

HST and the motor coach industry

A series of memoranda for friends and clients of Watkin & Associates

With the long-awaited HST coming into effect on July 1, 2010, there are a number of questions that arise. While there has been some guidance on how this tax will apply, there has been a general lack of understanding and information regarding the specifics.

Tour operators usually purchase property and services such as accommodation and sightseeing excursions in addition to providing the ground transportation. To determine the amount of tax that should be charged on a package, selling prices need to be prorated based on the value of the different components of the overall package being sold. The calculations should take into account the different tax rates in effect in various provinces that the tour is offered.

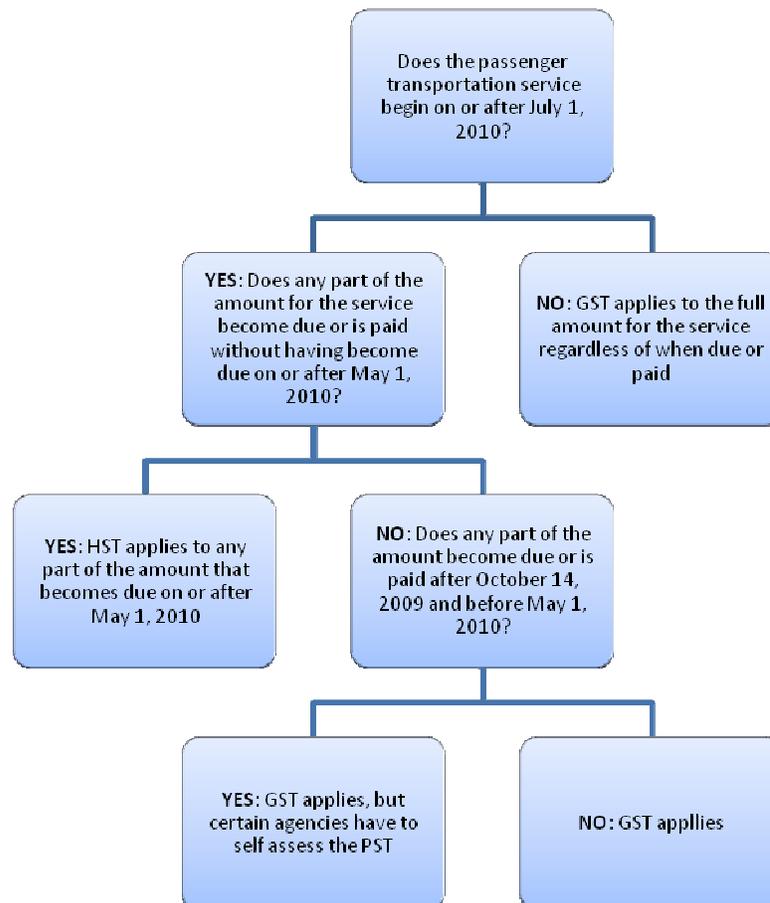
This memo will provide some guidance and direction with respect to HST, and how it will affect you and your tour operations.

Do I need to collect HST?

The basic answer here is yes. If you are currently registered for GST, then effective July 1, or for tour packages beginning on or after July 1, you will need to charge the 13% HST as opposed to the 5% GST.

Are there any rules for the transition?

The following graph illustrates the transitional rules:



I am offering tour packages that are in both Ontario and other provinces. Do I charge HST on the entire package price?

In this case, no. There are rules called Place of Supply rules which will apply. At the core of it, when you are costing your packages, you need to differentiate between the components which are in Ontario, and the components which are in a non-HST province such as Manitoba or Quebec. For example, let us assume a tour package of \$1,180 broken down as follows:

Property and services	HST portion	GST portion
Transportation by bus Toronto – Ottawa	\$100.00	
2 nights' accommodation in Ottawa	\$300.00	
Admission fees in Ottawa	\$65.00	
Transportation by bus Ottawa – Montreal	\$75.00	
2 nights' accommodation in Montreal		\$400.00
Admission fees in Montreal		\$80.00
Transportation by bus Montreal – Toronto		\$160.00
Totals	\$540.00	\$640.00
Taxes to be charged	70.20	32.00
Total cost	\$610.20	\$672.00

Each element of the tour package needs to be examined to determine where the place of supply is made. Generally, this will be the *point of origin* or *location* of the particular component of the package. For any non-residents purchasing a package, they are eligible to apply for a GST/HST rebate at the point of sale from the tour operator. The rebate amount is generally equal to 50% of the tax paid.

Is there any benefit to me as a result of the HST?

One thing that will be beneficial will be the ability to claim the Input Tax Credits. Previously, you were only able to claim the 5% GST paid on eligible expenses and purchases, such as repairs, buses (either purchased or leased), and other operating expenses. Under the HST, you will be able to claim the 13% you pay on the same eligible expenses and purchases.

For more information

For more information on the HST and how it will impact your operations, please email us at contact@watkinassociates.com to arrange up a consultation.

About us

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