



## How will the HST affect my Contracts?

HST will have an impact on every industry including businesses who provide contract services, including trades people and painters. Consumers will be affected if the wrong rate of GST or HST is applied since they can't recover the HST if paid personally.

Businesses, on the other hand, must understand what rate of GST or HST to apply to all their contracts before and after July 1, 2010. This is to prevent interest and penalties from being assessed if GST or HST are not applied correctly to a particular contract.

### Contract to Residential Property

HST will be applied to all painting services provided in B.C. and Ontario after July 1, 2010. This will be the case even if the contract to paint a residential property commenced before July 1, 2010. The exception to this will be if a consumer has prepaid for the service prior to May 1, 2010. Before May 1, 2010 contractors are not required to charge HST even if the service will be provided after July 1, 2010. After May 1, 2010 if a consumer wants to prepay for a service contract, the contractor will be required to collect HST for any services to be provided after July 1, 2010.

As a general rule, if the service is all or substantially (90% or more) completed before July 1, 2010, then HST will not apply to the contract. However, if there is still work to be done, then HST will be levied against the services performed after July 1, 2010.

### Tangible Personal Property

Consumers and businesses alike may engage in contracts for the purchase/sale of personal property. This may require a down-payment upon initiation of the contract for property such as customized furniture, vehicles, or made to order parts. HST will apply to the goods that are delivered, and for which ownership is transferred to the recipient, on or after July 1, 2010.

Leases of personal property such as automotive, equipment, and tangible personal property (for example, furniture) may also be impacted by HST rules. Any payments made prior to July 1, 2010 will not be taxed HST, whereas payments made after this date will be subject to the tax.

While the rules for contracts may seem straight forward, the above discussion does not take into consideration where the goods or service will be delivered. When services are provided in more than one province it will be important to seek the advice of an Indirect Tax Specialist.

Meyers Norris Penny is one of the largest chartered accountancy and business advisory firms in Canada. For more than 60 years, we have proudly served and responded to the needs of our mid-market clients in the public and private sectors. Through partner-led engagements, we provide a cost-effective approach to doing business and personalized strategies to help you achieve your goals.

If you don't know when and how to start charging and tracking HST, don't worry. Simply Accounting 2010 gives you a friendly reminder to set up the new HST tax code. It even fills in the rate for you. On July 1, the conversion to the new rate will be automatic. Simply Accounting keeps track of all the GST/PST and HST you pay to vendors and collect from customers. So when it's time to file, you just run a report to get the information you need. Stay focused on your business and let Simply Accounting make HST administration easy for you. Simply Accounting is the #1 choice of accounting software for Canada's small businesses and accountants.<sup>1</sup> For more information visit [www.simplyaccounting.com](http://www.simplyaccounting.com).

*Sage does not provide tax or legal advice. Where specific advice is necessary or appropriate, Sage recommends you consult with a qualified tax advisor, CPA, financial planner or licensed attorney before taking any action.*

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<sup>1</sup> Based on independent surveys of 312 Canadian businesses with 1—99 employees and 401 accountants who work with small business clients, conducted in Canada in June 2009.

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