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## MEMORANDUM

October 22, 2009

**TO:** Mayor and Council

**CC:** Penny Ballem, City Manager  
Patrice Impey, General Manager, Financial Services Group/CFO  
Marg Coulson, Acting City Clerk  
Robin Adair, General Manager, Intergovernmental Relations and Strategic Partnerships  
Wendy Stewart, Assistant Director, Communications

**FROM:** David McLellan, General Manager, Community Services Group

**SUBJECT:** October 21, 2009 CS&B  
"2010 Business Licence, Vehicles for Hire and Animal Control Fees" Report  
(Item A6 deferred from Council, October 20th)

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Further to the deferral of the above report from this Tuesday's Council, I'm providing the following information in response to questions raised at the meeting:

### 1. Impact of a delay in the report to mid-November

A delay in the report, and as a result, a delay in the usual timelines for the renewal of business licences is feasible, but would have the following impacts:

- Customer service impacts:
  - Some customers anticipating the City's usual renewal timing come to City Hall in November to pay their business licence for the coming year. They will have to be told to come back at a later date
  - Following up on late payments would be pushed more into the Olympic Games time frame and customers wishing to make their payments will experience greater delays than normal given the reassignment of Licence staff to other duties at that time
- Up to 2 weeks worth of additional staff time to program and test system changes to reflect revised payment dates
- A delay in the payment of licence fees received (and some loss of interest earned)

For reference, should Council wish to change the proposed 4% increase to some other value, a one percent change in the level of business licence fees translates to about \$130,000.

## 2. Clarification on HST

Business licence, vehicles for hire and dog licence fees are not subject to GST and thus would not be impacted by the introduction of the Harmonized Sales Tax (HST).

The only service fees in this report which are currently subject to GST are maintenance and cremation fees at the Animal Control Shelter. As a result, these particular service fees would be the only ones subject to the HST when it comes into effect on July 1, 2010. The level of additional taxes levied by the City to customers as a result of the increase in the taxation level to these particular fees is under \$500 for 2010 (under \$1000 on an ongoing basis).

Attached is an Appendix which provides information on how HST applies to City revenues and highlights some of the relevant transitional rules for revenues.

Staff will be available at the October 22<sup>nd</sup> CS&B meeting to answer questions and provide further clarification if necessary.



*for* David McLellan,  
General Manager, Community Services Group

## HST Information

HST will replace GST effective July 1, 2010. Currently the GST is 5%. The HST rate will be 12% comprised of a Federal component of 5% and a Provincial component of 7%. The current PST (rate of 7%) will be phased out.

### Impact on City Revenues

A significant portion of City revenues are not GST taxable (i.e. they are exempt) and therefore will not be HST taxable.

For fees that are currently GST taxable, they will be taxable under HST effective July 1, 2010 at the rate of 12%.

The following table lists some of the City's fees:

Non-taxable (Exempt)	Taxable
Licences & Permits	Parking - meters and permits
Municipal utilities - water and sewer	Facility rentals
Garbage Collection	Inspection fees
Recreation programs for children (age 14 and under)	Recreation programs for individuals over 14
Library cards and fines	Commercial leases
Street works - repairing, maintaining streets, sidewalks	

### Transitional Rules

The Ministry of Finance issued Tax Information Notice No. 1 - General Transitional Rules for BC HST, on October 14, 2009 outlining some of the proposed measures that will be enacted in the federal Excise Tax Act.

The transitional rules focus on 3 key dates:

- October 14, 2009 - date of issue of the notice
- May 1, 2010 - special rules for items billed on or after this date for services provided on or after July 1, 2010.
- July 1, 2010 - implementation date for HST

The relevant guidelines for taxable City revenues are:

- For annual fees billed between October 15, 2009 and April 30, 2010, HST will not apply
- For annual fees billed between May 1, 2010 to June 30, 2010 - HST should be applied to the portion the fee which covers the periods starting July 1, 2010. (example: Fitness pass for May 1, 2010 to April 30, 2011, HST should be charged for 10 months July 2010 to April 2011).
- For annual fees billed on or after July 1, 2010 - charge HST.