

A GST/HST Update for NB, NS, NL

The Department of Finance (Canada) issued a press release on February 25, 2010, called "Place of Supply, Self-Assessment and Rebate Rules for Harmonized Sales Tax" followed by the draft regulations on April 30, 2010 providing the Place of Supply legislative framework. [Here is some information we can share.](#)

Background

On February 25, 2010, the Department of Finance (Canada) issued a press release called "Place of Supply, Self-Assessment and Rebate Rules for Harmonized Sales Tax". This document included new Place of Supply rules. On April 30, 2010 the draft regulations were published providing the Place of Supply legislative framework introduced by the February press release.

General Place of Supply rules

The overall purpose of the Place of Supply rules is to determine in which province the supply is deemed to occur – and therefore which sales tax will apply.

The new Place of Supply rules will rely on the location of the service recipient (i.e. plan sponsor). Previously, the emphasis was on the location of the supplier (i.e. Sun Life) when determining the sales tax rate that would apply.

Impact to New Brunswick, Nova Scotia, and Newfoundland and Labrador

While HST has been in place in New Brunswick, Nova Scotia, and Newfoundland and Labrador since April 1st, 1997, the new Place of Supply rules will become effective for services performed on or after May 1, 2010.

Plan sponsors located in these provinces will now have the 13% HST applied to their fees, when applicable. In Nova Scotia, the 2010 budget announced a HST rate increase to 15% effective July 1, 2010.

Although draft legislation for the new Place of Supply rules have been released, it is possible that some changes or details may still be forthcoming until the regulations become finalized. If this occurs, Sun Life can then finalize its approach, however in the meantime we will be establishing our administration processes based on these draft regulations.

On what products and services will GST/HST apply?

Below is a general overview of the applicability of GST/HST on the fees collected for services and products provided by Sun Life Group Benefits:

- Products or services that are currently exempt of the GST/HST will continue to be exempt. Examples of these exempt financial services would include:
 - Group insurance premiums
 - ASO with stop loss insurance

FOCUS update

group benefits news

- Services where the GST is currently applicable on Sun Life fees may need to have HST charged based on the new Place of Supply rules. Examples of these in Group Benefits would include:
 - . ASO contracts without stop loss insurance
 - . Health Spending Account (when it is the only ASO arrangement)
 - . Healthy*RETURNS*
 - . Early*RETURNS*
 - . Personal Spending Accounts

How this change affects you

Currently, you are being charged the GST but this changes as of May 1, 2010 due to the new Place of Supply rules. On services performed on or after May 1st, Sun Life will start to collect the HST, rather than the GST currently being collected.

When the change shows up on invoices/statements

While the HST calculation will commence on fees for services performed on or after May 1st, you will actually continue to see GST charged on the invoices/statements generated for May 2010 onward until our systems are updated to include the HST calculation. At that time, we will perform a reconciliation between the GST and HST, and make the appropriate tax adjustment on the invoice/statement.

Opportunity to recover the GST/HST

There is an opportunity for many corporations to recover the GST/HST collected through the current input tax credit process available. Please contact your tax department or advisor for details.

Watch for more information

Sun Life continues to review information and legislation as soon as they become available. We will keep you informed of specific details that impact Group Benefits services/products, plus any changes that may arise as legislation is released.

In the meantime, attached is a [FAQ](#) that we have prepared to provide you with some general information and how the HST and new general Place of Supply Rules may apply.

How to obtain the new Place of Supply rules

If you would like more information, please refer to the press release or the draft Regulations issued by the Department of Finance (Canada) regarding the new Place of Supply rules. They can be found on their website at www.fin.gc.ca.

Questions?

Contact your Sun Life Financial group benefits representative.