

Halifax Regional Council
February 22 2005

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Bob Nauss; Acting Director; Recreation, Tourism, & Culture

DATE: February 7, 2005

SUBJECT: HST Billing to External Events

INFORMATION REPORT

ORIGIN

Changes in Harmonized Sales Tax (HST) legislation in 2004 with regard to municipalities and the Federal Portion of the HST.

BACKGROUND

Due to changes in Federal HST legislation in 2004, municipalities are able to claim back from the Federal Government 100 percent of the 7 percent portion of HST charged on invoices relating to standard municipal services. Because of this decision, the Canada Revenue Agency (CRA) has made some supplies provided by municipalities taxable. In addition, the CRA drafted changes to ensure that municipalities charge HST on certain "sales", which previously were exempt, because organizations other than municipalities cannot benefit from the municipal rebate.

For example, prior to the new legislative amendments an external entity would be exempt from paying HST on goods or services that were purchased by a municipality and re-supplied to that external entity for not more than its direct cost (net plus non recoverable HST). Under the previous ruling HRM was not required to corporately charge HST on the provision of goods and services. The new legislation forbids municipalities from buying goods or services and re-supplying them to entities that could not otherwise claim any tax back from the purchase when bought at full price plus

HST. This prevents the tax benefit from being passed on by HRM to another organization. As a result, the municipality will now have to officially charge HST on all external billings for goods and services.

DISCUSSION

Due to the changes in federal HST legislation outlined above, HRM must now add 15 percent HST to invoices for goods and services provided directly to event organizers by the municipality. Previous to the amendment, all municipal goods or services provided to external events had been fully exempted from paying the HST. New events as well as existing events that have traditionally received and paid for goods or services provided by HRM will now be charged an additional cost for HST that has not been required in previous years. In all cases, event organizers will receive an estimate of the total cost from the municipality, inclusive of HST, in advance of their event. It should be noted that many not-for-profit bodies are eligible to receive HST rebates from the Federal government. Therefore, not-for-profit bodies (i.e. community groups) that organize events in HRM and pay for municipal services may be able to reclaim the HST portion of their expenditures.

All events that are organized by external entities but require goods or services from the municipality will be affected by the amended HST legislation. In most cases, HRM obtains and provides goods or services on behalf of external entities that deliver events in the municipality. For example, event organizers may be billed by HRM for extra Police Officers that are required to work large scale events, Parks staff that are requested to deliver and pick up large equipment required by events (i.e. barricades, garbage cans, etc), and Public Works staff who deliver and position signage and other equipment required for street closures. In these and other instances where HRM Business Units provide assistance to events, the municipality is considered to be performing a "service" to that entity and must charge HST.

Intra-municipal supplies are still exempt, as long as the entities involved are all part of the same municipality. For example, charges from the Halifax Regional Police budget to Recreation Tourism and Culture's Civic Events and Festivals budget for the provision of Police Services at events organized and implemented by HRM staff remain exempt from HST charges.

Soon after circulation of this report to Council, all existing annual events that pay for goods or services provided by HRM will be notified of the new requirement to pay HST via a letter with an attached copy of this report.

BUDGET IMPLICATIONS

This issue will have no direct impact on Recreation, Tourism and Culture's operating budget. However, the municipality may experience some pressure from external event organizers to increase

event grant funding to offset the 15 percent increase in invoices for HRM services.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipalities Multi-Year Financial Strategy, the approved Operating Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

Determined upon Council direction.

ATTACHMENTS

None

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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