

# Harmonized Sales Tax in Ontario

## Information for Not-for-Profit & Charity Organizations

On July 1, 2010 the Ontario Retail Sales Tax (RST) will be combined with the federal Goods and Service Tax (GST) to create a federally administered Harmonized sales tax (HST). The HST would have a combined rate of 13% of which 8% would be the provincial portion and 5% would be the federal portion. The HST, except for some exceptions, would generally use the same rules and tax base as the GST.

## What does this mean to not-for-profit and charity organizations

- Many supplies provided by not-for-profit organizations are exempt under the GST. Under the HST system, these supplies would remain exempt.
- Not-for-profit and charitable organizations cannot claim input tax credits on most of their purchases and because the HST base is broader than that for RST, the harmonization will result in a substantial increase the costs borne by these organizations.
- Ontario will provide rebates of the provincial component of HST to charities, qualifying not-for-profit organizations, hospitals, universities, colleges and municipalities so as to be fiscally neutral relative to the RST currently paid by these entities.
- The following table summarizes the rebate amounts:

	Ontario HST 8% Rebate rates	Existing GST Rebate rates
Municipalities	78%	100%
Universities and colleges	78%	67%
Schools	93%	68%
Hospitals	87%	83%
Charities and not-for-profit organizations	82%	50%

### Not-for-profit and charitable organizations should consider the following:

- Review the rebate rates they are entitled to, to determine the impact on their budgets.
- Accelerate any major acquisitions that are currently not subject to RST such as printed material including newsletters, to reduce the overall tax cost.

**Should you have any questions concerning the above, please contact**

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