

## Frequently Asked Questions for Plan Sponsors - GST/HST Update

### 1. What is changing to the GST/HST legislation?

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, and provide the general Place of Supply legislative framework, introduced by the February press release.

### 2. What are the general Place of Supply Rules?

The purpose of the general 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.

### 3. Are the draft regulations subject to change?

Although draft legislation for the new general Place of Supply rules was released on April 30, 2010, 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.

### 4. When will the new Place of Supply rules become effective?

The draft legislation on the Place of Supply Rules is effective May 1<sup>st</sup>, 2010. Therefore, since HST has been in place in New Brunswick, Nova Scotia, and Newfoundland and Labrador since April 1st, 1997, the new Place of Supply rules became effective May 1, 2010, in these provinces.

The new rules will only become effective for **Ontario and British Columbia on services performed following the July 1, 2010 HST implementation date.**

### 5. When does Sun Life collect GST/HST?

Below is an overview of the GST/HST status of the services and products supported by Group Benefits:

- a) Services currently exempt of the GST/HST will continue to be exempt.  
Examples of these exempt financial services include:
  - Group insurance premiums
  - ASO with stop loss insurance
- b) 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 include:
  - ASO contracts without stop loss insurance
  - Health spending account (when it is the only ASO arrangement)
  - HealthyRETURNS
  - EarlyRETURNS
  - Personal spending account

## **6. What does this change mean to plan sponsors?**

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 became effective May 1, 2010, in these provinces.

The new rules will only become effective for Ontario and British Columbia on services performed following the July 1, 2010 HST implementation date.

Plan sponsors will now have either the GST or HST applied to their fees, when applicable. The current GST rate is 5% and the HST rates are:

British Columbia – 12%

Ontario – 13%

New Brunswick, Newfoundland and Labrador – 13%

Nova Scotia – 13% however in its 2010 budget announced a HST rate increase to 15% effective July 1, 2010

## **7. Is there opportunity for plan sponsors to recover the GST/HST?**

Yes. Opportunity exists for many corporations to recover the GST/HST collected through the current input tax credit process available. They should contact their tax department for details.

## **8. How can I get more information about the proposed Place of Supply rules?**

If clients want more information, please refer them to the press release or the draft regulations issued by the Department of Finance (Canada) regarding the new Place of Supply Rules. These can be found on their website at [www.fin.gc.ca](http://www.fin.gc.ca).

*References to Sun Life Financial mean Sun Life Assurance Company of Canada. May, 2010*