

HST Frequently Asked Questions for Medical Supply, Equipment and Infusion Service Providers

June 23, 2010 – New Q&A in Red.

What are the steps in implementing the changes to billing for CCAC contracted service providers (except those who contract with Toronto Central)?

1. The CCAC should request a spreadsheet extract of vendor items under each contract? They do this by submitting an SMA.
2. The CCAC then works with each service provider to update the tax flags in the spreadsheet. This can be done by sending the spreadsheet to the service provider and requesting the changes to be made directly on the spreadsheet. It is recommended that the CCAC lock all of the cells that do not require changing.
3. The CCAC returns the spreadsheet to the OACCAC (by June 20th) and the OACCAC will upload the spreadsheet into CHRIS.

What are the steps in implementing the changes to billing for Toronto Central CCAC contracted service providers?

Toronto Central CCAC remains the only CCAC currently not using the CHRIS ordering system. To accommodate the electronic billing submissions through the CARE system, service providers are asked to continue to upload your electronic billing submissions (EDX), in the same manner and format as you did prior to the HST taking into effect. This would specifically mean continually submitting both the Federal Sales Tax and Provincial Sales Tax component of any HST charged (if applicable) under two separate columns beyond July 1, 2010.

Will the Billing File Format change?

There will be no changes to the current E&S billing file format:

- The GST field will continue to be used for submitting the GST on a line item, if applicable
- The PST field will be used to submit the PST as well as the OVAT (provincial component of the HST) if applicable.
- The date of the activity being submitted will determine if it is the PST or the OVAT that is submitted.

Is the CCAC providing a guide that can assist service providers to select which tax applies to each product and service?

There is no guide to help service providers make these decisions, and the CCAC is not in a position to know the tax requirements of service providers.

What if a service provider's review of the tax requirements results in a determination that taxes should have been included in the price, when they were not?

The CCACs have noted very different tax patterns among service providers. They are prepared for a change in the pattern at this time. This is why the service provider will be asked to advise the CCAC of the required tax flags. If there was no change, the transition would not require this step.

If taxes are added, where they were not previously paid, who is accountable for the payment of taxes?

If the service provider has a contract where the quoted price is exclusive of all applicable taxes, the CCAC pays. If the service provider has a contract where the quoted price is inclusive of all applicable taxes, the service provider is accountable.

Does the CCAC have tax exempt status?

No.

The effective date for the change to HST is July 1, 2010. How will rentals be managed, when they span the time before and after the effective date?

- If the billing period start date is before July 1, 2010, CHRIS will pay the current applicable taxes (i.e. GST, PST or both).
- If the billing period start date is after June 30, 2010, CHRIS will pay HST (if applicable).

The effective date for the change to HST is July 1, 2010. How will supplies be managed, when they are ordered before the effective date and delivered after the effective date?

- For purchased medical supplies the tax will be calculated using the Delivery Date
- If the Delivery Date is on or before June 30, 2010, the current taxes will apply (i.e. GST, PST or both)
- If the delivery date is on or after July 1, 2010, HST will apply

Will the CCAC allow the service provider to increase its price; in order to accommodate the change in law?

There are two scenarios:

1. If the service provider has a contract where the quoted price is exclusive of all applicable taxes, the CCAC will be paying the additional cost; so there is no need for a change in price.
2. If the service provider has a contract where the quoted price is inclusive of all applicable taxes, the OACCAC will initiate a process to evaluate the impact on service providers and provide a recommendation to the CCACs about their response to a request for a change in price because of the change in law. This will not be undertaken until after July 1st, as there seems to be new information available on a regular basis.

Why did the OACCAC simply not convert to a single tax, the HST?

The impact on vendor systems was a key consideration in trying to . We were trying to avoid a requirement that service providers retool all of their systems; the CCAC's could have changed CHRIS with a single blow, and then 40+ providers would each have to change theirs.

In addition, we were unclear in the early days when a solution was requested, about the transition plan that would eventually be set out by government (i.e. GST, OVAT or both). It seemed best to use the same fields already in the system.

How is the CCAC going to handle the scenario described below. This is important and has to be confirmed as the difference of \$ 0.01 could apply to every item in the order and the CCAC will reject invoices if they do not match.

Example: item price is \$ 0.70.

13% tax on \$ 0.70 should be \$ 0.09.

According to documents from CCAC, they will apply:

8% tax on \$ 0.70 which will be \$ 0.056 which will be rounded to \$ 0.06

5% tax on \$ 0.70 which will be \$ 0.035 which will be rounded to \$ 0.04.

Therefore the CCAC method will result in a total tax of \$ 0.10 instead of the expected \$ 0.09. It may seem like only \$ 0.01 but it could apply to every item in every invoice. In any case the method should be clarified so we know what is expected.

The CCAC tables are set to accept 1 cent differences so the submissions shouldn't be a problem.

A memo has recently been issued by government about the application of HST to purchases made by the Ontario government. Does this apply to the services such as nursing that are currently exempt?

The memo says that government and its agencies will not be exempt from HST. Government and its agencies were previously exempt. The CCAC is not a government agency and was never exempt. Some of the services that we purchase (nursing, PS and therapy) are exempt and still are.

It is our understanding that if a vendor submits their bill with only one line for tax – HST 13%, ie. Item is \$100, tax is \$13, CHRIS will be able to calculate the proper rebate based on the GST flag, and PST/OVAT flag being checked off even though the vendor does not break it down between the two taxes on their billing file.

No, this is not true. Vendors cannot submit HST as a single tax. Vendors will need to continue to remit the provincial component of the HST in the PST column and the GST in the GST column. Changes have not been made to the current billing file format to support reporting of HST in a single column. For the example quoted below, for a \$100 item, the vendor must submit \$8 in the PST column and \$5 in the GST column.

This is the implementation path that we selected for a number of reasons, of which one is the rebate. At the time that we were deciding which implementation path to use (i.e. implement HST as a single tax versus continuing to support both PST and GST), we were under the assumption that we could have

items to which any combination of tax could apply – that is items could have PST only, GST only, or Both PST and GST. This required us to continue tracking the 2 taxes separately.

The government hasn't outlined a specific implementation path. Most of their examples quoted in CRA documentation are specific to the retail industry and even in the retail industry, the vendors are expected to display what tax rate is being applied beside each line item. So there is no standard implementation path for implementing HST at this time. Once the reporting of taxes becomes clear, the OACCAC will review the approach again.

One of the other reasons we selected to go down this path was to minimize the impact on all parties involved (i.e. vendors and the OACCAC). We would have had to change the current billing file format layout to support HST and this would have introduced risk to the project in terms of not being able to comply by the deadline, not to mention the risk of breaking code that currently works. Billing is complicated enough.

We have had a few inquiries from vendors regarding the tax rounding issue. In CHRIS, CCACs have the ability to set the tax variance by +/- a penny or two. This should take care of rounding issues related to tax calculations and minimize suspensions resulting from the TAXERR edit check.

Other Sources of Information

Notice 247 that contains Q&A on the HST can be found at:

<http://www.cra-arc.gc.ca/E/pub/gi/notice247/notice247-e.pdf>