

Simeen Gaidhar-Bhanji, Financial Expert Columnist



Simeen Gaidhar-Bhanji, CA is a Partner of Simeen Bhanji Chartered Accountant that offer a variety of services to corporations and individuals ranging from tax planning and consulting, compilation, reviews and audits of financial statements, corporate and personal tax returns, GST/PST services, and consulting for internal control, financing and tax.

Understanding the HST the surest way to keep more money

I know, I know. Many of you have your fingers crossed and are hoping for a last-minute miracle whereby the dreaded HST is suddenly taken off the table. Nevertheless, it is vital that you prepare for the new tax and maximize your savings. Many clients have been asking me how they should prepare for HST – and when they have to start charging their customers the tax.

HST, at 12 percent, takes effect July 1, 2010. Any services provided or products sold after this date will be HST-applicable. This will be offset by any HST you pay on purchases if you are an HST registrant.

For businesses using accounting software such as Quickbooks or Simply Accounting, the process is simple. These programs have a module for HST that can be downloaded to your current file and integrated with your already existing, day-to-day bookkeeping. Many other accounting software programs have modules that integrate with your system, too. However, if you are using customized software, it is a good idea to discuss the change and implementation with the developer to ensure that it can add to the ease and success of the transition.

If you are using an accountant for your bookkeeping, they have already prepared for the transition and will ensure that it's a smooth one.

Many clients have asked me if they can avoid HST by billing their customers before July 1, 2010. Although billing and perhaps even payment may occur before July 1, 2010, this does not guarantee avoiding HST. If products are delivered before the transition date, then HST will not apply. If you are providing services, those services must be provided and completed before the transition date. Services billed before transition and completed after that date will have to be charged HST.

Many clients are confused about the sale of memberships. Memberships are HST-applicable in the pre-transition phase if they relate to a membership that gives benefit to the member after the transition period.

For companies taking deposits or retainers, it is important to determine when the product or service will be delivered. If delivery occurs after the transition date, then HST should be applied to the prepayment. Many clients have asked what the process is for filing the new HST. If you are currently registered for GST, you will be expected to collect and report your HST with the same filing deadlines as your current GST account. The transition on the compliance side with Revenue Canada is very smooth. There may be an option for you to electronically file: this will reduce the paperwork and filing costs. I suggest you confer with your accountant about the criteria.

I have encouraged my clients who have not charged PST in the past, only GST, to prepare a cash-flow statement for their business with the impact that HST will have on the numbers. Many clients will be collecting seven percent more on their sales; therefore, their cash flow will increase. However, it is important to keep these funds aside as they are payable to the Canada Revenue Agency. I would

recommend a cash-flow analysis to any business, as the new tax will have an impact.

It is important for businesses to train and educate their teams. All companies should have policies and procedures for implementing the transitioning into the new tax.

For contracts, it is important that businesses review the contracts they have entered into. Study your key dates and deadlines to determine if the contracts are HST-applicable. This is an example of something that could have a significant impact on your business if overlooked.

Real estate transactions are causing the most confusion, as HST is applicable on commercial property or new residential property subject to a rebate. If your completion date or possession date occurs before July 1, 2010, HST is not applicable. Plan your dates accordingly to avoid HST.

For individuals who are not registered, it is a great time to purchase those big-ticket items and buy in bulk! Then you'll avoid paying HST in July.

The above is for information purposes only, and therefore prior to making any decisions, please contact your accountant for advice.

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