



Harmonized Sales Tax (HST) Q&A Suppliers

June 21, 2010

What is the Harmonized Sales Tax (HST) and when does it come into effect?

The HST is the combination of 5% Federal and 7% Provincial Taxes. HST comes into effect on July 1st, 2010.

Will ICBC lose the tax exemption it had under GST?

Yes, ICBC loses the exemption and will be required to pay HST. However, services and goods previously GST exempt will be eligible for a refund (rebate) of the HST paid.

Will the HST impact insurance premiums?

While insurance premiums are not subject to the HST, they continue to be subject to Provincial Insurance Premium Tax of 4.4%.

Does HST apply to deductibles?

No. Deductibles are not subject to the HST.

What will ICBC and collision repair shops have to do to prepare for HST?

Several forms and systems will be updated to reflect HST, including a mandatory ADXE update for all users available on the evening of June 30th. To facilitate the transition from GST/PST to HST, shops should try to finalize as much of the work in progress repairs as possible and submit the CL14's for payment for end of day June 30th.

I asked an ICBC representative a tax question on HST, and was advised to speak to my tax professional or Canada Revenue Agency (CRA). Why?

ICBC is not able to provide tax advice on whether a good or service is taxable, we can only advise suppliers to invoice HST if applicable. We will provide procedures that will ensure that transition to HST is as smooth as possible.

Can ICBC provide a B00 estimate sheet for all of the repair work listed on the ADXE estimate that is not completed in June?

No, ICBC will not be splitting off estimates to separate the repairs that were complete in June and repairs that will be completed in July. Under no circumstances should a shop be requesting the completed repairs be split off of an estimate repair sheet. B00 estimates continue to be allowed for normal circumstances i.e. back ordered part situation.

After I have completed the ADXE July 1st update, will all "NEW" estimates created be HST?

Yes. If the update was successful all NEW estimates will be created under HST. Confirm this by checking the Estimate Totals & Entries on the ADXE estimate. If HST is not listed the update was not successful and should be redone immediately.

After I have completed the ADXE July 1st update, will estimates created before July 1st with PST/GST automatically update to HST?

No, for ADXE estimates created before July 1st, reflective of GST/PST the estimator will be required to "refresh" or reselect the labour rate in the ADXE drop down rates menu to update the estimate to HST.

How do I know if the estimate should show GST/PST or be updated to reflect HST?

Any estimate that has repairs to it on or after July 1st must be updated to HST. Only estimates where all repairs listed on it were completed before July 1st will be GST/PST. If the estimate was created on or after July 1st, it should reflect the 12% HST. If the estimate was created before July 1st and all repairs were not completed until on or after July 1st, the estimate must be supplemented to 12% HST.

How do I know what taxes should be applied on an estimate where work was started in June and completed in July?

If the repairs started in June and were completed after July 1st, the estimate must be supplemented to HST and paid accordingly. All ICBC repairs that are completed after July 1st must be paid to reflect the HST.

Why did my shop receive a letter from ICBC suggesting that a note be made on the CL14 for the amount of labour completed as of June 30th on a transitional repair? Why?

Transition rules require labour up to July 1st to be invoiced with PST/GST. Labour and all parts after June 30th are to be invoiced with HST. Due to system limitations, the note was requested to ensure that all glass and collision repair shops have a record of the labour that was completed by July 1st so they can remit the applicable taxes to the correct level of Government. **I called an ICBC claims representative to ask what tax I should remit to the Government on a claim that was paid. Why was I not given an answer?**

ICBC cannot provide any tax advice to customers or its business partners. If you have any questions regarding HST you should be discussing this with your tax professional or the CRA.

Are all GST registrants automatically HST registrants after July 1 and what is the impact of this on repair costs?

All GST Registrants are automatically HST registered. A registrant will now be responsible for 12% of the repair costs listed based on the percentage of input tax credits they currently are allowed (i.e. 80% registrant). Refer to the CRA publication [17.16 Treatment of Insurance Claims](#), paragraph 16 which explains the “net of GST/HST” method of settling claims.

What percentage of tax is a registrant responsible to pay on transitional repairs that started in June and were completed in July?

To ease confusion on transitional repairs for staff and shops, registrants will be responsible to pay the 5% federal tax on the entire repair based on their percentage of business use to total use (i.e. 80% business usage). The shop must note the amount of tax charged and paid by the registrant (customer) on the CL14. ***This process is valid for the transitional period only. For work started after July 1 registrants will be responsible for 12%.***

What percentage of tax is a registrant responsible to pay if the estimate was written using GST/PST, and the repairs did not start until after July 1st?

For all repairs started on or after July 1st, the customer will be responsible to pay 12% HST. This is based on their business usage (i.e. 80% business usage). The taxes on the estimate must be HST at 12%. If the taxes display as PST & GST, a supplement must be completed to update the ADXE estimate to HST.

A HST registrant customer is upset that they have to pay 12% HST on the repairs. What should I say?

HST is a tax change impacting all BC residents implemented by the Provincial Government. It's important to discuss the implication of the customer's registrant status with them when starting the repairs. Remind them that this is not an ICBC implemented change and that they are entitled to claim the HST

paid on repairs as an “input tax credit” (ITC) and as a result they will not be out of pocket for the taxes. You can refer them to the CRA publication [17.16 Treatment of Insurance Claims](#), paragraph 16 which explains the “net of GST/HST” method of settling claims.

How should I update a CL14B glass claim to reflect HST after July 1st?

Any changes made electronically to a CL14B after July 1st will automatically update the estimate to 12% HST.

Do the same transitional rules from GST/PST to HST apply to glass claims as repair claims?

Yes, the same transitional rules apply to all ICBC claims.

What are the impacts to payments and work procedures since ICBC is no longer exempt from paying tax under HST?

After July 1st all claims must reflect HST. The two main exemption changes for Material Damage are on towing, storage and teardown to determine reparability or total loss. ICBC will receive a rebate on HST paid on these payments. A new HST rebatable pay code (21) has been created for this purpose.

For Tows occurring on or after July 1st, the following applies:

1. The CL14C tow invoice has been updated to include HST; it is a tow supplier’s responsibility to invoice HST correctly. If the CL14C payment submitted is not correct or the HST business number is not entered on the CL14C, it may be returned to the tow supplier for correction.

For teardowns occurring after July 1st, the following applies:

1. For a vehicle where repairs have not started and the shop has stripped parts from a vehicle to determine reparability or total loss (may include initial pull and evacuate A/C), the estimator must select “Teardown to determine T/L” from ADXE from the STANDARD option, and enter the appropriate labours. ICBC pays 12% HST on the entire amount and will receive a rebate on the HST paid.
2. For a vehicle where repairs have started and the vehicle was a T/L, adjust the repair times to reflect the amount of work completed as per the ADXE estimate. ICBC pays 12% HST on the entire amount and is not entitled to receive a rebate on HST paid.

Is PVRT chargeable after July 1?

No. Effective July 1st, PVRT no longer applies on rental or courtesy vehicles. If the vehicle repairs are completed after July 1, the VCTRCS no longer support PVRT billing. A separate invoice can be submitted by the shop for PVRT payment. The PVRT amount cannot be added onto the repair estimate.

Is the battery levy chargeable after July 1?

Effective July 1st, the battery levy will no longer apply. For transitional work-in-progress, ICBC will pay the levy if the battery was purchased and the levy paid by the repair shop prior to July 1st.

I was not able to complete repairs to an estimate before July 1st. I bought a battery in June and incurred the battery levy. Can I still charge the levy even though the repairs will not be completed until July?

Yes, providing the battery was purchased before July and the battery levy was charged to and paid by your shop, you can add the cost of the levy onto the estimate.

Is the ADF tire fee chargeable after July 1st?

Yes. This is a fee and not a tax. It will continue to be chargeable.

Are handicap repairs taxable under HST?

No, they are not taxable.

Are propane and natural gas repairs taxable under HST?

Yes, these repairs are taxable including the certification decals on windshield claims.

I have other HST questions regarding ICBC procedures, who can I contact?

You can email them to: ICBCHST@icbc.com