



Department of Finance,  
Energy And Municipal  
Affairs  
Taxation and Property Records

PO Box 1330  
Charlottetown, PE  
Canada C1A 7N1  
Tel: (902) 368-4171  
Fax: (902) 368-6164

# REVENUE TAX

# GUIDE

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## Point-of-Sale Rebates for Prince Edward Island HST

### INTRODUCTION

On April 18, 2012, Prince Edward Island (PEI) announced its plans to implement a Harmonized Sales Tax (HST) effective April 1, 2013. The HST will be implemented at a rate of 14% - combining the existing 5% federal Goods and Services Tax (GST) with a 9% PEI component.

A point-of-sale rebate of the PEI component of the HST paid on heating oil, children's clothing, children's footwear and books will be provided.

This guide provides information on the point-of-sale rebate of the 9% PEI component of the HST.

### OVERVIEW

PEI will provide targeted relief from the 9% provincial component of the HST by providing point-of-sale rebates on the following qualifying goods:

- heating oil;
- children's clothing;
- children's footwear; and
- books.

Generally, purchasers will not be required to take any steps in order to access these point-of-sale rebates. Where a person purchases a qualifying good at a retail business, the retailer may automatically provide the purchaser with the point-of-sale rebate, crediting the provincial component of the HST and only collecting the 5% federal component.

If the retail business is unable or unwilling to provide a point-of-sale rebate on the purchase of qualifying goods, the taxpayer may apply to the CRA for a refund of the provincial component of the HST.

The CRA will administer these point-of-sale rebates on behalf of the Province.

## **QUALIFYING GOODS FOR POINT-OF-SALE REBATES**

### **Heating Oil**

Under the current PST system heating oil is exempt from PST. In order to maintain this tax free status the province will be providing a point-of-sale rebate of the 9% provincial component of the HST on purchases of qualifying heating oil.

Qualifying heating oil means:

Fuel (other than heavy fuel oil or fuel sold as fuel for use in internal combustion engines) that is suitable for use as heating oil and is marketed or sold as fuel for use as heating oil for heating homes, buildings or similar structures.

The following fuels will not qualify for the point-of-sale rebate of the 9% provincial component of the HST:

- natural gas and natural gas liquids (e.g., liquefied natural gas or LNG)
- propane
- wood and wood pellets
- kerosene
- heavy fuel oil, including marine bunker fuel (or bunker oil)

### **Children's Clothing**

Under the current PST system children's clothing is exempt from PST. In order to maintain this tax free status the province will be providing a point-of-sale rebate of the 9% provincial component of the HST on purchases of qualifying children's clothing.

Qualifying children's clothing means:

Garments (other than garments of a class that is used exclusively in sports or recreational activities, costumes, children's diapers or children's footwear) that are:

- designed for babies, including baby bibs, bunting blankets and receiving blankets,
- children's garments
  - (a) designed for girls and of a size not greater than the size that is girls' size 16 according to the national standard applicable to the garments,
  - (b) designed for boys and of a size not greater than the size that is boys' size 20 according to the national standard applicable to the garments, or

- (c) if no national standard applies to the garments, designed for girls or boys and having a size designation of extra small, small, medium or large, or
- hosiery or stretchy socks, hats, ties, scarves, belts, suspenders, mittens and gloves in sizes and styles designed for children or babies;

The following items will not qualify as children's clothing for the purpose of the point-of-sale rebate of the provincial component of the HST:

- adult sized clothing, even if purchased for a child;
- costumes;
- clothing and accessories designed to prevent bodily injury (e.g., sports protective equipment);
- children's footwear; or
- children's diapers.

Children's footwear may qualify for a point-of-sale rebate as described below.

### **Children's Footwear**

Under the current PST system children's footwear is exempt from PST. In order to maintain this tax free status the province will be providing a point-of-sale rebate of the 9% provincial component of the HST on purchases of qualifying children's footwear.

Qualifying children's footwear means:

Footwear (other than stockings, socks or similar footwear or footwear of a class that is used exclusively in sports or recreational activities) that is

- designed for babies, or
- designed for girls or boys and has an insole length of 24.25 centimetres or less.

The following items will not qualify as children's footwear for the purpose of the point-of-sale rebate of the provincial component of the HST:

- adult sized footwear, even if purchased for a child;
- cleats, skates, rollerblades, ski-boots, or similar footwear;
- footwear designed to prevent bodily injury; or
- stockings, socks or similar footwear (these articles may qualify for a point-of-sale rebate if they qualify as children's clothing).

## Books

Under the current PST system books are exempt from PST. In order to maintain this tax free status the province will be providing a point-of-sale rebate of the 9% provincial component of the HST on purchases of qualifying books.

Qualifying books means:

- a printed book or an update of a printed book;
- an audio recording all or substantially all of which is a spoken reading of a printed book;
- a bound or unbound printed version of scripture of any religion;
- a composite property which is a single package consisting of a printed book and a related read-only medium such as a CD or DVD. For students enrolled in a qualifying course, this could also include a right to access a web site related to the subject matter of the book.

## FURTHER INFORMATION

The Harmonized Sales Tax (HST) is administered by the Canada Revenue Agency (CRA). If you have specific questions on how the HST applies to your business or whether a good or service is taxable, visit the CRA web site at [www.cra.gc.ca/gsthst](http://www.cra.gc.ca/gsthst) or call **1-800-959-5525**.

Copies of this guide and the *Revenue Tax Act* and Regulations are available on our website. For information regarding the winding down of the revenue tax (PST), please contact:

Taxation and Property Records Division  
P.O. Box 1330  
Charlottetown, PE  
C1A 7N1  
Telephone: (902) 368-4171  
Fax: (902) 368-6164  
Website: [www.taxandland.pe.ca](http://www.taxandland.pe.ca)

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