

# To our Valued Customers

As you know, on July 1st, 2010, both British Columbia and Ontario will be harmonizing their sale taxes (HST) to 12% and 13% respectively. Nova Scotia will also be increasing their current harmonized sale tax from 13% to 15%.

## 1 Place of supply rules (all provinces/territories)

The Place of Supply rules outline which tax rate should be applied based on the location of the music use, be it at an event or at a place of business. These rules, released Feb. 25, 2010, apply to all provinces and territories and once the appropriate province or territory is determined, the tax rules will be applied as outlined in **Section 2**.

Please note that if your event(s)/venue(s) are based in a single province, then the taxes applicable to your licence will simply be based on that province.

For detailed information on the Place of Supply Rules, please click on [www.socan.ca/pdf/en/pub/CustomerGuidelines\\_HST\\_charts.pdf](http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_charts.pdf) for GST/HST, OR [www.socan.ca/pdf/en/pub/CustomerGuidelines\\_HST\\_QuebecCharts.pdf](http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_QuebecCharts.pdf) for QST.

## 3 Adjustments to invoices

No matter the tax rate applied on the original invoice, the following rules apply to adjustments for SOCAN customers in all provinces and territories:

\* An increase in the licence fee will result in the difference between the adjusted and original licence fee being taxed at the rate for the applicable province on the date the adjusted invoice is created.

\* A decrease in the licence fee will result in the difference between the adjusted and original licence fee being taxed at the original invoice's tax rate.

Please note that if you have received an invoice estimate from SOCAN for a licensing period of Jan. - Dec. 2010 and subsequently submit a report based on your actuals for the same licensing period, this is treated as an adjustment and not an original invoice.

## What you should know about the new tax rules?

The rules that determine the tax rate that will be applied to your SOCAN licence fee are based not only on the location (provinces/territories) of the music use, but also on the timeframe in which the music is used and/or the date the invoice is generated. The following is a summary of how these rules will impact your SOCAN licence.

## 2 General tax application rules (by province/territories) as of July 1, 2010 (effective May 1, 2010)

| Province/territory   | General tax application rules for original invoices   | Exceptions to the general tax application rules   |
|--|---|---|
| Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Saskatchewan, Yukon | <b>Jan. 1 – Dec. 31, 2010:</b><br>5% GST is applicable<br>* Taxes applied based on date invoice is generated.   | * For businesses with events/venues in multiple provinces and/or territories, please click on <a href="http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_charts.pdf">www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_charts.pdf</a>  |
| British Columbia, Nova Scotia, Ontario   | For the licensing period <b>Jan. 1 – Jun. 30, 2010</b> the applicable tax rate is:<br>5% GST - BC, ON<br>13% HST - NS<br>For the licensing period <b>Jul. 1 – Dec. 31, 2010</b> the applicable tax rate is:<br>12% HST - BC<br>13% HST - ON<br>15% HST - NS<br>* For a licensing period both before and after Jul. 1, 2010: the tax applied is prorated based on the licence periods outlined above (e.g. an annual licence).<br>* As of May 1, 2010, any reports received for a licensing period on or after Jul. 1, 2010, is charged the tax rates outlined above based on the licensing period, not based on the date on which the invoice is generated. | * For businesses with events/venues in multiple provinces and/or territories, please click on <a href="http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_charts.pdf">www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_charts.pdf</a><br>* If the licence period begins prior to Jul. 1, 2010 and ends prior to Jul. 31, 2010, then the Jan. 1 – Jun. 30, 2010 tax rate is applicable only (e.g. multi-day festivals).<br>* If SOCAN created any invoice prior to May 1, 2010, the Jan. 1 – Jun. 30, 2010 tax rate is applicable unless there are adjustments. This includes annual invoices or any other licensing period after Jul. 1, 2010. |
| New Brunswick, Newfoundland & Labrador   | <b>Jan. 1 – Dec. 31, 2010:</b><br>13% HST is applicable<br>* Taxes applied based on date invoice is generated.  | * For businesses with events/venues in multiple provinces and/or territories, please click on <a href="http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_charts.pdf">www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_charts.pdf</a>  |
| Quebec   | <b>Jan. 1 – Dec. 31, 2010:</b><br>Both 5% GST and 7.5% QST is applicable<br>* Taxes applied based on date invoice is generated.   | * For businesses with events/venues in multiple provinces and/or territories, please click on <a href="http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_QuebecCharts.pdf">www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_QuebecCharts.pdf</a>  |

You can always reach us at 866.944.6223 should you have any questions.

## NEW TAX RULES - FREQUENTLY ASKED QUESTIONS

**1 Q: My business is not in an HST province. Will I still be impacted by the new HST rules?**

**A:** If you are a business that has venue(s) and/or event(s) in a single province that is not British Columbia, Ontario or Nova Scotia then no, you will not be impacted by the changing rules. But if you are a business that has a venue(s) and/or event(s) in multiple provinces then you could be impacted by the Place of Supply rules related to taxes Canada-wide. For more information on these place of supply rules, please see the flowcharts located in [www.socan.ca/pdf/en/pub/CustomerGuidelines\\_HST\\_charts.pdf](http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_charts.pdf) for GST/HST, OR [www.socan.ca/pdf/en/pub/CustomerGuidelines\\_HST\\_QuebecCharts.pdf](http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_QuebecCharts.pdf) for QST.

**2 Q: My business is in an HST province, but my tax rate is not supposed to change on July 1. Will I still be impacted by the new HST rules?**

**A:** If you are a business located in New Brunswick or Newfoundland & Labrador and your business has venue(s) and/or event(s) in a single province then no, you will not be impacted by the changing rules. But if you are a business that has a venue(s) and/or event(s) in multiple provinces then you could be impacted by the Place of Supply rules related to taxes Canada-wide. For more information on these place of supply rules, please see the flowcharts located in [www.socan.ca/pdf/en/pub/CustomerGuidelines\\_HST\\_charts.pdf](http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_charts.pdf) for GST/HST, OR [www.socan.ca/pdf/en/pub/CustomerGuidelines\\_HST\\_QuebecCharts.pdf](http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_QuebecCharts.pdf) for QST.

**3 Q: I paid my annual licence before May 1, 2010. Does that mean that I will get another invoice after July 1 asking for more money?**

**A:** No, you will not receive an invoice asking for additional taxes on the portion of your licence that occurs on or after July 1, 2010. If you paid your full annual licence fee prior to May 1, 2010, which is the beginning of the transitional period, then you will not be subject to additional taxes for the portion of the licence that is in the final six months of 2010 where the tax rules have changed.

**4 Q: I paid my annual licence before July 1, 2010. Why am I getting another invoice asking for more money for the second half of the year?**

**A:** If you paid your licence fee between May 1, 2010, and June 30, 2010, when the transitional rules have been put into effect, you will be subject to any applicable tax changes for the portion of the licence that takes place on or after July 1, 2010. This is only applicable for businesses that have venue(s) and/or event(s) in British Columbia, Ontario and/or Nova Scotia. If you have venue(s) and/or event(s) in multiple provinces, you could be impacted by the Place of Supply rules related to taxes Canada-wide. For more information on these place of supply rules, please see the flowcharts located in [www.socan.ca/pdf/en/pub/CustomerGuidelines\\_HST\\_charts.pdf](http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_charts.pdf) for GST/HST, OR [www.socan.ca/pdf/en/pub/CustomerGuidelines\\_HST\\_QuebecCharts.pdf](http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_QuebecCharts.pdf) for QST.

The exception to the rule is that if your licensing period falls before July 1 and ends before July 31 2010 then the pre-July 1, 2010, tax rates would apply, and you would not be issued a new invoice.

## NEW TAX RULES - FREQUENTLY ASKED QUESTIONS

**5 Q: I am a Head Office with subsidiaries in several different provinces. Why are my taxes not being charged based on the location of the subsidiaries?**

**A:** The Place of Supply rules that were released by Canada's Department of Finance on February 25, 2010, specify whether, and at what rate, suppliers must charge the provincial component of the HST on their supplies of taxable property and services in Canada. For a business with a single location or located in a single province, taxes are simply applied based on the province in which you are located. For a business with multiple locations or holding events in multiple locations, the taxes paid will be based on the Place of Supply rules (see example below). To determine whether or not your accounts will be impacted by the Place of Supply rules, please see the flowcharts located in [www.socan.ca/pdf/en/pub/CustomerGuidelines\\_HST\\_charts.pdf](http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_charts.pdf) for GST/HST, OR [www.socan.ca/pdf/en/pub/CustomerGuidelines\\_HST\\_QuebecCharts.pdf](http://www.socan.ca/pdf/en/pub/CustomerGuidelines_HST_QuebecCharts.pdf) for QST.

For example, if you are a Head Office with 100 locations Canada-wide with 50%+ of your locations in HST provinces (British Columbia, New Brunswick, Newfoundland & Labrador, Nova Scotia, and Ontario) AND the majority of those located in HST provinces are located in the province of Ontario, then the licence fee associated with each of your locations will be charged based on Ontario's HST rate of 13%.

**6 Q: As of May 1, 2010, HST comes into effect for licence fees in relation to the licensing period on or after July 1, 2010. Do I continue to only collect the GST portion on SOCAN's behalf for music licences on our hall rentals?**

**A:** Starting May 1, 2010, SOCAN is charging the new HST (12% for British Columbia, 13% for Ontario, 15% for Nova Scotia) for SOCAN fees associated with hall rentals for an event that takes place in one of those provinces either on or after July 1, 2010. An invoice will be issued to you after the July 1 2010 date. If the event takes place in British Columbia or Ontario prior to July 1, 2010, then 5% GST is applicable. If the event takes place in Nova Scotia prior to July 1, 2010, then 13% HST is applicable. An invoice will be issued to you when the report is received.

**You can always reach us at 866.944.6223 should you have any questions.**