

# ARTBOOKS

A DIVISION OF LOOSE CHANGE INC

## GET THE HST\* OUT OF YOUR POCKET AND OUT OF YOUR HAIR!

\* NOTE: Wherever you see HST we mean HST/GST

In 1991, GST was a new, regressive and ridiculously expensive tax. Little did we know that the original 7% GST would jump to 13% HST in 2010. Paying HST on everything from cab fare to false teeth is bad enough, worse is that freelancers build debt every time we earn a dime.



There are ways of making the HST process fairly painless – both in the paying and in the reporting. Your tax preparer will be happy to suggest ways to minimize the administration, the debt and the frustration.

At Artbooks we prefer not to charge for assistance with HST preparation - just to tuck it in as part of the income tax service. Because of this we do not keep copies of your HST returns but simply hand you copies of the completed form for you to pop into the mail yourself and to keep a copy in your files.

The only exception is Long method HST registrants (CRA calls it the Regular method) who have not taken the time to pull the HST out of each of their revenues and expenses. We do charge to pull HST out of your numbers if you haven't had a chance to do this: \$50 for most years but in a year with a rate change in the middle of the year like 2006 and 2010, this is very difficult and time consuming and the fee is therefore \$75.

### When you come to your appointment, please bring:

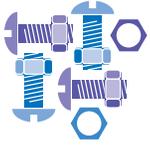
- ▲ Your questions about registering for HST in this year
- ▲ Your HST number
- ▲ Your Method: Quick or Long/Regular
- ▲ Your filing status: annually or quarterly (& how many quarters filed this year so far) and bring copies of any HST reports filed so far this year
- ▲ If you are on the Long Method, whether you have factored HST out of your expense totals
- ▲ If you need to talk about HST in your appointment, make sure to mention this to your tax preparer

### For HST non-registrants

CCRA or The Agency is now scanning tax returns to see who bills more than \$30,000 and then cross referencing them with GST registrants to make sure that everyone who should be registered is in fact out there doing their bit to collect GST taxes from the population at large.

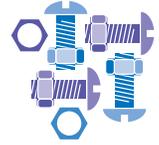
So be careful! If you are close to the thirty mark, consider the concept of registering now.

Often when our income shoots up for the first time we are too busy to initiate anything so anxiety provoking as a new GST status.



## HST\* - THE NUTS & BOLTS

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### For all HST registrants, both Quick & Long methods

- ▲ List all HST taxable revenues
- ▲ List all Non-HST taxable revenues
- ▲ List all HST that you charged
- ▲ Bring copies of all the HST returns that you filed (Quarterly filers only!)
- ▲ Bring a list of payments to and refunds from HST (not including the personal rebate cheques)
- ▲ *For 2006 and 2010 tax returns only:* Divide your revenues between the first and second half of the year

### For Quick Method Registrants

- ▲ List your new assets with the HST noted and factored out
- ▲ *For 2006 and 2010 tax returns only:* Divide your new assets between the assets purchased in the first half of the year and those purchased in the second half of the year.

### For Long Method Registrants (Do this and save yourself \$50!!)

- ▲ In addition to your revenues, total your expenses for each category excluding HST (factor it out!)
- ▲ And total your HST for each category of expenses
- ▲ And bring to your appointment all three lists of totals:
  - 1 Grand Total for each category
  - 2 HST Total for each category  
**Note:** It is this total that we need for the preparation of your HST return
  - 3 Net Total (expenses without HST) for each category  
**Note:** It is this Net Total that we need for the preparation of your tax return
- ▲ *For 2006 and 2010 tax returns only:* If you are using Artbooks to pull out your HST, separate everything (revenues, expenses, assets purchased) from January 1st to June 30th and add it up. Do it again for July 1st to December 31st. If you are fairly sure that a particular category of expenses is evenly spread over the year (50% in the first half and 50% in the second), then you can simply add that category up for the year and apply an average 9% to factor it out.

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## HST\* - THE NUTS & BOLTS *Continued*

If you are trying to deal with the GST from an earlier period, it's not as consistent. Here are some useful formulas you can use to help you pull the GST out of a bill when the actual amount of GST is not stated. The formula depends on how much provincial tax is levied.

For example:

	GST @ 5%	<i>or</i>	GST @ 6%	<i>or</i>	GST @ 7%
Cab	Total x 5 ÷ 105	<i>or</i>	Total x 6 ÷ 106	<i>or</i>	Total x 7 ÷ 107
Copying	Total x 5 ÷ 113	<i>or</i>	Total x 6 ÷ 114	<i>or</i>	Total x 7 ÷ 115
Bar Tab	Total x 5 ÷ 113	<i>or</i>	Total x 6 ÷ 116	<i>or</i>	Total x 7 ÷ 117

Now that HST has come to Ontario, the formula to pull it out of a total is consistent across most expenses:

$$\text{Total Amount} \times 13 \div 113. = \text{HST}$$

What an expensive tax the HST is! I guess the saving grace is that now the math is easier.

### HST place of supply rules

When an artist who is registered for either HST or GST offers services entirely in one province, the tax rate for that province applies. Therefore a registered artist working in an HST province must be paid the HST regardless of the location of the principle residence of the artist.

#### Examples

A writer in Manitoba is hired to teach a course at U of T. The writer is a GST registrant and collects GST on contracts originating in Manitoba and for services provided in Manitoba (and other GST only provinces). The writer travels to Toronto, where he/she resides for two months while teaching the course. The writer would charge the University of Toronto HST and remit along with any GST collected when filing a GST remittance.

A Toronto based actor, registered to collect HST, spends two months working and performing in a play at the Citadel Theatre in Edmonton. Therefore at least 90% of the work on this contract is performed in Alberta. Alberta does not charge HST, therefore the actor collects GST and remits it along with HST charged for services provided in Ontario and other participating provinces.

### HST/GST Rates as of July 1, 2010

PROVINCE/TERRITORY	HST/GST
Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Saskatchewan and the Yukon	<b>No Change:</b> GST only, tax remains at 5%
British Columbia	<b>New:</b> HST will be 12%
New Brunswick, Newfoundland and Labrador	<b>No Change:</b> HST is 13% (8% PST + 5% GST)
Nova Scotia	<b>New Rate:</b> HST will be 15% (10% PST + 5% GST)
Ontario	<b>New:</b> HST will be 13% (8% PST + 5% GST)
Quebec	<b>No Change:</b> QST is 7.5% and GST is 5%. It should be noted that QST applies on the GST included price.

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# GST/HST Methods

## Long or Regular Method

- 1) You collect GST/HST → Send it to Ottawa  
 2) You spend GST/HST ← Get it back from Ottawa

### For Example

Total Income	\$30,000	
Total GST/HST Collected	= 30,000 x .13 =	\$3,900
Total GST/HST Spent	GST/HST paid on expenses	(\$1,300)
<b>YOU PAY THE NET</b>		<b>\$2,600</b>

## Quick Method

- 1) You collect 13% GST/HST  
 2) You send 8.8% to Ottawa minus 2 things

### For Example

Total Income	\$30,000	\$30,000
Total GST/HST Collected	= 30,000 x .13 =	\$3,900
Entire Amount (GST/HST Collected and Income)		<u>\$33,900</u>
Take 8.8% of entire amount	= 33,900 x .088 =	\$2,983
Less 1% of income up to 30K		(\$300)
Less GST/HST paid on new assets (eg. computer)		(\$195)
<b>YOU PAY THE NET</b>		<b><u>\$2,488</u></b>

## HISTORICAL PERCENTAGES

	Long/Regular Method	Quick Method
1991 - June 30, 2006	7%	5%
June 30, 2006 - Dec 31, 2007	6%	4.3%
Jan 2008 - June 30, 2010	5%	3.6%
June 30, 2010 - present	13%	8.8%

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