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Canadian Indirect Tax News

BC PST implementation timeline

Update and planning opportunities

August 20, 2012 (12-6)

Legislation reintroducing the BC Provincial Sales Tax (PST) was tabled on May 14, 2012 and received royal assent on May 31, 2012. The Provincial Sales Tax Act will be in force on April 1, 2013. Unfortunately, this new legislation leaves many unanswered questions, making it difficult for businesses to prepare for the return of the PST. For example, most of the exemptions that were contained in the original PST legislation (the Social Service Tax Act), and which the Minister of Finance has promised to reinstate, are missing. We are left to assume that the exemptions for children's clothing, car seats, bicycles, medicaments and others will be introduced in the regulations.

The Minister of Finance announced that the regulations will be released by the fall. Most businesses have anticipated that this would take place in September or October 2012. However, we have recently learned that the expected time of release is likely to be much later in the fall, providing businesses with even less time to prepare for implementation. As well, the legislation that has already received royal assent is likely to be amended.

Based on our discussions with personnel at the Ministry of Finance, the following summarizes our current understanding of the plan for the implementation of the BC PST:

- Public outreach will likely begin in September or October, 2012
- The Ministry is expected to release amendments to the legislation in October
- The regulations are expected to be released in November or December
- The regulations will reestablish the permanent exemptions from the previous Social Service Tax Act and will attempt to ensure that the tax base is not changed
- The definitions of "taxable service" and "carrying on business" in the new legislation are not meant to broaden the scope of taxation or registration requirements

In the absence of the regulations, businesses may be hesitant to perform all of the detailed system programming that will be required for PST compliance. However, many businesses may wish to get started by using the old legislation as their guide. There are also planning opportunities that should be considered and executed right

now in order to generate tax savings. Potential planning ideas for businesses engaging in commercial activities include:

- Accelerate capital purchases and inter-provincial asset transfers
- Front-end load lease payments so that heavier payments fall under the Harmonized Sales Tax (HST) regime
- Exercise lease buy-out options
- Convert leases to financing arrangements
- Invoice for services and intangibles on April 1, 2013 at 5% GST, rather than March 31, 2013 at 12% HST
- Pay employee expenses and allowances on March 31, 2013 (i.e., before April 1, 2013) to claim higher input tax credits

For entities that cannot claim full input tax credits but are able to claim HST rebates, defer purchases of non-PST taxable services and accelerate PST taxable items.

Please contact your Deloitte representative or any of the Indirect Tax experts noted on this newsletter if you would like to discuss these or other planning opportunities, as well as any questions or concerns that you might have regarding your plan for the implementation of the BC PST.

Angela Chang, Vancouver

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