

**MEDIA RELEASE****For immediate delivery****TAX EXPERTS WARN SMALL BUSINESSES TO PREPARE FOR  
THE TRANSITION FROM PST TO HST**

(TORONTO– SEPTEMBER 22, 2009) – As Small Business Week approaches, tax experts are warning businesses about the dramatic impact harmonized sales tax (HST) could have on them next summer and to start planning now.

Stern Cohen LLP partner and 30- year tax veteran, Keith Rosen, has the following advice for all small businesses as Ontario moves from its provincial sales tax (PST) system to a harmonized provincial and federal system starting July 2010:

**Some are going to get it in the gut, so start planning.** The “consumer” businesses such as residential landlords, medical professionals and insurance brokers, which pay GST regularly to contractors and suppliers need to brace themselves for a big cost coming down the pipe. Some may want to think about adjusting their pricing to accommodate the increase in what they will have to pay out in tax. They may also want to consider ways to avoid paying GST such as moving towards an employee, instead of a contract, model. For residential landlords, expect discussion around rent control to become an even hotter and more important issue.

**Everyone needs to be careful.** For businesses that make taxable, rather than exempt, sales, sloppy record keeping just got significantly more expensive. “Businesses, for example, are only allowed to claim half of the input tax credit for meals and entertainment, something that is often overlooked by small businesses that try to claim credit for all of it. With a tax rate increase from five to 13 per cent, the cost of such an error will more than double,” said Rosen. “Excessive claims for meals and entertainment and automobiles are among the most common targets of tax auditors.”

**Understand the risk of playing games when the rules are not yet set.** Transition rules have not yet been announced. Expect rules to be specific for individual business types and to prevent playing with the timing of invoicing and receipt of payments. “For someone in a service business that is tempted to offer the ability to prepay for service after June, watch out for upcoming transitional rules which may trap you or the people you are charging,” said Rosen.

Stern Cohen LLP was founded in 1963 and is now among the top 50 accounting firms in Canada serving clients in the Greater Toronto Area and beyond. Clients range from multi-million dollar owner-managed corporations to sole proprietorships in industry, finance, culture as well as the professions.

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