



Contracting Policy Notice 2010-2 – Harmonized Sales Tax (HST)

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Harmonized sales tax (HST)

Contracting policy notice 2010-02

File no: 3800-014

Date: May 12, 2010 to: functional heads, administration/finance of all departments and agencies

To: Functional Heads, Finance and Administration of all Departments and Agencies

Subject: Harmonized sales tax (HST)

Summary: the harmonized sales tax (HST) will replace the current retail sales tax and the federal goods and services tax (GST) in the provinces of Ontario and British Columbia on July 1, 2010. The HST rate in Nova Scotia will be increased to 15 per cent on July 1, 2010.

1. Background - On February 25, 2010, an Information Notice (attachment 1) was sent to all Senior Financial Officers, Senior Full Time Financial Officers and Functional Heads of Administration, providing them with information on the transition to the Harmonized Sales Tax (HST) in Ontario and British Columbia and Winding down of Provincial Sales Tax in Ontario and British Columbia.

The HST change coming into effect on July 1 2010, will be 13% in Ontario and 12% in British Columbia.

2. On May 4, 2010, an update bulletin (attachment 2) entitled "HST: Treasury Board Authorities, Transition to HST in Ontario and British Columbia, New Place of Supply Rules and Increase to HST rate in Nova Scotia" was sent to all Senior

Financial Officers, Senior Full Time Financial Officers and Functional Heads of Administration.

- 3. Place of Supply** - The Canada Revenue Agency released on February 26, 2010 significant proposed changes to the Harmonized Sales Tax (HST) "Place of Supply" rules. These rules specify whether, and at what rate, suppliers must charge the provincial component of the HST, in addition to the federal component of HST, on their supplies of taxable goods and services in the participating provinces of New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario and British Columbia.

Note that these new Place of Supply rules would, subject to legislative approval, apply to any acquisition made on or after May 1, 2010. Please refer to the GST/HST Technical Bulletin for further information.

<http://www.cra-arc.gc.ca/E/pub/gm/b-103/>

Given the complexity of the new rules, we recommend that requests for interpretation of individual circumstances be addressed at CRA. The telephone numbers are as follows:

Technical Inquiries on HST:

Service in English: 1-800-959-8287

Service in French: 1-800-959-8296

If you are located in Quebec 1-800-567-4692

- 4. Existing Contracts** – The Department of Justice has recommended that contracting authorities should examine existing contracts to determine whether contract clauses mention sales taxes in a broad manner, or specifically. If the contract specifically refers to the GST or the retail sales tax, it will need to be amended to include a new standard GST / HST tax clause.
- 5. Evaluation of bids** – As a best practice it is recommended that contracting authorities continue to evaluate contract proposals exclusive of all taxes, in order to provide equal treatment for bids received from all jurisdictions.

6. **Trade Agreement Thresholds** – Contracting authorities are to note that all taxes are to continue to be included in estimating the procurement value, in order to determine the applicable trade agreement coverage.
7. **Previously Approved Treasury Board Submissions** – For departmental transactions and TB submissions approved prior to the decision to adopt the HST in Ontario and British Columbia, or to the announced HST increases in Nova Scotia, which did not include HST in the estimated expenditure amounts, there is no requirement to seek new or amended Treasury Board approval authority for expenditures related to the introduction of HST in Ontario and British Columbia, or to the increased HST in Nova Scotia.
8. **Go Forward** – Contracting authorities are to ensure that all applicable taxes and appropriate clauses are included in their contracts, and for valuation purposes to determine the appropriate approval authority limits.
9. **Increased HST Rate in Nova Scotia** - Effective July 1, 2010, the HST rate in Nova Scotia will be increased to 15 per cent.

Under a new Comprehensive Integrated Tax Co-ordination Agreement with the federal government, the provincial portion of the HST will change from eight per cent to 10 per cent.

Please note that the increased rate could apply as of May 1, 2010. Please refer to the government of Nova Scotia Transitional Rules found at the following website for further information.

[Transitional Rules for the Nova Scotia HST Rate Increase](#) (PDF version, 946.92kb)

Inquiries

10. For further information regarding specific transactions please contact your Treasury Board Secretariat - Program Sector Analyst.

For general questions regarding the application of this CPN to project approvals, please contact Mel Thompson, Treasury Board Secretariat - Investment, Project Management & Procurement Policy Division, at (613) 941-7194 or by email at

Melville.Thompson@tbs-sct.gc.ca

For general questions regarding the CPN, please contact Mark Schizkoske, Treasury Board Secretariat - Investment, Project Management & Procurement Policy Division, at (613) 946-6273 or by email at Mark.Schizkoske@tbs-sct.gc.ca

Elisa Mayhew

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Acquired Services and Assets Sector

Distribution: TB06, TB07, TB21, T22, TB23, T23, T24, T161

Attachments

1. Information Notice Transition to the Harmonized Sales Tax (HST) in Ontario and British Columbia and Winding down of Provincial Sales Tax in Ontario and British Columbia - February 25, 2010,

<http://www.tbs-sct.gc.ca/fm-gf/pol/in-ai/2010/hst-tvh-eng.asp>

2. HST : Treasury Board Authorities, Transition to HST in Ontario and British Columbia, New Place of Supply Rules and Increase to HST rate in Nova Scotia – 4 May 2010,

<http://www.tbs-sct.gc.ca/fm-gf/pol/in-ai/2010/hstb-tvhb-eng.asp>

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