

GST/HST Update

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.

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.

Important note for Group Retirement Services clients

Communications from Sun Life's Group Retirement Services will be issued as soon as the Department of Finance (Canada) provides specific information about savings plans and the impact these changes will have on plan sponsors and plan members.

General Place of Supply rules

The overall purpose of these rules is to determine in which province the supply has been deemed to occur – and therefore which sales tax rate will apply.

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

What will the GST/HST apply to?

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:

1. Products or services that are currently exempt from the GST/HST will continue to be exempt following the implementation date of the new general Place of Supply rules. Examples of these exempt financial services would include:
 - Group insurance premiums
 - ASO with stop loss insurance
2. 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)
 - HealthyRETURNS
 - EarlyRETURNS
 - Personal Spending Accounts

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What does this change mean?

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 on services performed on or after May 1, 2010, in these provinces. The new rules will only become effective in Ontario and British Columbia on services performed on or after the July 1, 2010 HST implementation date.

Plan sponsors will now have either the GST or HST applied to Sun Life's 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

Is there an 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.

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.

Next Steps

We continue to monitor information as it becomes available from the government. We will communicate pertinent information to our plan sponsors after the appropriate analysis is completed.

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.

Questions?

Please contact your Sun Life Financial group benefits representative.