

## Harmonized Sales Tax Update

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On October 14, 2009, the BC Government released HST Notice #1, entitled “*General Transitional Rules for British Columbia HST*”. This document confirms some common-sense rules. For example, HST will apply to sales where goods are delivered and ownership is transferred on or after July 1, 2010.

Services will be subject to HST *to the extent* that the service is performed after June 30, 2010. Construction contractors must start collecting HST *now* on prepayments for work that will not be completed before July 1, 2010. Residential contractors will be allowed to file a PST Inventory Rebate for PST-paid inventory of materials not installed in a residential project at July 1, 2010.

Holdbacks will be subject to the same allocation of HST as the underlying progress billing. HST will not be charged on a holdback if the underlying progress billing is for work to June 30, 2010. A clean work-in-progress cut-off at June 30 would be advisable to minimize errors and confusion in your progress billing system.

Other transitional rules specific to residential housing in BC are to be announced later, after the BC Government conducts more “consultations” with the industry.

### Key Dates to remember:

- July 1, 2010, the obvious one;
- May 1, 2010, the date a business starts collecting HST on prepayments for goods and services to be provided after June 30, 2010;
- October 14, 2009, the date that HST must be collected by contractors on prepayments for services to be performed after June 30, 2010.

The full text of HST Notice #1, General Transitional Rules, is available at: [http://www.sbr.gov.bc.ca/business/Consumer Taxes/Harmonized Sales Tax/HST Transitional Rules.html](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Harmonized_Sales_Tax/HST_Transitional_Rules.html)