

## Notice to Nelson Education Customers regarding the July 1, 2010 Transition to HST

This notice is to inform Nelson Customers of how the transition to a harmonized sales tax (HST) in the provinces of Ontario and British Columbia (B.C.) will impact our billings.

The Governments of Ontario and B.C. have each proposed an HST that would come into effect on July 1, 2010. The HST rate in Ontario will be 13% while the HST rate in British Columbia will be 12%. The proposed HST will generally apply to the same base of goods and/or services that are currently subject to the GST with a few exceptions.

Similar to the provincial point-of-sale rebates offered in the current HST participating provinces (Nova Scotia, New Brunswick and Newfoundland and Labrador) both Ontario and B.C. will offer point-of-sale rebates of the provincial component of the HST on books. In addition, Ontario recently announced that a point-of-sale-rebate will also apply to newspapers.

It is our understanding that the following items qualify as books for the purposes of the point-of-sale rebates in both Ontario and British Columbia:

- *A printed book or an update of a printed book;*
- *An audio recording 90% or more of which is a spoken reading of a printed book (e.g. an audio book);*
- *A bound or unbound printed version of scripture of any religion;*
- *A printed book and read-only medium (e.g. a CD-ROM) sold together as a single package, when 90% or more of the value of the material contained on the read-only medium is reasonably attributable to a reproduction of the printed book and/or material that makes specific reference to the printed book and its content and that supplements and is integrated with that content; and*
- *A printed book and read-only medium and/or a right to access a website sold together as a single package, which is specifically designed for students enrolled in a qualifying course (e.g. elementary, secondary, university courses), when the read only-medium or website contains material related to the subject matter of the printed book.*

Some examples of items that will not qualify for the point-of-sale rebate for books in Ontario and B.C. are as follows:

- *Brochures and pamphlets;*
- *Books designed primarily for writing on;*
- *Coloring books or books designed primarily for drawing on or affixing/inserting items such as clippings, pictures, coins, stamps or stickers;*
- *Cut-out books and press-out books; and*
- *An agenda, calendar, syllabus or timetable.*

It is important to note that this list of excluded items is not exhaustive. For further detailed information please refer to Canada Revenue Agency Memoranda Series 13.4 entitled "Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures."

The proposed point-of-sale rebate for books will apply to the 8% provincial component of the HST in Ontario and the 7% provincial component of the HST in B.C. and is available to all persons who purchase qualifying books where HST applies to the sale. Suppliers of qualifying books are entitled to credit the rebate to the purchaser when the books are purchased.

Accordingly, Nelson Education intends to credit purchasers of qualifying books with the applicable point-of-sale rebate at the time of purchase. In this regard, Nelson Education will disclose the total HST payable on invoices for qualifying books as an amount net of the provincial component of the HST as per the example below regarding the sale of a qualifying book subject to the 13% Ontario HST.

Book price:	\$	30.00	*This amount equals: (HST @ 13%) — (Rebate
HST*:	\$	<u>1.50</u>	@8%) = \$3.90 — 2.40 = \$1.50. This calculation will
Amount due	\$	31.50	not appear on the invoice.

Sales of qualifying books and GST/HST taxable non-qualifying items (“Taxable items”) for which ownership and possession transfers on or after July 1, 2010 will attract GST/HST dependant on the province in which the item is delivered and/or made available as per the table below.

Province of Delivery	Item	GST/HST tax rate
British Columbia	• Qualifying Book	• 5% (point-of-sale rebate for 7% provincial component)
	• Taxable items	• 12% HST
Ontario	• Qualifying Book	• 5% (point-of-sale rebate for 8% provincial component)
	• Taxable items	• 13% HST
Alberta, Manitoba, Saskatchewan and PEI	• Qualifying Book	• 5% GST
	• Taxable items	• 5% GST (PST may also apply)
Nova Scotia	• Qualifying Book	• 5% (point-of-sale rebate for 10% provincial component)
	• Taxable items	• 15% HST
New Brunswick and NFLD and Labrador	• Qualifying Book	• 5% (point-of-sale rebate for 8% provincial component)
	• Taxable items	• 13% HST
Quebec	• Qualifying Book	• 5% GST (QST may also apply)
	• Taxable items	• 5% GST (QST may also apply)

The table also takes into consideration the point-of-sale rebates for books currently in place in the provinces of Nova Scotia, New Brunswick and Newfoundland and Labrador. Further, it is important to note that the province of Nova Scotia recently announced its intent to raise the HST rate to 15% effective for supplies made on or after July 1, 2010 subject to the transitional rules noted below.

Generally the HST in the provinces of Ontario and British Columbia will apply to sales of goods delivered or made available in those provinces on or after July 1, 2010. However, certain transitional rules have been put into place which require suppliers of tangible goods to begin charging/collecting HST as early as May 1, 2010. Specifically, suppliers of tangible goods are required to charge HST on any consideration that becomes due or is paid on or after May 1, 2010 on sales of goods which are to be delivered and for which ownership is transferred on or after July 1, 2010. This transitional rule will also apply with respect to the upcoming HST rate change in the province of Nova Scotia.

Accordingly, Nelson Education will begin charging HST at a rate of 13% on all invoices issued May 1, 2010 or later for Taxable items to be delivered to customers in Ontario where both

delivery and transfer of ownership occur July 1, 2010 or later. Similarly, 12% HST will be charged on all invoices issued May 1, 2010 or later for Taxable items to be delivered to customers in British Columbia where both delivery and transfer of ownership occur July 1, 2010 or later. 15% HST will be charged on invoices issued May 1, 2010 or later for Taxable items to be delivered to customers in Nova Scotia where both delivery and transfer of ownership occur on or after July 1, 2010.

If you have any questions concerning this information notice, please do not hesitate to contact Nelson's Customer Service group at 1-800-268-2222.

Stephen Aubert CA  
VP Finance and Controller