



the voice of THEATRE, DANCE and OPERA in toronto

Toronto Alliance for the Performing Arts

Here are some of the issues identified so far, as summarized at the last HST Committee Meeting on May 22, 2009.

GST, PST, and Potential Impacts of HST

There are currently three ways charitable and non-profit organizations can file for GST:

- * Non-registrants charge no GST and are eligible for a 50% rebate of the GST paid on eligible expenses.
- * Charitable registrants charge GST on all tickets sales, remit 60% of GST collected, and are eligible for a 50% rebate of the GST paid on eligible expenses.
- * Organizations that qualify to file under the general method charge GST on ticket sales remit 100% of GST collected and claim a 100% of GST paid on expenses as an input tax credit.
- * It is believed that HST will function like GST at a higher rate. The Committee speculates that the above models will thus remain similar, with different rebate rates for each of the GST and PST components of HST. Canada Revenue Agency (CRA) will administer the new tax.
- * PST will now be applied to certain items that were previously exempt. This includes, notably, ticket sales on shows in small venues (those under 3200 seats), commercial leases, professional fees, and freelance services.
- * One potential effect of HST is a more involved accounting procedure within an organization. Rebates will differ provincially and federally. Organizations will need to track the GST and HST components separately.
- * Charities who meet the required tests of CRA have the option of electing to file using the net tax method or using the general method. These organizations will have to examine the implications of both options.
- * HST will also raise complications regarding inter-provincial transactions. The taxes that are charged will be dependent on where the services are rendered or the goods are delivered. This will affect touring organizations. (Basic parameters have been outlined, but specifics will depend on both where the contract is negotiated and where the services are rendered.) – More to come on this as we get the information.



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Several questions still need to be answered regarding the transition to HST:

- * The rules governing the transition could affect an organization's purchasing decisions. Organizations may wish to stock up on or delay purchasing certain items depending on the rebates they would be eligible for under the old and new systems.
- * These rules may also impact advance-sale tickets, such as subscription series and passes.
- * It may be possible for an organization to change its reporting period frequency to better manage its cash flow.

Next Steps:

- * Heather Young of Finance for the Arts and Michael Herrera, Chartered Accountant are in the process of gathering information from many arts organizations. With that information they will be working with the HST Committee to formulate scenarios that best reflect varying budgets, the type of organization (i.e. Charity, Non-Profit, Commercial), the way the organizations currently calculate GST, and what the effect will be on those organizations.
- * The HST Committee is looking for a tax lawyer and a tax accountant to review the final scenarios to make sure they are correct and for further guidance.
- * Once the scenarios are complete, TAPA will send that information to you so that you may analyze how it will affect your own organization.
- * The HST Committee continues to meet and provide information as it becomes available.
- * TAPA will continue to update you with Information Bulletins.
- *What Can You Do Now*?
- * Talk to your bookkeeper/administrator/accountant – whoever does your books and find out how you currently file your GST. (See three ways to file above).
- * What is your GST reporting period? I.e. Quarterly, Monthly, Installments?
- * Find out if your current accounting system can handle 3 different tax situations.



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- * Gather information about your future purchases. Are you planning a large purchase in 2010?
- * If you tour, find out the touring schedule for 2010.
- * Do you sell advance-sale tickets such as subscription series and passes?
- * When is your fiscal year-end?
- * Do you pay commercial leases, professional fees, and freelance services?