

The 13th Annual Americas School of Mines Sales Tax Harmonization – Reducing Complexities*

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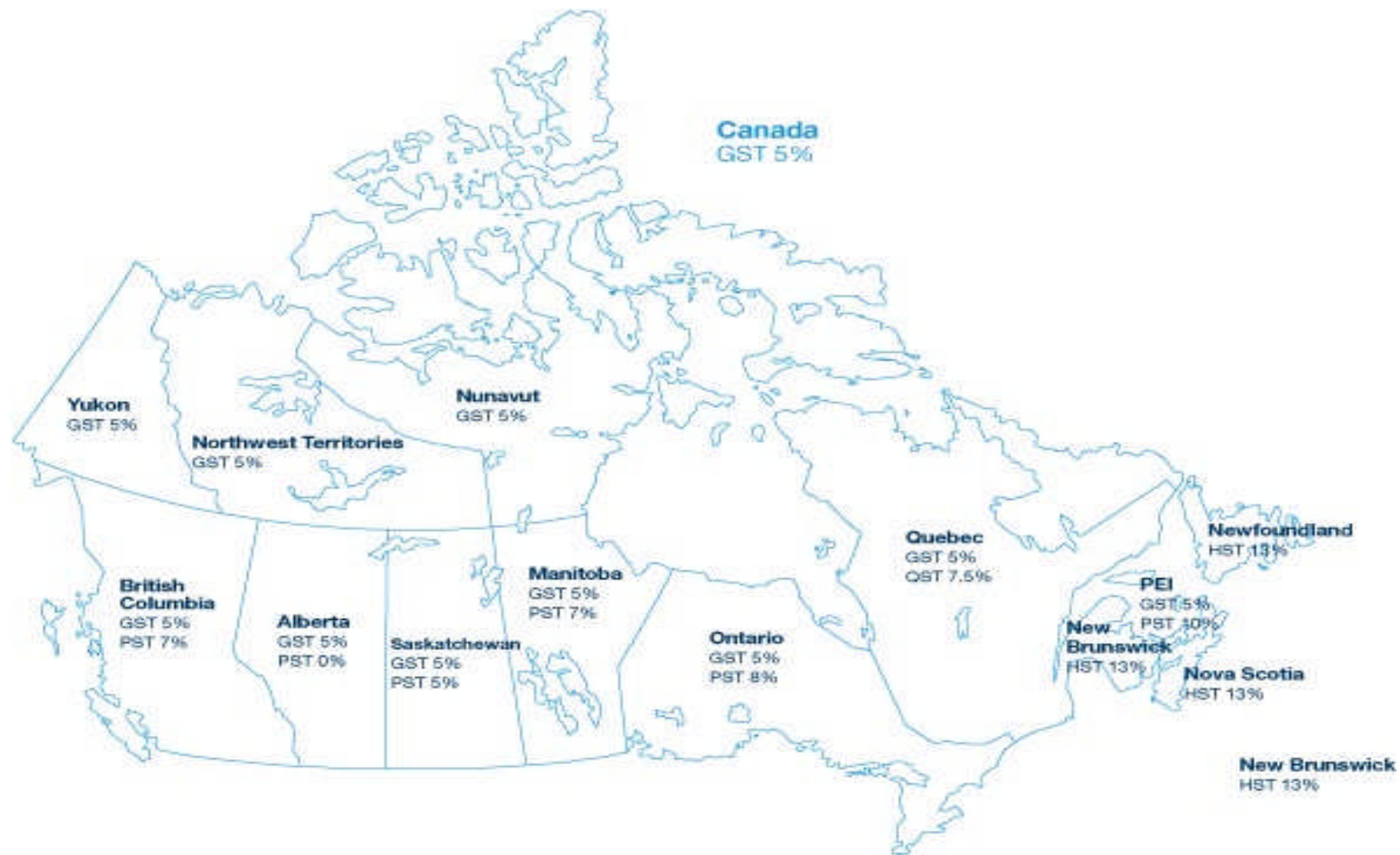
Agenda

- Brief overview
- Mining impact
- What next?

History

- 1991 Canada reforms federal sales tax with a broad based value added tax (GST)
- 1992 Quebec replaces its PST with value added tax similar to GST
- 1997 Nova Scotia, New Brunswick & Newfoundland remove their PST and GST and replace with a single harmonized sales tax (*effective reduction in overall tax due to high PST rates*)

GST/HST Rates in Canada: pre-July 1, 2010



Announcement

- Effective July 1, 2010
 - BC and Ontario PST will be repealed; and
 - Replaced by a Value-Added Tax (“HST”) combined with GST for single sales tax of 12% (BC) and 13% (Ontario)
- Federal government paying BC and ONT a transitional amount of \$1.599 BN and \$4.3 BN respectively

Announcement

- Canada Revenue Agency (“CRA”) to administer HST
- Fed and BC/ONT to draft specific legislation and rules

What will be the base?

Same base as the GST, subject to *point of sale rebates* for

- Books
- Children's clothing and footwear
- Children's car seats
- Diapers
- Feminine hygiene products
- Motor fuels

The Unknown

- Transitional Rules (GST or HST rules?)
- Place of Supply Rules (HST rules?)
- Other PST provinces to follow?
- Will Quebec make changes?
- Tax inclusive pricing?

Mining Industry – GST Issues

- Supplies of “precious metals” by refiner subject to GST at 0%
- Most exports subject to GST at 0%
- Supplies made in Canada of non-precious metals subject to GST at 5%
- Supplies of right to explore/exploit a natural resource not subject to GST
- Parent Companies in Canada may be eligible to register for GST and recover GST paid on expenses relating to wholly owned corporations

Impact to Mining Industry

Potential positive impacts

- All previous PST costs removed on capital infrastructure and administrative costs
- Competitive advantage on international market
- Reduction of Compliance costs for PST vendors
- One tax authority to deal with, one return, one set of rules, one audit

Impacted Businesses and Organizations

Potential negative financial impacts

- Input tax credit restrictions (Large Business)
- Services now subject to HST and cash flow concerns
- Increase to costs for Financial Institutions or investment companies/trusts

Expected Timelines

- Oct 2009-March 2010– some further guidelines/draft legislation on rest of rules
- March - July 2010 – fine tuning of rules
- July 1, 2010 - Implementation

What To Do Now?

- Analysis of impacts and Budgeting:
 - New VAT cost? Lower PST cost?
 - Cash flow impact: ITC vs. Exemption
- Existing contracts:
 - Sharing of any PST savings
 - Adding BCVAT
- Consider impacts on requests for proposals, new contracts, bids

System and Process Impacts and Considerations

- Sales system
 - Tax
 - Rate
 - Disclosure
 - Controls (transition and place of supply)
- Purchase system
 - Capture VAT
 - ITC Restrictions – will CRA change GST return?

Potential Steps to Take

- Review the true impact of HST to business on
 - Budgets (cost of goods/services)
 - Customer pricing
- Identify “key” issues for your Business/Industry

Questions? Thank you.

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