

LETTER REGARDING HST CHANGES IN ONTARIO

Dear Church Customers,

The government of Ontario will be implementing new tax laws for Ontario at the beginning of July 2010. These changes will see the existing GST/PST merged into one tax known as a Harmonized Sales Tax, or HST for short. The terms 'GST' and 'PST' will be replaced with 'Federal Portion' and 'Provincial Portion'. The federal portion will remain 5%, and the provincial portion will remain 8%, giving an HST total of 13%. These changes will affect how our company invoices churches in Ontario, as we previously would have simply charged only the GST portion only. Churches were counted as PST exempt, and had to fill out a basic form once, allowing us to void the PST charges from their quotes and invoices.

The new tax requires us to charge both portions as one, meaning that we can no longer void the provincial portion from quotes and invoices for churches. This letter is designed to clear up any confusion for you the client, as you will still be able to claim back most of your provincial portion each year during tax season. Here's a simple breakdown of how it will work:

1. Alectro Systems invoices your church with full HST included (13%).
2. During tax season, your church accountant can then claim back 82% of the provincial portion included in the HST (8%).
3. Your church accountant will also still be able to claim back 50% of the federal portion in the HST (5%), again during tax season as well.

In summary, the only changes with how the tax is handled on your end are as follows:

- The church must pay the full 13% HST when invoiced
- The church receives 82% of the provincial portion back as opposed to a full 100%

If you have any extra questions regarding how we will charge taxes, please feel free to contact us at the options listed on the letter head. Any questions regarding HST should be directed to the Canadian Revenue Department - Business Division, and can be reached at 1-800-959-5525.

Sincerely,

Gregg Weisbrod
Sales and System Designs