

HARMONIZED SALES TAX AND PROVINCIAL OFFENCES ACT UPDATE

Recommendation

The Director of Financial Services in consultation with the City Manager recommends:

That the following report be received.

Economic Impact

The impact of HST has been identified as a potential risk, however as the impact is uncertain at this point in time the 2010 Operating Budget does not contain a provision for the proposed HST legislation. Coincidentally there are proposed changes to the intermunicipal POA agreement with the Region of York. Both are not finalized and the potential impacts appear to be offsetting.

Communications Plan

Not applicable

Purpose

To update Mayor and Members of Council on the 2010 impact of the new proposed Harmonized Sales Tax and the proposed amendments to the Intermunicipal Provincial Offences Act Agreement with the Region of York.

Background - Analysis and Options

Following is a brief outline on the new proposed Harmonized Sales Tax from the Province and the proposed amendment to the Intermunicipal Provincial Offences Act Agreement with the Region of York. The following update is provided in context of the 2010 Operating Budget.

Harmonized Sales Tax

Harmonized Sales Tax (HST) legislation has recently been tabled in the Province and Federal legislature. The current Provincial Sales Tax at 8% will now be aligned with the Federal Goods and Services Tax at 5% that will now have a combined rate of 13% and is referred to as HST. HST will now be applied to all goods and services in the same manner as GST. The new HST will begin in July 2010. Discussions at both levels of government on this new legislation are continuing.

From a municipal perspective it is proposed that municipalities will receive a rebate of 78% of the 8% portion of the HST. Therefore the net impact on any goods or services acquired will be 1.76%. Currently there are many transition rules for 2010 that need to be considered which will impact current and new agreements, leases, etc.

At this point the determination of the impact of HST on the operating budget is uncertain however staff are continuing to review HST information as it is provided. Staff will be planning the implementation of the new HST from an accounting, systems, purchasing and revenue stream perspective.

New Intermunicipal Provincial Offences Act Agreement

An amended Intermunicipal Provincial Offences Act Agreement has been proposed at the Region of York, Finance and Administration Committee on December 3rd, 2010. The proposed revenue sharing amendments among the municipalities will favourably impact the City's 2010 operating budget. In 2010 the City will see an increase in POA revenue of \$452,000 if approved at Regional Council. Subsequent to Regional approval each area municipality must approve the amended agreement.

2010 Operating Budget Impact

The proposed HST legislation and the amendments to the POA agreement are not final however the potential impacts appear to be offsetting therefore a provision has not been included in the 2010 operating budget.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

There are no impacts to the Region from this item.

Conclusion

Due to the early stages of both the HST legislation and the intermunicipal POA agreement and the fact the potential impacts appear to be offsetting that the potential impacts not be addressed in 2010 operating budget.

Attachments

None

Respectfully submitted,

Barry Jackson, CGA
Director of Financial Services