



FREQUENTLY ASKED QUESTIONS

Business

What is the HST?

- HST is a harmonized sales tax where both the provincial and federal taxes are combined into one tax that is paid by consumers on a common list of goods and services.

What rate will it be?

- The federal 5% Goods and Services Tax (GST) will be combined with a reduced 9% provincial tax to create a single 14% Harmonized Sales Tax (HST).

When will it be effective?

- It will come into effect April 1, 2013.

How is it different from what we have now?

- Islanders now pay two sales taxes in varied combinations. On some goods and services we pay PST(10%) only, on some we pay GST (5%) only, on some we pay PST on top of GST (15.5%), and on others we pay no sales tax.
- With the HST, we will pay only one tax. It will combine provincial tax of 9% and GST of 5% for a total of 14%. This is lower than the current combined tax rate of 15.5% which is calculated by taking the price of the item, adding GST of 5% and then adding PST of 10%.
- In general, HST would be charged on all goods and services that are now subject to GST.
- When Ontario introduced the HST in 2010, 83% of consumer items saw no new tax and the price of 17% of items went up.

How will the HST benefit business?

- Unlike their counterparts in harmonized provinces, PEI businesses cannot claim input tax credits on the PST they pay, and they have to pass this cost on to consumers in the form of higher prices.
- They will now be able to claim input credits on the entire tax, and not just on the GST portion. The HST will lower the cost of doing business on the Island which can allow businesses to expand and offer more competitive prices.

- The HST will level the playing field for Island businesses who find it difficult now to compete with neighbouring provinces on tenders and contracts.
- Businesses will save time and money by not having to deal with two sets of tax rules and the associated red tape.
- The main reason Government is bringing in HST is to strengthen the primary industries because when farmers, fishers, manufacturers and tourist operators do well, all Islanders do well.

What items will be taxable?

- In general, HST will be charged on all goods and services that are now subject to GST.
- The significant majority of consumer expenditures will not have a new tax.
- The tax on some goods and services currently not subject to the PST will rise.
- There will be no change in the provincial tax on heating oil, children's clothing, children's footwear and books.
- Under the HST, with a provincial rate of 9% with no provincial tax on heating oil, children's clothing, children's footwear and books. As part of the mitigation, rebates will also be available to low and modest income households. These households will, on average, not see an increase in the amount of tax paid as a result of the implementation of the HST.

Will my business be ready?

- Businesses currently registered for the GST will automatically be registered for the HST. The same rules for administration of GST will apply to the HST.
- Businesses who are collecting and remitting GST are well on the way to being ready for HST.
- As part of the process to implement HST, information sessions were be offered to businesses to assist in their preparation.
- A number of tools have been developed by the Province to help Island businesses prepare for the transition to the HST including a business readiness checklist. Log onto ***www.peihst.ca*** for more information.

How can I get more information?

To find out more about HST go to ***gov.pe.ca/hst***, or email ***hst@gov.pe.ca***

HST is a tax administered by the federal government through the Canada Revenue Agency. If you have specific questions on how the HST applies to your business or whether a good or service is taxable under the HST, you can contact them at 1-800-959-5525 for assistance.