Recommendation

It is recommended that this report be received.

Issue / Opportunity

This report is to provide an update on the transition to HST and its impact on London Public Library.

Background & Review

The Province of Ontario has signed a tax collections agreement with the Government of Canada, which effectively uploads sales tax collection on behalf of the province to the Canada Revenue Agency. This comes into effect on July 1, 2010, at a rate of 13%. With few exceptions, the HST will use the same tax base and structure as the GST. The federal portion of the HST is 5%, and the provincial portion is 8%.

How does this affect the Library?

The Library will be paying the provincial portion of the HST on items which had previously been exempt from the PST; for example, energy costs (hydro, gas, steam), property leases, legal fees, memberships etc. While the Library has always had to absorb the cost of the present 8% provincial sales tax, we will now be able to claim a 78% rebate for most of the provincial portion of the HST in addition to the current 100% rebate of the federal sales tax. This should almost completely offset the new taxes on the previously untaxed goods and services, so the net effect on the Library’s budget should be minimal.
There will be some shifting between budget lines to reflect additional costs for certain items and savings for others. Initially, there will also be a slight negative impact on cash flow. Tracking and claiming the rebates will add administrative complexity; the transition from GST and PST to HST is complex and will be audited by Canada Revenue Agency.

The government of Ontario will provide a point-of-sale rebate of the provincial part of the HST payable on qualifying books (including certain audio books) and print newspapers.

Staff have been encouraged to defer, where possible, non-essential purchases of taxable items until after July 1 in order to take advantage of the HST rebate.

Previously, the Library collected 5% GST on adult programs and room rentals, but will now collect the 13% HST on these services. Children’s programs will continue to be tax exempt. Most other revenues were already subject to both the GST and PST. Fines for overdue materials are not subject to GST and therefore will not be subject to the HST.

**What has been done to date?**

A review of the impact of the HST implementation on all systems and procedures is underway and ongoing. Accpac, the financial system, has been upgraded to the most current version and can now accommodate tax codes and tables for both the provincial and federal portions of the HST. Vision, the room booking software, has also been upgraded.