or where customs clearance occurred.

For example, if non-commercial goods are imported through any province, by a resident of Ontario (where the address of the consignee is Ontario), HST is collected. However, if a resident of Alberta (where the address of the consignee is Alberta) imports non-commercial goods through Ontario (or any HST participating province) only GST is payable. The HST is calculated on the duty-paid value of the goods and is collected by CBSA (Canada Border Services Agency) at the time of importation.



## **CUSTOMS BROKERAGE SERVICES**

HST on brokerage services, as ruled by CRA (Canada Revenue Agency), is based upon the province where the goods entered Canada or where they were customs cleared. You will therefore be billed the HST on our brokerage service fee if your goods are imported through British Columbia, Ontario, New Brunswick, Nova Scotia or Newfoundland, regardless of the province of destination. HST does not apply to service fees if your goods are imported through any other province, even if your goods are destined for an HST participating province. For example, goods destined for Nova Scotia that are customs cleared in the province of Alberta only attract the 5% GST on brokerage services.

### **Non-resident importers to Canada (if not GST registered)**

Non-resident importers to Canada who are not GST registered with the Canada Revenue Agency will continue to be exempt from HST on brokerage services.

### **Brokerage services in the province of Quebec**

QST (Quebec sales tax) on our customs clearance brokerage services is also based on the province of release. You will therefore be billed the QST on our service fee if your goods are imported through Quebec, regardless of the province of destination.

The current HST rate in Quebec is 7.5%. The QST is calculated on the service fee amount, including the related GST amount. I.e.

Service fee	\$ 100.00
GST @ 5%	<u>5.00</u>
Sub Total	\$ 105.00
QST @ 7.5%	7.88
Grand Total	\$ 112.88

## **CONSULTING & RELATED BROKERAGE POST ENTRY SERVICES**

A service supplied in relation to an objection, appeal, re-determination, re-appraisal, review, refund, abatement, remission or drawback, or in relation to a request for any of the foregoing, is subject to the above general place of supply rules for services to determine the province in which the supply is made. If it is a participating province, HST will apply.

## **INTERNATIONAL FREIGHT MOVEMENT**

For international /cross-border freight movements, into Canada or from Canada to foreign destinations, there is no GST or HST applied on the freight movement fees. Freight movement services fall under the list of GST zero-rated goods and services and therefore are non-taxable.



## **DOMESTIC AND LOCAL FREIGHT MOVEMENT**

Most domestic freight is subject to HST if the destination of the goods is within any HST participating province and is subject to GST for destinations in the rest of Canada. So if your shipment originates in Ontario and is destined for delivery in Manitoba only GST is collected. However, if your shipment originates in Alberta and is destined for British Columbia (or another HST province) the HST will apply on the freight movement service fees.

## **HST TRANSITION TIMELINES**

Brokerage Services: HST will apply if the release date is on or after July 1, 2010.

Broker Services on Imported goods: HST applies based on the release date of the imported goods. If goods are released on or after July 1, 2010, HST will be charged.

Domestic Goods: If freight starts its journey before July 1, 2010 but delivery takes place on or after July 1, 2010 only GST is collected. If, freight starts its journey on or after July 1, 2010 the HST will apply.

*As always, if we can be of any further assistance , please contact us.*