

Adding to Your Success



Ontario to adopt HST in July 2010, planning is key!

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Ontario and British Columbia will transition to a Harmonized Sales Tax (HST) on July 1, 2010. This will affect many aspects of your business. We recommend that business owners and their accounting team plan for this transition.

We have put together a five step plan that all business owners should consider regarding the upcoming changes.

Step 1 – Plan ahead

It's important to consider the impact of HST on various elements of your business; you need to consider how the transition will impact:

- Budgets and cash flow
- Sales, purchasing and other systems
- Pricing
- Marketing and sales materials
- Your staff

Step 2 – Consider your revenue stream

- Inform your customers of the coming changes to avoid disputes.
- Review your pricing - certain savings in costs are available due to increased ITC credits, consider how will this be treated by your competitors.
- Review all sales and point of sale systems – consider adjustments required to tax coding and invoices in order to process and reflect the different tax rates.
- Plan for transition – during the transition period old rates may need to remain in place for adjustments for returned goods and price adjustment, so your accounting system will be required to handle both old and new rates.

Step 3 – Consider your purchasing

- Adjust your purchasing systems to accommodate the new tax rate – various federal and provincial tax rates will need to be tracked (5%, 7%, 8%, 12%, and 13%).
- Implement or amend existing self-assessment processes – self-assessment is especially important during the transition period.

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Step 3 – Consider your purchasing (cont'd)

- Review your purchasing plan and timelines
 - purchasing certain items earlier may save tax dollars, especially if you are an NPO or a financial institution.
- Review existing contracts to determine whether they are tax-inclusive or tax extra and which is more beneficial – consider whether opportunities exist or clarify unclear wording.
- Review contracts that span the implementation date to determine whether if the agreement is structured to accommodate this tax change. If not, clarify the terms with your suppliers.
- If your organization is subject to restricted input tax credits (ITCs), your organization may require more detailed information from suppliers and these need may need to be itemized in your agreements.

Step 4 – Consider your employees

- Plan for training of certain employees.
- Adapt your expense reports and reporting process.
- Test your systems prior to implementation.

Step 5 – If necessary seek professional help, consult with your advisors

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