

**A presentation by**  
**Queen's University**  
**Financial Services**

Alternative formats for this presentation can be found on the Financial Services website.

**Website:** [Financial Services Training](#) page

**Email:** [finance.training@queensu.ca](mailto:finance.training@queensu.ca)

**Phone:** 613.533.2050

**Financial Services**

**Harmonized Sales Tax (HST)**

# Overview



- [General Information](#)
- [HST on Sales](#)
- [HST on Purchases](#)
- [Additional Information](#)
- [Contact Information](#)

# General Information - HST Defined



- **HST** (Harmonized Sales Tax) is a tax you pay on most goods and services sold or provided in Canada
- **HST** is comprised of **two components**: a federal component of 5% and a provincial component of 8% (provincial rate for Ontario)
- Provinces that have **HST** are called **participating provinces** and include: New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario and Prince Edward Island
- Provinces that do not have **HST** are called **non-participating** provinces and include all the remaining provinces and territories
- **Non-participating** provinces charge **GST** (Goods and Services Tax) and some non-participating provinces charge both **GST** and **PST** (Provincial Sales Tax), or **GST & QST** (Quebec Sales Tax) in the case of Quebec

# HST on Sales



Topics in this section will cover HST on sales:

- When do I charge HST?
- Internal Vs. external transactions
- HST exemptions & rebates
- What happens to the taxes collected on sales?

# HST on Sales - When Do I Charge HST?



- Queen's is registered for GST/HST purposes and is **required to charge** and collect HST on all **taxable supplies** of goods and services made available (sold) to external customers in Ontario and in Canada
- **Taxable supplies** are goods and services that are made in the course of commercial activity and are not exempt. We will discuss exemptions and rebates further later in this training
- As a general rule, most services supplied by Queen's are **exempt** and most goods supplied by Queen's are **taxable**
- Sales to other Queen's departments are **internal transactions** and HST should not be charged (see following slide)
- Sales to **affiliated organizations** are considered **external transactions**. These organizations have a connection with Queen's and typically use Queen's ChartFields, specifically funds starting with '9'

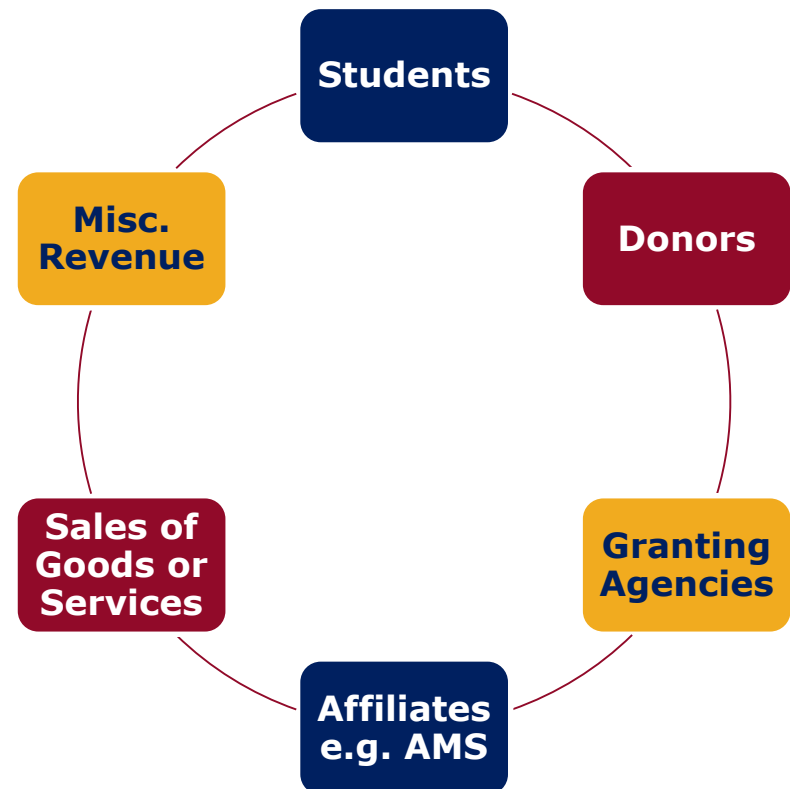
# HST on Sales - Internal Vs. External Transactions



## Internal



## External





# HST on Sales - HST Exemptions & Rebates



- There are transactions where HST is not applicable in part or in full due to **exemptions and rebates** such as:
  - University general exemption (specific rules)
  - Exempt supplies
  - Zero-rates supplies
  - Direct cost exemption
  - Sale of goods or services to Provincial Governments
  - Point of sale rebates including the Ontario First Nations Point of sale rebate
  - Federal rebate on qualifying printed books
- Most exemptions apply to services while most zero-rated and point of sale rebates apply to goods

# HST on Sales - Taxes Collected on Sales



- HST collected from sales is not revenue for Queen's
- HST collected should be recorded to the appropriate tax account and the same fund and department as the revenue associated with the tax collected. The accounts used for GST/HST on sales at Queen's are:
  - 210080 – AP-HST Payable Collected, and
  - 210024 – AP-GST
- Once a month, Queen's zeros out these tax accounts and remits this tax to the government (CRA) by filing GST/HST returns

Topics in this section will cover HST on purchases:

- When do I pay HST?
- PSB rebates & ITCs
- Normal university activities
- Commercial (for-profit) activities
- PSB rebate & ITC exemption
- PSB rebate & ITC example
- Self assessment

# HST on Purchases - When Do I Pay HST?



- Almost everyone has to pay GST/HST on purchases of taxable supplies of goods and services and Queen's is no exception. The HST will apply to goods and services provided to Queen's unless they are specifically exempted
- The HST on purchases are paid to the supplier when the invoice is paid. The supplier then has to file an HST return and remit the taxes they collect from Queen's to CRA

# HST on Purchases - PSB Rebates & ITCs



- There are two (2) major types of transactions from a tax standpoint at Queen's:
  - Normal university activities
  - Commercial (for-profit) activities
- The type of transaction dictates whether Queen's is eligible for a Public Service Body (PSB) rebate or an Input Tax Credit (ITC)
- In order to ensure that PSB rebates and ITCs are calculated correctly, HST paid should be recorded to the appropriate HST Rebate account in the same fund and department as the expense associated with the HST paid
- For items being paid through Accounts Payable, the system (PeopleSoft) will automatically calculate and record the PSB rebate or ITC amounts

# HST on Purchases - Normal University Activities



- Queen's is a **Public Service Body (PSB)** and can claim PSB rebates for goods and services paid or payable in the course of carrying out activities in its capacity as a university
  - Universities receive a 67% rebate on federal component of the HST
  - Universities receive a 78% rebate on provincial component of the HST
  - Combined rebate is approximately 73.77% of the HST on purchases in Ontario
- When a department is eligible for PSB rebates, only the non-rebate portion of the HST is expensed to the department. The majority of the HST (the rebate portion) is charged to the appropriate HST rebate account where it is then zeroed out when Queen's receives its rebate from CRA from filing its monthly HST return

## HST on Purchases - Commercial (for-profit) Activities



- For commercial (for-profit) activities the PSB rebate does not apply on the department expenses, instead, the department is eligible for an **Input Tax Credit (ITC)** at 100% of the total HST paid
- This means that none of the HST paid is expensed to the department. Rather, 100% of the total HST paid is charged to the appropriate HST rebate account where it is then zeroed out when Queen's receives its credit from CRA from filing its monthly HST return

# HST on Purchases - PSB Rebate & ITC Exemption



- Qualifying Printed Books
  - Queen's will only have to pay the 5% federal component of the HST as the provincial component receives a point of sale rebate (meaning the provincial component of the HST is not charged to Queen's)
  - The taxes paid on qualifying printed books are recovered through the Federal Book Rebate when the HST Return is filed, resulting in no cost to the department



# HST on Purchases - PSB Rebate & ITC Example



	Department with PSB Rebate	Department with ITC (1)
Purchase Amount Before Taxes (A)	\$100.00	\$100.00
HST (13% - Ontario rate)		
Federal Component @5% HST	5.00	5.00
Provincial Component @ 8% HST	8.00	8.00
Total Tax Amount (B)	\$13.00	\$13.00
<b>Total Amount After Taxes (A)+(B) = (C)</b>	<b>\$113.00</b>	<b>\$113.00</b>
PSB rebate/ITC		
Federal PSB Rebate @ 67%	(3.35)	
Provincial PSB Rebate @ 78%	(6.24)	
ITC @ 100%		(13.00)
<b>Total PSB Rebate/ITC to be Recovered from CRA (D)</b>	<b>(9.59)</b>	<b>(13.00)</b>
<b>Cost to Department (C) – (D)</b>	<b>\$103.41</b>	<b>\$100.00</b>

NOTE 1: Dept. with ITC (Commercial operations) – Please confirm with Financial Services if unclear whether transaction is commercial

# HST on Purchases - Self Assessment



- For purchases by Queen's, the place of supply will most often be Ontario. It is up to your supplier to charge the correct tax so you should not have to worry about **self-assessing** the HST unless the supplier is unregistered to charge GST/HST. Unregistered suppliers generally include small Canadian suppliers and most foreign suppliers
- If you notice that the tax being charged is incorrect, you should request clarification from the supplier
- To **self-assess** means to calculate and record the HST that should be paid on purchases of goods or services when the applicable tax has not been billed on an invoice by the supplier
- It is the responsibility of the individual initiating the purchase to indicate to Accounts Payable on the Cheque requisition that HST needs to be self-assessed

## HST on Purchases - Self Assessment (Cont'd)



- When **goods and services** are delivered to Queen's from outside Canada, Queen's is required to **self-assess** the provincial and/or federal component of HST (as necessary) and remit the funds to CRA when the monthly HST return is filed
- Note: the federal component of HST (5%) is paid to customs on any **goods** being imported into Canada. Therefore, usually only the provincial component will need to be assessed on **goods** imported into Canada
- The **self-assessed** portion of the tax is charged to the department and is eligible for **PSB rebates** or **ITCs** in the same manner as if the tax had been included on the invoice in the first place
- Exceptions to self assessing the HST:
  - Tax-exempt, zero rated goods, or goods eligible for point of sales rebates
  - Goods and services not consumed in a participating province
  - Goods for commercial resale
  - Qualifying printed books

# Additional Information



- Additional information can be found on the [Financial Services website](#) under HST and include:
  - HST Guidance
  - Decision Tree – HST on External Sales
  - Decision Tree – Self-Assessment
  - Quick Reference Guide – HST by Sales Type
  - Provincial Tax Rates Table
- This presentation is an overview of HST and will not cover everything. If you need guidance on specific situations, please contact [finance@queensu.ca](mailto:finance@queensu.ca) or [hst.help@queensu.ca](mailto:hst.help@queensu.ca)

# How may we help you today?



## Contact us:

**Tel:** 613-533-2050

**Fax:** 613-533-6433

**Email:** [finance@queensu.ca](mailto:finance@queensu.ca) or [hst.help@queensu.ca](mailto:hst.help@queensu.ca)

**Website:** [Financial Services](#)

**Location:** Financial Services  
207 Stuart Street,  
3<sup>rd</sup> Floor, Rideau Building

**Hours:** Monday – Friday  
Open 8:00 am – 4:00 pm



**To learn more or to review additional**

**Training Resources**

**and Video Tutorials**

**visit the [Financial Services Training](#) page**