

Group Benefits GST/HST Update

The regulations released on April 30, 2010 were enacted into law on June 9, 2010. The impact of the HST on your transactions with Sun Life depends on the nature of the arrangements that you have with us. We can now provide some information to help you better understand how the changes may affect you.

Background

The Department of Finance (Canada) released information on February 25, 2010, called "Place of Supply, Self-Assessment and Rebate Rules for Harmonized Sales Tax" followed by the regulations on April 30, 2010 providing the Place of Supply legislative framework.

Now that the regulations are enacted, we can finalize our administration processes based on the general Place of Supply rules regulations.

Sun Life previously communicated with you about the GST/HST and the Place of Supply rules. Here is a [link](#) to the most current communication for your review.

General Place of Supply rules

The overall purpose of the Place of Supply 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. the plan sponsor). Previously, the emphasis was on the location of the supplier (i.e. Sun Life) when determining the applicable sales tax rate.

How will the GST/HST be applied?

For Group Benefit services where GST/HST will apply on our fees, the regulations released by the Department of Finance, as well as the June 2010 edition of the GST/HST Technical Information bulletin released by CRA (B-103 – Harmonized Sales Tax; Place of supply rules for determining whether a supply is made in a province) were used to determine that the GST/HST be applied **based on the contract address of the Plan sponsor – not where the service is performed**.

For details about the services where GST/HST applies, please refer to the [Frequently Asked Questions](#) (FAQ) document attached.

Examples of how the rates will apply:

- If a plan sponsor's contract address is New Brunswick, the 13% HST rate will be used for all invoices/statements mailed.
- If the plan sponsor's contract address is Quebec, then the 5% GST and 7.5% QST rates will be used for all invoices/statements mailed.
- If the plan sponsor's contract address is Alberta, then the 5% GST rate will be used for all invoices/statements mailed

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Overview of GST, HST or QST rates by Province:

Province	GST/HST/QST Rate
British Columbia	12%
Ontario	13%
Quebec	7.5%
New Brunswick	13%
Nova Scotia	13% (effective July 1, 2010, rate increases to 15%)
Newfoundland and Labrador	13%
Other provinces/Territories	5% GST

Note: When a Health & Welfare Trust is also the Plan Sponsor, the GST/HST rate will be determined based on the address of that Health & Welfare Trust for all invoices/statements mailed. In situations where the invoices/statements are mailed to a foreign address, we will look at the primary Canadian contract address listed to determine the GST/HST rate.

Other Relevant Details

Ontario Retail Sales Tax (ORST) – 8%

For invoices/statements where HST will be collected, the Ontario Retail Sales Tax of 8% will not apply on the fees. However the 8% ORST will continue to be collected on:

- ASO claims cost based on provincial distribution plus ASO fees where HST is not collected
- Group insurance premiums

Quebec Sales Tax on Goods and Services - 7.5%

As previously communicated, the new Place of Supply rules became effective on services performed on or after May 1, 2010, in New Brunswick, Nova Scotia and Newfoundland and Labrador.

It is Sun Life's understanding, based on documents from the Quebec Budget, that the Place of Supply Rules for the QST at 7.5% (8.5% effective January 1, 2011 and 9.5% effective January 1, 2012) will also be effective May 1, 2010. We continue to monitor this and will update you after the regulations are published.

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.

Other Taxes

The only change slated for the other taxes applicable on Group Benefit products and services is in Quebec where the compensatory tax rate has increased from .35% to .55% effective March 31, 2010. This change increased the premium tax rate to 2.55%.

More Information

Here is a [link](#) to a Frequently Asked Questions document which may be helpful. You should also contact your tax advisor to ensure you have the information you need to be ready for these tax rates changes.

Questions?

Contact your Sun Life Financial group benefits representative.