

Law Courts Center PST and GST FAQs for BC Law Firms v140715

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Having recently passed the first year on the return of PST in BC last April 1 2013, we have updated the first tax FAQs originally published in May 10 2013 monograph. A number of CRA related questions will be added to this document as soon as we complete our research.

List of Questions

- A. General questions**
- B. Collecting taxes for legal service**
- C. Disbursements the impact of taxes**
- D. Transition questions**

A. General Questions

A.1. What is the definition of 'legal services' for the purpose of collecting PST?

A.2 What are the general anti-avoidance rules?

A.3 How are we to handle bad debt write offs?

B. Collecting taxes for legal service

B.1 Do we charge PST on every invoice?

B.2 Is there a guide to determinate whether or not contingency files require PST to be charged?

B.3 If a business invoices for work-in-progress (WIP) that includes goods and services preceding the date PST took effect, how is that handled (ie fixed contract price)?

B. 4 Do you have a definition for "carries on business in BC" includes businesses that, other than a Registered Records office, have no other presence in BC, with supporting documentation.

B.5 Place of Supply rules and PST - if we have a client that lives in Ontario, do we bill the client HST at 13% and PST at 7%?

B.6 If a lawyer provides legal services to a client who resides out of British Columbia, when are such services subject to PST?

B.7 We have a client with offices in every province and we are retained by the head office in Ontario to do legal work that involves tangible assets in each province, how do we handle BC's PST?

B.8 How does PST apply to legal services provided to first nations clients?

B.9 The Law Society has introduced a change to billing practices with the new BC Code, effective January 1, 2013. Since the staff time is now included in that section, is the staff time subject to GST only?

B.10 Do lawyers collect tax when providing mediator services?

B.11 Do lawyers collect tax for acting as a Parenting Coordinator?

B. 12 As a 'small seller' does not have to register - why would registration be beneficial or appropriate?

B. 13 Are lawyers who are accepting Bitcoins for payment, required to collect tax? (Note the Law Society of BC currently does not allow permit Bitcoins for trust funds.)

C. Disbursements: the impact of taxes

C.1 Will PST apply to all items as it does with HST (i.e. meals, children's items and previously non-taxable disbursements)?

C.2 Are disbursements incurred in the course of providing legal services subject to PST?

C.3 Could you provide more information outlining "Disbursements" and "Non Taxable Fees" and charges and how a 'mark-up' would be determined/calculated? How are you determining the "reasonableness" of photocopying / printing / faxing charges? Is there a guide to determination of whether or not costs are "reasonably related" to the "transmission, printing or copying of documents" can include: equipment lease, equipment maintenance, paper, toner, and labour?

C.4 How do we apply PST on services like Quicklaw and other online research tools, where we pay a flat monthly fee? In the case of Quicklaw, we are able to get breakdown on the bill on a matter by matter basis

C.5 Charging PST on scanning of documents done in-house for firms who have gone "paperless".

C.6 If a matter is PST exempt due to the nature (i.e., real property on reserve), is travel time also exempt?

D. Transition questions

D.1 How will the transition from HST to PST affect disbursements on contingency fee files?

D.2 Will there be an extended period where the combined HST has to be filed?

D.3 How will we apply for HST refunds (during pure HST only period) once PST comes in?

D.4 What are the substantive differences between the PST program now versus the program before HST was implemented?

D.5. How will tax apply to contingency files that were open prior to April 1, 2013?

D.6 Trust Administration Fee: How do we handle the difference in HST and GST in the first quarter of 2013?

D.7 How will we get overpayments of prepaid PST back? How will we apply for PST refunds with the new PST?

Appendix 1 Canada Revenue Agency & Ministry of Finance March 19, 2014 Powerpoint

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