SUBJECT: Proposed Ontario Harmonized Sales Tax (FCS09069) (City Wide)
(Item Q of Audit & Administration Committee Outstanding Business)

RECOMMENDATION:

(a) That City Council send a request to the Provincial Government and to the Association of Municipalities of Ontario (“AMO”) to increase the proposed Municipal rebate to 100% of the Provincial sales tax portion of the proposed Ontario harmonized sales tax (“OHST”) from 78%;

(b) That City Council send a request to the Provincial Government and to the Association of Municipalities of Ontario (“AMO”) to exempt users of recreation services from paying the proposed Ontario harmonized sales tax; and

(c) That item Q of the Outstanding Business List from the Audit and Administration Committee be removed.

Roberto Rossini
General Manager
Finance and Corporate Services

EXECUTIVE SUMMARY:

The Ontario Provincial Government announced its 2009 Ontario Budget on March 26, 2009, which proposed a comprehensive package of changes to taxes. This tax reform includes changes to the sales tax system in the Province of Ontario by moving to a single sales tax in a harmonized sales tax (“HST”) system with the Federal Government of Canada’s Goods and Services Tax (“GST”) on July 1, 2010.
Ontario will join Quebec, Nova Scotia, New Brunswick, Newfoundland and Labrador with Harmonized Sales Taxes. In late July of 2009, British Columbia announced that they will be changing to the harmonized sales tax, as well.

The combined single sales tax Ontario HST (“OHST”) rate is proposed to be 13%. The same general rules that exist for GST will be applied for OHST. The OHST will be centrally administered by the Canada Revenue Agency.

Public services bodies will continue to receive GST rebates and will receive rebates of the Provincial portion of the OHST paid on purchases as follows:

<table>
<thead>
<tr>
<th>Tax Rate</th>
<th>GST</th>
<th>OHST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rebate for Municipalities</td>
<td>100%</td>
<td>78%</td>
</tr>
<tr>
<td>Rebate for Universities/Colleges</td>
<td>67%</td>
<td>78%</td>
</tr>
<tr>
<td>Rebate for School Boards</td>
<td>68%</td>
<td>93%</td>
</tr>
<tr>
<td>Rebate for Hospitals</td>
<td>83%</td>
<td>87%</td>
</tr>
<tr>
<td>Rebate for Charities / Not-for-Profit Organizations</td>
<td>50%</td>
<td>82%</td>
</tr>
</tbody>
</table>

The Provincial Government has proposed one-time tax relief of $10.6 billion to the people of Ontario and $4.5 billion to businesses over three years. Businesses are also expected to save over $500 million annually through reduced administration.

While implementation of the HST in Ontario is expected on July 1, 2010, there are a number of issues to be resolved before the final legislation is approved in March 2010. A number of organizations and associations are lobbying the government for changes.

City staff have been in contact with the Municipal Finance Officers Association (“MFOA”), Parks and Recreation Ontario (“PRO”), other municipalities and tax experts to stay informed on any HST developments. Representatives from MFOA and the Association of Municipalities of Ontario (“AMO”) met with the Provincial Government on June 12, 2009, to discuss HST and opportunities for changes to the draft legislation. Staff have been acquiring knowledge through publications and presentations by various tax experts. Recent presentations from tax experts from two firms of chartered accountants were heard on April 2, 2009, and June 16, 2009.

An impact analysis study of the proposed OHST, performed by City staff, using 2008 data reports:

- A potential cost to the City’s operating and capital budgets of $1.1 million is as follows:
  - Tax operating budget programs $315,000
  - Rate supported operating budget programs $215,000
  - Capital budget projects $582,000
A potential cost to individuals, groups and business customers for the City’s user-pay and recoverable services of $3.7 million (exclusive of any of their eligible GST and OHST rebates).
Note: While the City will be collecting this additional OHST, it will be remitted to the Federal Government along with GST collected and it will not be retained as City revenue.

The City, like all municipalities, can adopt a number of strategies with its purchases and sales of goods and services to address the impact of OHST.

Strategies on the purchase of goods and services include:

- Deferral of purchases that are currently PST taxable to take advantage of the OHST rebate (i.e. certain vehicles, office furniture)
- Accelerate purchases that are currently PST exempt so that new taxes are not incurred (i.e. fire fighting vehicles and repair parts, custom software, chemicals used to remove pollutants to produce water, non-commercial energy efficient appliances)
- Review of outsourcing contracts and agreements for opportunities to reduce taxes paid,

The City of Cornwall, Ontario, has requested that AMO lobby the Provincial Government to support them in their efforts to exempt fees for recreation programs and rental of recreation facilities from OHST for minor sports to ensure that all youth are able to afford to participate. Currently, programs, services or facility rentals offered by municipalities and non-profit recreation providers are PST exempt, and programs provided to youth 14 years of age and younger, are GST exempt.

City of Hamilton staff are recommending an OHST exemption of all fees for recreation services as affordable physical activity for children supports Council’s Vision as the best place in Canada to raise a child and the Hamilton Roundtable for Poverty, as well as, the benefits of physical activity for all ages are supported by Community Services and Public Health Services Departments.

City staff are recommending an increase in the proposed Municipal rebate of OHST from 78% to 100% to offset the additional cost to City services that would have to be passed onto taxpayers and ratepayers.

An implementation team of City staff will be established to prepare strategies to address any developments leading up to July 1, 2010, and plan for an efficient and effective implementation of OHST.

**BACKGROUND:**

On March 26, 2009, the Ontario Provincial Government announced its 2009 Provincial budget which included the proposed harmonization of Provincial and Federal sales taxes, effective July 1, 2010.
City Council at its meeting of May 27, 2009, received correspondence, item 5.7, from the City of Cornwall, Ontario regarding the proposed Provincial harmonized sales tax. The item was referred to the General Manager of Finance and Corporate Services to report back to the Audit and Administration Committee and is listed as item Q on the Outstanding Business List.

The Ontario Budget received publicity when it was released in March 2009. The Ontario Government’s website contains information on the budget and HST. In June 2009, the Ministry of Revenue released Information - Notice No.1 (Appendix ‘A’ to report FCS09069) titled “Single Sales Tax” to communicate to the Ontario residents and businesses. It states that the single sales tax is considered a policy to “further strengthen Ontario’s economic growth and tax competitiveness.”

Over the past few months, staff have received information about the proposed sales tax changes in Ontario and attended presentations from tax experts from a number of firms of chartered accountants. City staff have also been in contact with MFOA on this issue.

**ANALYSIS/RATIONALE:**

The proposed OHST will apply to purchases of goods and services that are currently exempt of Provincial retail sales tax (“PST”) but GST taxable. These goods and services include electricity, natural gas, prepared meals for $4.00 or less, taxi fares, dry cleaning, haircuts and professional services (i.e., legal, accounting, auditing and consulting).

Certain products that are currently PST exempt are proposed to be OHST exempt. This includes basic groceries, books, children’s clothing and footwear, children’s car and booster seats, diapers, feminine hygiene products, prescription drugs and medical devices. Additional changes are being made to new residential housing.

The Province has proposed one-time tax relief of $10.6 billion to the people of Ontario and $4.5 billion to businesses over three years. The Ontario Sales Tax Transition Benefit (“OSTTB”) will be available in three payments on June 2010, December 2010 and June 2011, totalling a maximum $300 for single people and $1,000 for families. Individuals with an income of $80,000, or less, will receive $300. Individuals with an income between $80,000 and $82,000 will receive payments reduced by 5% of income over $80,000. Families with an income of $160,000, or less, will receive $1,000. Families with an income between $160,000 and $166,700 will receive payments reduced by 5% of their income over $160,000. In addition, low to middle income individuals and families will also receive a new Ontario sales tax credit of up to $260 for each child and adult, and an enhanced refundable property tax credit. Businesses are also expected to save over $500 million annually through reduced administration and small business will receive transition assistance.
Public services bodies will continue to receive GST rebates and will receive rebates of the Provincial portion of the OHST paid on purchases as follows:

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</tr>
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</table>

The proposed OHST ultimately results in a net increase of 1.76% on the cost of applicable municipal purchases.

The potential impact of the proposed Ontario harmonized sales tax on the cost of the City of Hamilton’s municipal services estimated at $1.1 million is illustrated in Appendix ‘B’ to report FCS09069. The potential impact of the proposed OHST on purchases for goods and services is broken down as follows:

- Tax operating budget programs: $315,000
- Rate supported operating budget programs: $215,000
- Capital budget projects: $582,000

Some of the City’s more significant expenses affected by OHST include fuel, electricity, contracted services for curb side collection of waste, organics and recyclables, waste disposal, accessible transportation, winter control (plowing, sanding and salting), fire fighting vehicles, transit vehicles and capital construction of roads, water and wastewater infrastructure.

The potential impact of the proposed Ontario harmonized sales tax on the sales of the City’s user-pay programs and services estimated at $3.7 million is illustrated in Appendix ‘B’ to report FCS09069.

The potential additional cost to the customers, due to OHST, mainly affects:

- Recreation programs offered at aquatic facilities, community centres, sports fields and arenas including golf memberships and green fees
- Rental fees of City property including: arena ice rental, sports fields, farmer’s market stalls, offices, halls and rooms in our facilities
- Cultural programs (i.e., museum admissions, group tours, workshops and paid events)
- Cemetery fees
- Sales of Transit Garage Services
- Sales of Police and Fire Services
- Sales of Waste Management Recyclables
The additional cost due to OHST to individuals and families may affect revenue and participation in programs and services offered by the public sector bodies (i.e., municipalities, schools, charities and not-for-profit organizations). Even slight increases in rental fees may cause programs to be unaffordable for low income families. The new tax will be adding an administrative burden for organizations and groups.

The following municipal services are exempt of GST and are expected to be exempt of OHST:

- Municipal water consumption and sewer usage
- Public transit fares (cash, tickets, passes)
- Municipal recreation programs for youths 14 years of age and under, underprivileged individuals or individuals with disabilities (refer to Note 1)
- Homes for the Aged resident’s accommodation fee
- Day Care
- Licenses, permits and fines

Note 1: In the GST portion of the Excise Tax Act, recreation programs are defined as supervised instructional classes or activities involving athletics, outdoor recreation, music, dance, crafts, arts, hobbies or other recreational pursuits for children 14 years of age and younger, underprivileged individuals or individuals with disabilities.

Parking, snack foods, candies and beverages are taxable for GST and PST and are expected to be taxable for OHST.

Since the OHST transitional rules and provisions will not be finalized until March 2010, staff will continue to monitor any developments from the Provincial Government, associations and other sources.

**ALTERNATIVES FOR CONSIDERATION:**

There are alternatives to be considered with Proposed Ontario harmonized sales tax as it affects purchases and sales of goods and services.

If the City’s request for OHST exemptions for recreation services is not approved by the Province, users paying for City services will be required to pay OHST unless there are specific exemptions in the new legislation. The City could sell its goods and services to the user-pay individuals and groups so that the proposed Ontario harmonized sales tax has no impact on the user. On an individual service, the City’s revenue from users would have to be reduced by 7.06%. This alternative is not recommended as it is in direct conflict with Council’s 2010 Budget User Fee guideline of a 2% increase.

In addition, the Province has proposed one-time tax relief for all residents to offset the additional OHST. The Ontario Sales Tax Transition Benefit will be available in three payments on June 2010, December 2010 and June 2011, totalling a maximum $300 for single people and $1,000 for families. Individuals with income of $80,000, or less, will receive $300. Individuals with income between $80,000 and $82,000 will receive payments reduced by 5% of income over $80,000. Families with income of $160,000, or
less, will receive $1,000. Families with income between $160,000 and $166,700 will receive payments reduced by 5% of their income over $160,000. Low to middle income individuals and families will also receive a new Ontario Sales Tax Credit of up to $260 for each child and adult and an enhanced refundable property tax credit.

Further, many of the recreation services are not only provided to individuals but they are provided to not-for-profit organizations. These not-for-profit organizations may be eligible for GST rebates of 50% and OHST rebates of 82% if they qualify under the Goods and Services Tax portion of the *Excise Tax Act*. Therefore, not-for-profit organizations should not be passing on the proposed OHST of 8% to their members. They should be charging members for the additional cost of OHST of 1.44% which represents the non-recoverable portion of the OHST calculated as 18% of 8%.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financial implications:** The proposed OHST is expected to cost the City an additional $1.1 million, on an annualized basis, for goods and services purchased as illustrated in Appendix ‘B’ to report FCS09069. The proposed OHST may affect City revenue if users decide not to participate in City programs because of the additional cost.

**Staffing implications:** The implementation of the proposed OHST will affect staff across the Municipality. Staff in Financial Services responsible for the filing of the City’s GST and PST returns and proposed HST return will have to ensure that information is captured in the required format. Pricing of goods and services incorporated in agreements, fees, rates and charges recovered from users and customers of City services will have to be reviewed to ensure compliance with the proposed legislation. If it is approved, staff will be required to make changes to their systems and fees to incorporate the new taxes. Front-line staff affected need to be educated so that they can inform the public about the changes. Staff affected are primarily located in the recreation centres, arenas, golf courses, museums, Clerk’s office, municipal services centres, planning and economic development, community recycling centres, police stations and library branches. HECFI staff are reviewing the impact of HST changes to their services and pricing arrangements.

An implementation team of City staff will be established so that the HST implementation on July 1, 2010, can be as efficient and effective, as possible, and compliance with the legislation is met.

**Legal implications:** The proposed Ontario harmonized sales tax is expected to have similar provisions to the GST portion of the *Excise Tax Act*. The Ontario *Retail Sales Tax Act* will be amended or repealed to incorporate the changes.

**POLICIES AFFECTING PROPOSAL:**

Not applicable.
RELEVANT CONSULTATION:

The potential impact on the budget, user fees and systems has been discussed with the following departments and divisions.

Corporate Services - Financial Planning and Policy, Information Services (Business Applications) and Financial Services (Purchasing, Accounts Payable, Accounts Receivable and Business Application Support)

Community Services - Recreation and Cultural Services
- The primary focus will be a review of administrative costs, revenues and user fees charged for programs and rental of facilities to assess the impact of HST on customers after July 1, 2010. A public communication plan will be required to notify clients who use City services, programs and facilities of the changes.

Hamilton Emergency Services - Vehicles
- The main focus will be a review of the vehicle replacement plan for fire fighting vehicles and equipment to take advantage of current PST exemptions in *ORST Act* subsection 7(1) 23 for purchases delivered before June 30, 2010.

Public Works - Fleet and Transit

Hamilton Police Services – Fleet
- A review of the vehicle replacement plan and planned vehicle purchases is required to take advantage of the municipal rebate of 78% of the provincial portion of 8% of HST for purchases delivered after July 1, 2010.

Public Works - Water/Wastewater
- A review of planned purchases of materials (i.e., chemicals) and equipment maintenance services used to produce water and remove pollutants from water is required to take advantage of current PST exemptions in *ORST Act* subsection 7(1) 40 and Regulation 1012 subsection 14 (1) for purchases delivered and services performed before June 30, 2010.

Public Works - Capital Planning & Implementation and Water/Wastewater
- A review of construction contracts is required to assess the potential impact of OHST and determine strategies to minimize the impact of OHST by working with contractors and suppliers.

CITY STRATEGIC COMMITMENT:

By evaluating the “**Triple Bottom Line**”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
Staff’s request that recreation services be exempt from the proposed OHST addresses the potential negative impact on participation by users paying for specific city programs and services. Affordable physical activities for children and individuals of all ages support Council’s Vision as the best place to
raise a child in Canada, goals of the Hamilton Roundtable for Poverty and objectives in the Community Services and Public Health Services Departments.

Environmental Well-Being is enhanced. □ Yes ☒ No

Economic Well-Being is enhanced. □ Yes ☒ No

Does the option you are recommending create value across all three bottom lines? □ Yes ☒ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? □ Yes ☒ No
The 2009 Ontario Budget has proposed a comprehensive package of tax changes. These proposed changes, if approved by the legislature, would fundamentally reform Ontario’s tax system to help position Ontario for the next generation of economic growth and prosperity. Central to this proposed tax reform package is a single, value-added sales tax, which would come into effect on July 1, 2010 to further strengthen Ontario’s economic growth and tax competitiveness.

The province would also provide $10.6 billion in temporary and permanent tax relief for the people of Ontario, and $4.5 billion in tax relief for businesses, over three years. To support small business, the proposal includes cutting the Corporate Income Tax (CIT) rate for small business from 5.5 per cent to 4.5 per cent, effective July 1, 2020. The CIT small business deduction surtax would also be eliminated, making Ontario the only Canadian jurisdiction that would eliminate this barrier to growing small businesses.

Businesses across the province would benefit from reduced compliance costs of more than $500 million a year under a single sales tax. More than 130 countries, have adopted a value-added tax structure – which reimburses most businesses for the tax they pay on their inputs.

In Canada, three provinces joined the Harmonized Sales Tax and Quebec adopted its own value-added tax structure. Moving to a single value-added tax combined with the federal Goods and Services Tax (GST) would make Ontario more competitive, attracting the investment the province needs to grow, create jobs, and maintain a high and rising standard of living.

**Cutting Ontario's Marginal Effective Tax Rate on New Business Investment by Over Half**

![Graph showing the marginal effective tax rate on new business investment](image)


By 2018, Ontario's marginal effective tax rate on new capital investment would be cut by more than half when combined with previously announced federal and provincial tax cuts and the tax measures proposed in the 2009 Budget. This would make the province one of the most
competitive jurisdictions in the industrialized world in terms of the tax treatment of new capital investment by Corporations. This would promote increased investment and productivity in Ontario.

**Impact on Prices**
The comprehensive tax reform package would provide large and small businesses with annual savings that could be passed through to consumers. The examples illustrate the estimated annual savings for some typical small and medium-sized businesses.

**Examples of Annual Cost Savings Starting July 1, 2010**

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Manufacturer</th>
<th>Retailer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Sales</td>
<td>$200,000</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Total Ontario Tax and Cost Savings*</td>
<td>$5,520</td>
<td>$47,350</td>
</tr>
</tbody>
</table>

* Includes the proposed Ontario corporate income tax rate reductions and the conversion to the single sales tax. Does not include compliance cost savings from the single sales tax administration.

When Newfoundland and Labrador, Nova Scotia and New Brunswick harmonized with the Federal GST, cost savings were passed through to consumers[1]. It is expected the same would happen in Ontario's highly competitive economic environment.

As businesses throughout Ontario pass these savings through to consumers, some prices would fall. In some cases, the savings may not be sufficient to fully offset the application of the Provincial portion of the single sales tax on the final price for items that were not subject to the retail sales tax.

**How it would work**

Starting July 1, 2010, Ontario's Retail Sales Tax (RST) would be replaced by a single, value-added sales tax combined with the federal GST. The tax would be federally administered and would use the same tax base and structure as the federal GST, with few exceptions. The single sales tax would be applied at the combined tax rate of 13 per cent. The provincial portion would be eight per cent, the same as the general RST rate, and the federal portion would be five per cent.

The current RST applies to many purchases made by businesses in the course of providing goods and services for sale. As a result, the tax can become embedded in the price of the finished goods and services throughout the supply chain. This hidden RST is passed on to consumers. The new single sales tax would use a value-added tax structure, meaning that businesses would generally be reimbursed for the tax they pay on their inputs.

Exported goods would also be generally free of embedded sales tax, making Ontario exports more competitive.

Registered businesses selling taxable or zero-rated goods and services could claim input tax credits on their purchases, as under the federal GST, with limited exceptions. These credits would reimburse businesses for the tax they pay in the course of commercial activities. This
approach would reduce business costs, most noticeably in sectors that use inputs that are taxable under the current RST system, and would support business investment.

Three Key Ways Businesses Save

1. Input Tax Credits
   • Business would receive credits for sales tax they pay on their business inputs and capital investments
   • While some business inputs were RST-exempt, many were RST-taxable
   • Savings of 8 per cent on many business inputs

2. Compliance Costs
   • Businesses would save over $500 million per year in costs
   • One tax return, one payment and one point of contact for audits, appeals and taxpayer services
   • One set of rules which would eliminate the many legislatively and administratively difficult rules that vendors currently comply with under the RST

3. Eliminating Hidden Tax
   • Single sales tax would eliminate cascading layers of RST
   • Removing this embedded tax makes inputs cheaper
   • Savings over and above that resulting from input tax credits

PLUS
   • Business tax reductions of $4.5 billion over three years
   • Cutting the small business corporate tax rate by 18 per cent
   • Cutting the corporate tax rate for manufacturers to 10 per cent on July 1, 2010, and the general corporate tax rate to 10 per cent by July 1, 2013.

In general, businesses selling tax-exempt goods or services would be unable to claim input tax credits, as under the federal GST rules. For example, most financial services are GST exempt and therefore input tax credits could not be claimed in respect of those services.

Non-Taxable Sales
To simplify administration, the single sales tax would generally use the same rules and tax base as the federal GST.

An audio book, where all or substantially all of the book is a spoken reading of a printed book, would qualify as a non-taxable sale on the provincial portion of the single sales tax.

To provide targeted tax relief while maintaining the single administration of sales taxes in Ontario, sales would be non-taxable for the provincial portion of the tax on: books (including audio books); children's clothing and footwear; children's car seats and car booster seats; diapers; and feminine hygiene products. This treatment would also preserve retailers’ ability to claim input credits.

Small Supplier Threshold
To reduce the administrative burden for small businesses Ontario would parallel the federal small supplier threshold. Businesses with sales under the threshold (those with total taxable sales of $30,000 or less in the last year or $50,000 or less in the case of a public service body) would not be required to register and collect the single sales tax.
Small Business Transition Credit
Although most RST vendors are also registrants under the federal GST, businesses would have to make some changes to their point-of-sale and accounting systems in order to collect the single sales tax. To support small business, Ontario would provide up to a total of $400 million in one-time transition assistance to small business in the form of a transition credit.

Most businesses, other than financial institutions, with less than $2 million in annual revenue from taxable (including zero-rated) sales, would be eligible for the Small Business Transition Credit of up to $1,000.

Administration
Under Ontario’s RST administration, the province compensates vendors for collecting and remitting the tax. With the elimination of the RST and the adoption of a value-added tax structure where most businesses would be reimbursed for the tax they pay on many of their purchases, vendor compensation would end as part of the move to the federally administered single sales tax. Vendor compensation would continue to apply for RST returns filed up to and including those filed for the period ending March 31, 2010 under the existing RST system.

Temporarily Restricted Input Tax Credits
On a temporary basis, large businesses (those with annual taxable – including zero-rated - sales in excess of $10 million) and financial institutions would be unable to claim input tax credits on certain inputs used in their taxable activities.

Similar to the rules in Québec, the restrictions would not apply to goods or services acquired solely for re-supply by large businesses. For example, a car dealership would be entitled to input tax credits on its inventory of vehicles and parts. Likewise, a power utility would be entitled to input tax credits on the electricity it purchases for distribution to its customers.

These inputs are: energy, except where purchased by farms or used to produce goods for sale; telecommunication services other than internet access or toll-free numbers; road vehicles weighing less than 3,000 kilograms (and parts and certain services) and fuel to power those vehicles; and food, beverages and entertainment.

These restrictions would be temporary, during the initial implementation of the single sales tax, and would apply only to the provincial portion of the tax. After the first five years of single sales tax implementation, input tax credits relating to their taxable (including zero-rated) sales would be phased-in over a three-year period.

Admissions
Admission charges over $4 for performances and entertainment are, with some exceptions, currently taxable at an RST rate of 10 per cent. Taxable admissions under the GST are levied at the rate of 5 per cent, for a total combined rate of 15 per cent. Under the single sales tax, admissions would be subject to the 13 per cent general tax rate, resulting in a reduction in the tax rate of 2 per cent for most admissions.

Currently, admissions to places of amusement priced over $4.00 (excluding GST), are generally taxable at the RST rate of 10 per cent. Taxable admissions under the GST are levied at the rate of 5 per cent, for a total combined rate of 15 per cent. The combined rate for taxable admissions under the single sales tax would be 13 per cent, meaning a 2 per cent reduction in the tax rate for most admissions.
Transition Rules
The province is working with the federal government to develop transition rules for the proposed single sales tax. The province is also working with the federal government to review the rules for determining how the single tax would apply to inter-provincial transactions. More information will be released in the near future to help taxpayers and businesses prepare for the proposed changes.

Footnotes:
City of Hamilton
Impact of Proposed HST
Purchases of Goods and Services

A. i. Purchases: Today

<table>
<thead>
<tr>
<th></th>
<th>GST &amp; PST Paid to Vendors by City</th>
<th>GST &amp; PST Rebates Received from Government by City</th>
<th>Net Cost to City</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST Taxable Purchases</td>
<td>$424,247,150</td>
<td>GST 5% $21,212,358</td>
<td>GST Rebate: 100% $(21,212,358)</td>
</tr>
<tr>
<td>PST Taxable Purchases</td>
<td>$ 79,430,500</td>
<td>PST 8% $6,354,440</td>
<td>PST Rebate: 0% $</td>
</tr>
<tr>
<td>Total</td>
<td>Total $27,566,798</td>
<td>Total $21,212,358</td>
<td>$6,354,440</td>
</tr>
</tbody>
</table>

A. ii. Purchases: Future: July 1, 2010 and beyond

<table>
<thead>
<tr>
<th></th>
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<td>HST Rebate of 100% of 5% GST $21,212,358</td>
<td>$</td>
</tr>
<tr>
<td>HST Taxable Purchases</td>
<td>$424,247,150 HST: Provincial 8% $33,939,772</td>
<td>HST Rebate of 78% of 8% PST $26,473,022</td>
<td>$7,466,750</td>
</tr>
<tr>
<td>Total</td>
<td>Total $55,152,130</td>
<td>Total $47,685,380</td>
<td>$7,466,750</td>
</tr>
</tbody>
</table>

A. iii. Purchases: Net Impact to City

Additional Cost to City for HST before revenues from subsidies or user rates $1,112,310

Impact of Proposed HST
Sales of Goods and Services

A. i. Sales: Today

<table>
<thead>
<tr>
<th></th>
<th>GST &amp; PST Collected from Customer by City</th>
<th>GST &amp; PST Remitted to Government by City</th>
<th>Net Cost to Customers of the City</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST Taxable Sales Revenue</td>
<td>$(53,978,098) GST 5% $ (2,698,905)</td>
<td>GST 100% $2,698,905</td>
<td>$2,698,905</td>
</tr>
<tr>
<td>PST Taxable Sales Revenue</td>
<td>$ (7,126,155) PST 8% $ (570,092)</td>
<td>PST 100% $570,092</td>
<td>$570,092</td>
</tr>
<tr>
<td>Total</td>
<td>Total $3,268,997</td>
<td>Total $3,268,997</td>
<td>$3,268,997</td>
</tr>
</tbody>
</table>

A. ii. Sales: Future: July 1, 2010 and beyond

<table>
<thead>
<tr>
<th></th>
<th>Proposed HST to be Collected from Customer by City</th>
<th>Proposed HST to be Remitted to Government from City</th>
<th>Net Cost to Customers of the City</th>
</tr>
</thead>
<tbody>
<tr>
<td>HST Taxable Sales Revenue</td>
<td>$(53,978,098) HST: Federal 5% $ (2,698,905)</td>
<td>HST: Federal 100% $2,698,905</td>
<td>$2,698,905</td>
</tr>
<tr>
<td>HST Taxable Sales Revenue</td>
<td>$(53,978,098) HST: Provincial 8% $ (4,318,248)</td>
<td>HST: Provincial 100% $4,318,248</td>
<td>$4,318,248</td>
</tr>
<tr>
<td>Total</td>
<td>Total $(53,978,098)</td>
<td>Total $(7,017,153)</td>
<td>$7,017,153</td>
</tr>
</tbody>
</table>

A. iii. Sales: Impact on customers

Additional Cost to customers $3,748,155