

## UPDATE ON HST

The BCCA is currently working with the Provincial Government to frame questions and provide answers to the new Harmonized Sales Tax to be implemented next July. The following are some of the questions we have already passed on to Government:

### HST Transitional Issues

1. Service contracts in general will not be subject to any HST if the work is 90% or more complete at June 30, 2010. Construction contracts appear to be excluded from this general rule. Please clarify the treatment of construction services contracts in the transition period. Specifically;

- a) Will construction contracts of a duration less than 3 months be HST-free if the work is more than 90% complete at June 30/10?
- b) Will contracts in excess of 3 months have HST applicable on the costs to complete at July 1, 2010, even if the service is more than 90% completed at that time?

2. Why have construction contractors been singled out and required to collect HST on prepayments received after October 14, 2009 when every other type of contractor and supplier in BC will not collect HST until May 1, 2010 (i.e., on prepaid services to be performed after June 30, 2010)?

3. Related to question 2 - It will be nearly impossible for contractors to predict, in the period of October 15, 2009 to May 1, 2010, how much of a contracted construction service they will have completed at June 30, 2010. Therefore, construction contractors cannot know how much HST to collect on prepaid construction services during this period. Will the HST transitional rules facilitate late or after-the-fact billing of HST on previous progress billings where the underlying service is delayed and the contractor is unable to perform the service until after June 30, 2010, perhaps analogous to the transitional reconciliation procedures that have

been announced for "budget payment arrangements"?

### PST Inventory Rebate

4. HST Notice #1 indicates that the PST Inventory Rebate will not be available if the PST is otherwise recoverable by the contractor or any other party. How will this rebate be administered;

a) in the context of a construction contract with a Standard Taxation clause which purports to require the contractor to reduce the Contract Price by an amount of PST savings realized after June 30, 2010?

OR

b) in the absence of any taxation clause, where the contractor may have an option but no obligation to reduce the Contract Price to reflect any PST saving.

5. Why is the transitional PST Inventory Rebate offered only to a very limited number of residential construction contractors, and only tentatively in relation to construction services to the residential rental sector? If this type of rebate is not extended to all construction contractors, including commercial and public sector projects, double-taxation (i.e., PST and HST) will occur on a great deal of construction in progress at June 30, 2010 including commercial buildings, retail malls, municipal infrastructure, school and hospital construction and seismic upgrades, etc.

6. The PST Inventory Rebate will be administered "by BC". We presume that this will be the Consumer Taxation Audit Branch. Does "BC" intend to expedite PST Inventory Rebate claims and pay out refunds in a timely and efficient manner, perhaps followed by a reasonable but limited scope review of the rebate claim? Or, will the Consumer Taxation Audit Branch (CTAB) use these refund claims to initiate full scope audits of the claimants' operations.

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As the next few months go by we would be pleased to hear from our Members on any additional issues. If you have any questions regarding the implementation of the HST or the transitional impact on your company please forward them to BCCA at: [abigailf@bccassn.com](mailto:abigailf@bccassn.com)

For your further information the Canadian Construction Association has posted a Bulletin regarding recommended bidding practices for HST transitional projects in British Columbia and Ontario on the CCA website under the “news” section:

[www.cca-acc.com/news/committeebulletins/fin/2009/CCA-HSTMemo.pdf](http://www.cca-acc.com/news/committeebulletins/fin/2009/CCA-HSTMemo.pdf)

## Employee Benefits: A Time to Cut Costs or Care?

*By Kevin Zakus, CEO, BCCA Employee Benefit Trust*

These days the news and even casual conversation seems to be focused on the economic challenges we’re all facing. Many businesses and their employees are facing unprecedented challenges and tough decisions in this new reality.

While owners and managers strive to cut costs and increase productivity, retaining the right employees is still of paramount importance. While becoming leaner and more efficient is a necessary and vital process, losing good people will negatively impact your ability to prosper or even survive in the long run. Protecting and retaining your key people now will pay dividends down the road. There are many factors to employee satisfaction and retention. While compensation is always a dominant factor, in times of uncertainty, security concerns often overrides the question of pay rate. Employee benefits, incentives and services offered to the employee and their family becomes critical. A benefits program is an integral part of the total compensation an employee receives and can be a major factor in creating loyalty and enhanced productivity. Providing a benefits program indicates an employer cares about their employee’s well-being and peace of mind by providing coverage and protection for not only the employee themselves, but for their family. Fundamentally, it can also eliminate or defray unforeseen and unmanageable healthcare costs or provide vital compensation in the case of loss of life or disability.

Membership in your regional construction association gives you access to the BCCA Employee Benefit Program, a unique plan that is managed by a board of trustees and operates as a non-profit trust, with all proceeds reinvested for the benefit of members. Now in its fortieth year, the BCCA program has weathered many economic downturns in the past, but remains an industry leader with more than 400 member companies.

The program allows members to secure group benefits coverage through a volume purchasing arrangement. The economy of scale allows the plan to deliver a high caliber of benefits coverage with minimal administration costs. Over the past decades, the program has worked with hundreds of companies to design benefits programs that suits their needs. In the past few years, we have made several key improvements to enhance our offering including a full service Employee and Family Assistance Program. This aspect of the plan in itself can provide employees with valuable advice and assistance through many challenges they may be experiencing in their professional or private life. The consultants of the BCCA Employee Benefit Program understand the needs of the industry and can arrange a very competitive benefits package for construction businesses of any size. In addition to a cost-effective benefits package, plan members also have access to proactive customer service as well as professional consulting services. Consulting services are complimentary as benefit of membership, and no obligation quotations are available to companies of any size to either establish a benefits program or test the competitiveness of your current arrangement.

While the landscape of our industry changed very suddenly last fall, there are early signs of recovery. The resilience and adaptability of the construction industry traditionally bodes well for our industry in seeking out and capitalizing on opportunities. Industry leaders and companies will undoubtedly thrive in this new reality and we at the BCCA Employee Benefit Program welcome the opportunity to help member employers protect and retain their most valuable resource, the people they call their employees.

For further information on the BCCA Employee Benefit Program, please call 1-800-665-1077 or visit [www.bccabenefits.ca](http://www.bccabenefits.ca).



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The mission of the BCCA is to provide leadership and excellence in the representation of and service to British Columbia’s construction industry