

HOW WILL THE NEW HARMONIZED SALES TAX AFFECT MY SMALL BUSINESS?

The harmonized sales tax (HST) replaces the existing provincial sales taxes (PST) and the federal goods and services tax (GST) in B.C. beginning July 1, 2010. The HST will be applied on most supplies of goods and services made in B.C. at a rate of 12%, consisting of the 5% federal portion and a 7% provincial portion.

According to **Gabrielle Loren**, a Certified General Accountant and partner of North Vancouver’s accounting firm, **Loren, Nancke & Company** (www.lnco.ca), the transition to HST for businesses currently charging GST & PST will actually be very easy and will result in a lot less paperwork in the future.



Gabrielle Loren, CGA of
Loren, Nancke & Co.

“The simplest way to explain the transition is that PST is no longer charged and the rate used to calculate the GST is simply increased on most accounting software programs, like QuickBooks or Simply Accounting, from 5% to 12%,” says Gabrielle.

Quick Method of accounting is a simplified accounting option available to help small businesses calculate their net tax for GST/HST purposes. For more information about Quick Method visit the Canada Revenue Website, www.cra-arc.gc.ca.

Gabrielle, a seminar facilitator at **Small Business BC**, continues to say that on the purchase side of things, the transition will again be simple. “Right now a business records the cost of an item bought plus PST and then the GST paid is entered as a separate amount. Moving forward, businesses will only need to enter two amounts, the cost and the HST,” she explains.

Canada Revenue Agency confirms that you do not need to register for HST if you are already a GST registrant. As for new businesses, you will be required to register for HST if your sales exceed \$30,000 annually.

What other accounting considerations should small businesses be aware of with the new HST? “As mentioned, the Quick method for HST is available for small businesses – meaning their sales are under \$200,000 in a year – so they are able to do a simple calculation as opposed to breaking out the HST on every expenses and deducting that amount from the HST collected,” says Gabrielle.

Here are some considerations your small business may want to do before the HST comes to effect on July 1, 2010.

- **Update your point-of-sale, cost and accounting systems** so your business is ready to implement the HST by July 1, 2010. Learn more on General Transition Rules for HST, http://www.sbr.gov.bc.ca/documents_library/notices/HST_Note_001.pdf.
- **Ensure you are aware of what taxes you need to be charging when.** There are some services that did not charge PST but will now charge HST. Learn more about the details on when to charge HST or just GST, <http://www.cra-arc.gc.ca/E/pub/gm/b-103/b-103-e.pdf>.



- **Learn about how your business can transition from PST to HST,** http://www.sbr.gov.bc.ca/documents_library/notices/HST_Notice_008.pdf.
- **Understand the HST invoicing requirements** to inform customers when they make their purchases, http://www.sbr.gov.bc.ca/documents_library/notices/HST_Notice_007.pdf
- **Attend informational seminars by Canada Revenue Agency** to learn how your business can transition to HST. May 26, & June 16, 2010 from 9am – 12pm at Small Business BC. Register at <http://www.cra-arc.gc.ca/vnts/hrmnztn/bc/vancouver-eng.html>.

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Gabrielle Loren teaches the following seminars at Small Business BC: Tax Tips from an Accountant and Moving from a Proprietorship to Corporation - Tax Concerns. Learn more at

www.smallbusinessbc.ca/seminars.

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About Small Business BC: Small Business BC provides advisory services, education and community to help entrepreneurs succeed in all stages of business. Small Business BC is supported by Western Economic Diversification Canada and the Ministry of Small Business, Technology and Economic Development. For more information, visit www.smallbusinessbc.ca