



Contracting Policy Notice: 2013-1 – Changes to Harmonized and Provincial Sales Taxes

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apportés à la taxe de vente harmonisée et à la taxe de vente provinciale

Contracting Policy Notice - 2013-1 - Changes to Harmonized and Provincial Sales Taxes

Date: January 4th, 2013

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

Summary

This notice is to remind Contracting Authorities how to deal with tax rate changes in contracts, and is to be read in conjunction with CPN (Contracting Policy Notice) 2010-2.

Effective **April 1, 2013**, changes to the Provincial Sales Tax (PST (Provincial Sales Tax)), Goods and Services Tax (GST (Government Sales Tax)), and Harmonized Sales Tax (HST (Harmonized Sales Tax)) regimes in the provinces of Quebec, Prince Edward Island, and British Columbia will be implemented.

Background

British Columbia

Following a referendum, the Government of British Columbia announced on August 26, 2011 that it would be eliminating the Harmonized Sales Tax (HST (Harmonized Sales Tax)) and reverting to a PST (Provincial Sales Tax)+GST (Government Sales Tax) system in the province. The PST (Provincial Sales Tax) will be set at a rate of 7%, and the GST (Government Sales Tax) reintroduced at 5%.

Quebec

In addition to paying the GST (Government Sales Tax), the Federal Government has agreed to pay the QST (Québec Sales Tax) on all applicable contracts in accordance with relevant provincial place of supply rules.

The rate of QST (Québec Sales Tax) will be 9.975%. This brings the total sales tax in Québec to 14.975% (5% GST (Government Sales Tax) and 9.975% QST (Québec Sales Tax)).

For more information on the amendments to Quebec's tax system, see Revenue Quebec bulletin (PDF version).

For more information on provincial place of supply rules see Revenue Quebec update (PDF version).

Prince Edward Island

On April 18, 2012, the government of Prince Edward Island (PEI) announced its plans to implement a harmonized sales tax (HST (Harmonized Sales Tax)). HST (Harmonized Sales Tax) will be in effect at a rate of 14% (5% for the federal component and 9% for the provincial component).

Implications

Overall, Contracting Authorities should note that there are now three different scenarios for paying sales tax in Canada depending on jurisdiction:

1. HST (Harmonized Sales Tax) – In provinces which have moved to a single harmonized sales tax, Contracting Authorities are responsible for ensuring that HST (Harmonized Sales Tax) is paid on all applicable contracts.
2. GST (Government Sales Tax) – In all provinces, except Québec, which retain a PST (Provincial Sales Tax)/GST (Government Sales Tax) model, Contracting Authorities are responsible for ensuring that GST (Government Sales Tax) is paid on all applicable contracts. PST (Provincial Sales Tax) exemptions remain in effect.

3. QST (Québec Sales Tax) & GST (Government Sales Tax) – In Québec, Contracting Authorities will be responsible for ensuring that the GST (Government Sales Tax) and the QST (Québec Sales Tax) are paid on all applicable contracts, in accordance with provincial and federal place of supply rules.

Departments are reminded that, in order to determine the appropriate transaction value (both for trade agreement coverage, and transaction approval limits), they are to use the applicable tax rates that will be in effect during the performance of the contract.

Enquiries

For more information on how these changes may affect financial management systems, please refer to the [information bulletin](#) from the Financial Management Sector, Office of the Comptroller General, Treasury Board Secretariat.

Please direct any enquiries about this notice to your departmental headquarters.

Departmental headquarters should contact Treasury Board Secretariat Public

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