

Ontario and British Columbia: Transition to the Harmonized Sales Tax – Goods

This info sheet replaces the version dated June 2010.

The Government of Ontario and the Government of British Columbia have each introduced a harmonized sales tax (HST) that came into effect on July 1, 2010.

The HST rate in Ontario is 13% of which 5% represents the federal part and 8% the provincial part.

The HST rate in British Columbia is 12% of which 5% represents the federal part and 7% the provincial part.

This info sheet reflects certain tax changes included in the *New Harmonized Value-Added Tax System Regulations*.

This info sheet explains whether the goods and services tax (GST) or the HST applies to the following supplies made during the period that includes the July 1, 2010 implementation date of the HST in Ontario and British Columbia:

- sales of goods;
- sales of a combination of goods and services;
- sales of periodical publications by subscription; and
- leases and licences of goods.

In this info sheet, all suppliers referred to in the examples are GST/HST registrants and the supplies are taxable. “Taxable” means subject to the 5% GST or to the HST rate in effect in a particular province.

Most of the transitional rules explained in this info sheet are based on the earlier of when an amount becomes due and when an amount is paid without having become due. Appendix A to this info sheet contains information on that subject.

Sales of goods

To determine whether GST or HST applies to goods sold during the period that includes

July 1, 2010 (other than subscriptions to periodical publications), suppliers must consider:

- when the goods are delivered to the purchaser;
- when ownership of the goods is transferred to the purchaser;
- when an amount for the goods becomes due; and
- whether an amount is paid without having become due.

When goods are delivered or ownership is transferred before July 2010

When a good is delivered, **or** ownership is transferred, to a purchaser before July 2010, only the GST applies to any amount that becomes due or is paid without having become due.

Example 1

A person buys a television under a written agreement and the supplier delivers it to the individual on June 1, 2010. Under the terms of the agreement, the person must make twelve monthly payments starting on June 1, 2010. The person receives ownership of the television when all the payments have been made.

Because the television is delivered to the person before July 2010, the supplier charges the GST on the twelve monthly payments.

When goods are delivered, and ownership is transferred, on or after July 1, 2010

The following rules apply when a good is delivered, **and** ownership is transferred, to the purchaser on or after July 1, 2010:

- GST applies to any amount that becomes due or is paid without having become due on or before October 14, 2009.

- GST applies to any amount that becomes due or is paid without having become due after October 14, 2009 and before May 2010. Certain purchasers have to self-assess the provincial part of the HST. For more details on self-assessment, see the information under the heading “Self-assessing the provincial part of the HST”.
- HST applies to any amount that becomes due or is paid without having become due on or after May 1, 2010.

Appendix B to this info sheet contains a chart that illustrates the general transitional rules for sales of goods when the goods are delivered, **and** ownership is transferred, to the purchaser on or after July 1, 2010.

Example 2

A supplier sells a sailboat to a person and issues an invoice on June 20, 2010. The boat is delivered and ownership is transferred to the person on July 5, 2010.

The supplier charges the HST because:

- the boat is delivered **and** ownership is transferred to the person on or after July 1, 2010; and
- the amount becomes due on or after May 1, 2010.

Example 3

On June 29, 2010, a business enters into an agreement with a Canadian supplier for the purchase of an off-the-shelf software package on CDs. The business pays the total amount by credit card and the supplier delivers the software package on July 6, 2010.

In this situation, the software package is a good for GST/HST purposes because it is a pre-packaged, commercially-available software program provided on a tangible medium.

The supplier charges the HST because:

- the off-the-shelf software package is delivered **and** ownership is transferred to the person on or after July 1, 2010; and
- the amount becomes due on or after May 1, 2010.

For information on returns and exchanges of goods and on goods supplied on a continuous basis, such as electricity, refer to the following GST/HST Info Sheets:

- *GI-075, Ontario and British Columbia: Transition to the Harmonized Sales Tax – Returns and Exchanges of Goods*; and

- *GI-076, Ontario and British Columbia: Transition to the Harmonized Sales Tax – Continuous Supplies and Budget Payment Arrangements.*

Combination of goods, property and/or services

The following rule applies to any combination of goods, property and/or services supplied together as a single supply where one of the items is a good that would not be subject to HST if it were supplied separately.

In this case, the good is considered to have been sold separately from the other items but only for the purposes of determining whether GST or HST applies during the period that includes July 1, 2010.

For information on the general transitional rules for services performed in Ontario and British Columbia during the period that includes July 1, 2010, refer to GST/HST Info Sheet GI-056, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services.*

For information on the general transitional rules for sales of intangible personal property in Ontario and British Columbia during the period that includes July 1, 2010, refer to GST/HST Info Sheet GI-059, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Intangible Personal Property.*

Example 4

In June 2010 a supplier sells restaurant equipment to a person. Installation of the equipment is part of the supply. The equipment is delivered to the client on June 30, 2010 and installed on July 2, 2010.

GST applies to the portion of the amount attributable to the equipment because it is delivered and ownership is transferred to the person before July 2010. However, HST applies to the portion of the amount attributable to the installation service since the service is performed on or after July 1, 2010).

Example 5

On June 26, 2010, a vendor sells an off-the-shelf computer software package. Training is provided to the client's employees in July 2010 as part of the supply.

GST applies to the portion of the amount attributable to the software package because ownership is transferred to the client before July 2010. However, HST applies to the portion of the

amount attributable to the training service since the service is performed on or after July 1, 2010.

Subscriptions to periodical publications

The following rules apply to subscription sales of newspapers, magazines or other periodical publications:

- GST applies to an amount paid before July 2010; and
- HST applies to an amount paid on or after July 1, 2010.

The Government of Ontario will provide a point-of-sale rebate of the 8% provincial part of the HST payable on subscriptions to qualifying newspapers. More information on this point-of-sale rebate is available in GST/HST Info Sheet GI-060, *Harmonized Sales Tax for Ontario – Point-of-Sale Rebate on Newspapers*.

Example 6

On June 10, 2010, a person pays for an annual subscription to a magazine. Editions of the magazine will be delivered each month for twelve months starting in July 2010. GST applies because the amount for the subscription is paid before July 2010.

Example 7

A publisher sells a subscription to a magazine and issues the invoice on June 30, 2010. The subscriber pays the amount on July 6, 2010.

HST applies because the amount for the subscription is paid on or after July 1, 2010.

Leases and licences of goods

The following rules apply to goods supplied by way of lease, licence or similar arrangement, the consideration for which is rent, royalties or similar payments. They also apply to leases and licences of intangible personal property where payments vary with the amount of use or profits from the property.

In this info sheet, the term “lease” is used to mean “lease, licence or similar arrangement”.

To determine whether GST or HST applies to leases of goods, suppliers must consider:

- the lease interval;
- when an amount becomes due for that lease interval; and
- whether an amount is paid without having become due for that lease interval.

A “lease interval” is the period of time to which a periodic payment is attributable under a lease.

Example 8

A person leases a car and, according to the lease agreement, the payments are due on the 15th of each month for the upcoming month.

Because a lease interval is the period of time covered by each lease payment, for the payment due on June 15th, the lease interval begins on July 1st and ends on July 31st.

When a lease interval begins before July 2010 and ends before July 31, 2010

When a lease interval begins before July 2010 and ends before July 31, 2010, only the GST applies to any amount that becomes due or is paid without having become due for that lease interval.

Example 9

On July 2, 2010, a person makes a car lease payment for the lease interval from June 15, 2010 to July 14, 2010.

Because the lease interval begins before July 2010 and ends before July 31, 2010, the supplier charges the GST on the lease payment for that lease interval.

When a lease interval begins before July 2010 and ends on or after July 31, 2010

The following rules apply when a lease interval begins before July 2010, and ends on or after July 31, 2010:

- GST applies to any amount that becomes due or is paid without having become due on or before October 14, 2009.
- GST applies to any amount that becomes due or is paid without having become due after October 14, 2009 and before May 2010. Certain purchasers have to self-assess the provincial part of the HST. For more details on self-assessment, see the information under the heading “Self-assessing the provincial part of the HST”.
- When an amount becomes due or is paid without having become due on or after May 1, 2010:
 - GST applies to any amount that relates to the portion of the lease interval that occurs before July 2010; and
 - HST applies to any amount that relates to the portion of the lease interval that occurs on or after July 1, 2010.

Appendix C to this info sheet contains a chart that illustrates the general transitional rules for leases of goods when a lease interval begins before July 2010, and ends on or after July 31, 2010.

Example 10

On May 1, 2010, a person makes a lease payment of \$1,200 for the lease interval of May 1, 2010 to October 31, 2010.

Because the lease interval begins before July 2010 and ends on or after July 31, 2010, the supplier charges:

- the GST on \$400 which represents the part of the amount that relates to the portion of the lease interval that occurs in May and June ($\$1,200 \times 2/6 = \400); and
- the HST on \$800 which represents the part of the amount that relates to the portion of the lease interval that occurs in July, August, September and October ($\$1,200 \times 4/6 = \800).

When a lease interval begins on or after July 1, 2010

The following rules apply when a lease interval begins on or after July 1, 2010:

- GST applies to any amount that becomes due or is paid without having become due on or before October 14, 2009.
- GST applies to any amount that becomes due or is paid without having become due after October 14, 2009 and before May 2010. Certain purchasers have to self-assess the provincial part of the HST. For more details on self-assessment, see the information under the heading “Self-assessing the provincial part of the HST”.
- HST applies to any amount that becomes due or is paid without having become due on or after May 1, 2010.

Example 11

A monthly car lease payment becomes due on July 15, 2010 for the lease interval of July 15, 2010 to August 14, 2010. The person prepays the amount on June 30, 2010.

Because the lease interval begins on or after July 1, 2010, and the amount is paid without having become due on or after May 1, 2010, the supplier charges the HST to the lease payment for that lease interval.

Accounting for the GST/HST charged on sales and leases of goods

The previous rules explained whether GST or HST applies to sales and leases of goods. The following

rules explain who accounts for the tax and when it should be accounted for. The following rules do not apply to subscription sales of periodical publications which follow the normal reporting rules.

When an amount becomes due or is paid after October 14, 2009 and before May 2010

When an amount becomes due or is paid without having become due after October 14, 2009 and before May 2010, the supplier charges the purchaser GST and accounts for the tax in its GST/HST return according to the normal rules. Certain purchasers have to self-assess the provincial part of the HST. For more details on self-assessment, see the information under the heading “Self-assessing the provincial part of the HST”.

Example 12

On April 28, 2010, a supplier issues an invoice for the sale of equipment to a person. The equipment is delivered and ownership is transferred to the person on July 2, 2010.

Because the amount becomes due after October 14, 2009, and before May 2010, the supplier charges GST to the person and accounts for the tax in its GST/HST return for the reporting period that includes April 28, 2010. The person who purchases the equipment may have to self-assess the provincial part of the HST.

When an amount becomes due or is paid on or after May 1, 2010 and before July 2010

When an amount becomes due or is paid without having become due on or after May 1, 2010, and before July 2010, the supplier accounts for:

- the 5% federal part of the HST in its GST/HST return according to the normal rules; and
- the provincial part of the HST in the GST/HST return for the reporting period that includes July 1, 2010. The purchaser, if a registrant, would be able to claim any eligible input tax credit in its GST/HST return for the reporting period that includes July 1, 2010.

Example 13

On June 24, 2010, a person prepays the lease of equipment for the lease interval from July 1, 2010 to July 31, 2010. The amount was due on June 30, 2010. HST applies because the lease interval begins on or after July 1, 2010, and the amount is paid without having become due on or after May 1, 2010.

Because the amount is paid without having become due on or after May 1, 2010 and before July 2010, the supplier accounts for:

- the 5% federal part of the HST in its GST/HST return for the reporting period that includes June 24, 2010; and
- the provincial part of the HST in its GST/HST return for the reporting period that includes July 1, 2010.

When an amount becomes due or is paid on or after July 1, 2010

When HST applies and an amount becomes due or is paid without having become due on or after July 1, 2010, the supplier accounts for the HST in its GST/HST return according to the normal rules.

Example 14

In June 2010, an individual enters into an agreement to buy furniture. Under the agreement, the individual takes delivery of the furniture in July 2010. The individual makes 12 monthly payments between July 2010 and June 2011, and receives ownership of the furniture when all the payments have been made.

HST applies to all the payments and the supplier accounts for the tax in its GST/HST return according to the normal rules.

Self-assessing the provincial part of the HST

Certain purchasers that are non-consumers have to self-assess the provincial part of the HST when:

- the goods they purchase are delivered **and** ownership is transferred on or after July 1, 2010, and an amount for the goods becomes due or is paid without having become due after October 14, 2009 and before May 2010;
- a lease interval begins before July 2010, and ends on or after July 31, 2010, and an amount for that lease interval becomes due or is paid without having become due after October 14, 2009 and before May 2010; or
- a lease interval begins on or after July 1 2010, and an amount for that lease interval becomes due or is paid without having become due after October 14, 2009 and before May 2010.

Consumer means an individual who acquires property or services for the individual's personal consumption or use, or for the personal consumption or use of another individual.

This self-assessment rule applies to a person that is a sole proprietor, a business, an organization, a public service body, or any other entity.

A non-consumer must self-assess the provincial part of the HST if the non-consumer:

- does not purchase the supply for consumption, use or supply exclusively (90% or more) in its commercial activity;
- is using a simplified accounting method to calculate its net tax;
- is purchasing a supply that is subject to input tax credit (ITC) recapture of the provincial part of the HST or ITC restriction (such as the ITC restriction for leased passenger vehicles where the monthly lease payment exceeds \$800);
- is a charity that uses the net tax calculation for charities; or
- is a selected listed financial institution.

The non-consumer accounts for the provincial part of the HST either:

- on line 405 of its GST/HST return for the reporting period that includes July 1, 2010 if the due date for that return is before November 2010; or
- in any other case, by completing Form GST489, *Return for Self-Assessment for the Provincial Part of Harmonized Sales Tax (HST)* and paying that amount before November 2010.

Example 15

On April 24, 2010, a registrant that uses the Quick Method purchases equipment. The supplier issues an invoice at that time. The equipment is delivered on July 5, 2010 and ownership transfers to the registrant at the time of delivery. The registrant pays the total amount on July 5, 2010.

The supplier charges GST because the amount becomes due after October 14, 2009 and before May 2010.

The registrant who purchased the equipment has to self-assess the provincial part of the HST because:

- the registrant is not a consumer;
- the equipment is delivered and ownership is transferred on or after July 1, 2010;
- the amount becomes due after October 14, 2009 and before May 2010; and
- the registrant uses a simplified accounting method to calculate its net tax.

Example 16

In April 2010, a business leases equipment and makes a lease payment for a five-month lease interval that begins on May 1, 2010 and ends on September 30, 2010. The equipment is not used exclusively in the business' commercial activities.

Because the amount is paid after October 14, 2009 and before May 2010, the supplier charges GST on the lease payment for that lease interval.

The business has to self-assess the provincial part of the HST on the part of the amount that relates to the portion of the lease interval that occurs in July, August and September (i.e., three out of the five months or 60% of the lease payment). The business has to self-assess the provincial part of the HST because:

- the business is not a consumer;
- the lease interval begins before July 2010 and ends on or after July 31, 2010;
- the amount is paid after October 14, 2009 and before May 2010; and
- the equipment is not used exclusively in commercial activities.

This info sheet does not replace the law found in *the Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, explains how to obtain a ruling and lists the GST/HST rulings offices. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec by calling 1-800-567-4692. You may also visit their Web site at www.revenu.gouv.qc.ca to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthstech.

Appendix A – When an amount becomes due or is paid without having become due

The following rules explain when an amount becomes due and when an amount is paid without having become due. These rules apply to services and supplies of tangible and intangible personal property.

Amount becomes due

Generally, an amount for a supply becomes due on the earliest of the following days:

- the date of an invoice for that amount for the supply;
- the day the supplier first issues that invoice for the amount;
- if there is an undue delay in issuing that invoice, the day the supplier would have issued the invoice; and
- the day the client is required to pay that amount under a written agreement (other than a written agreement for the supply of property by way of lease, licence or similar arrangement).

An amount for a supply of property made by way of lease, licence or similar arrangement under a written agreement becomes due on the day the client is required to pay that amount under the written agreement.

For information on what is a written agreement for GST/HST purposes, refer to GST Memorandum 300-6-4, *Agreements in Writing*.

Example 1

A supplier enters into a written agreement with a client for a service. Under the agreement, the client is required to pay the total amount on April 30. The supplier issues an invoice dated April 15.

The amount becomes due on April 15 because it is the earliest of the date of the invoice, the day the invoice was issued, and the day the client is required to pay an amount under a written agreement.

Amount is paid without having become due

An amount is paid without having become due when a client pays an amount for a supply:

- before the date of an invoice, or before a supplier issues, or would have issued, the invoice;
- before the client is required to pay the amount under a written agreement (other than a written agreement for the supply of property by way of lease, licence or similar arrangement) and no invoice has been issued; or
- before the client is required to pay the amount under a written agreement for the supply of property by way of lease, licence or similar arrangement.

Example 2

A supplier enters into a written agreement with a client for a service to be performed during the year. Under the agreement, the client is required to pay the total amount due on April 30. No invoice is issued. The client pays the amount due on April 15. In this case, April 30 is the day the amount becomes due and April 15 is the day the amount is paid without having become due.

More than one invoice or payment

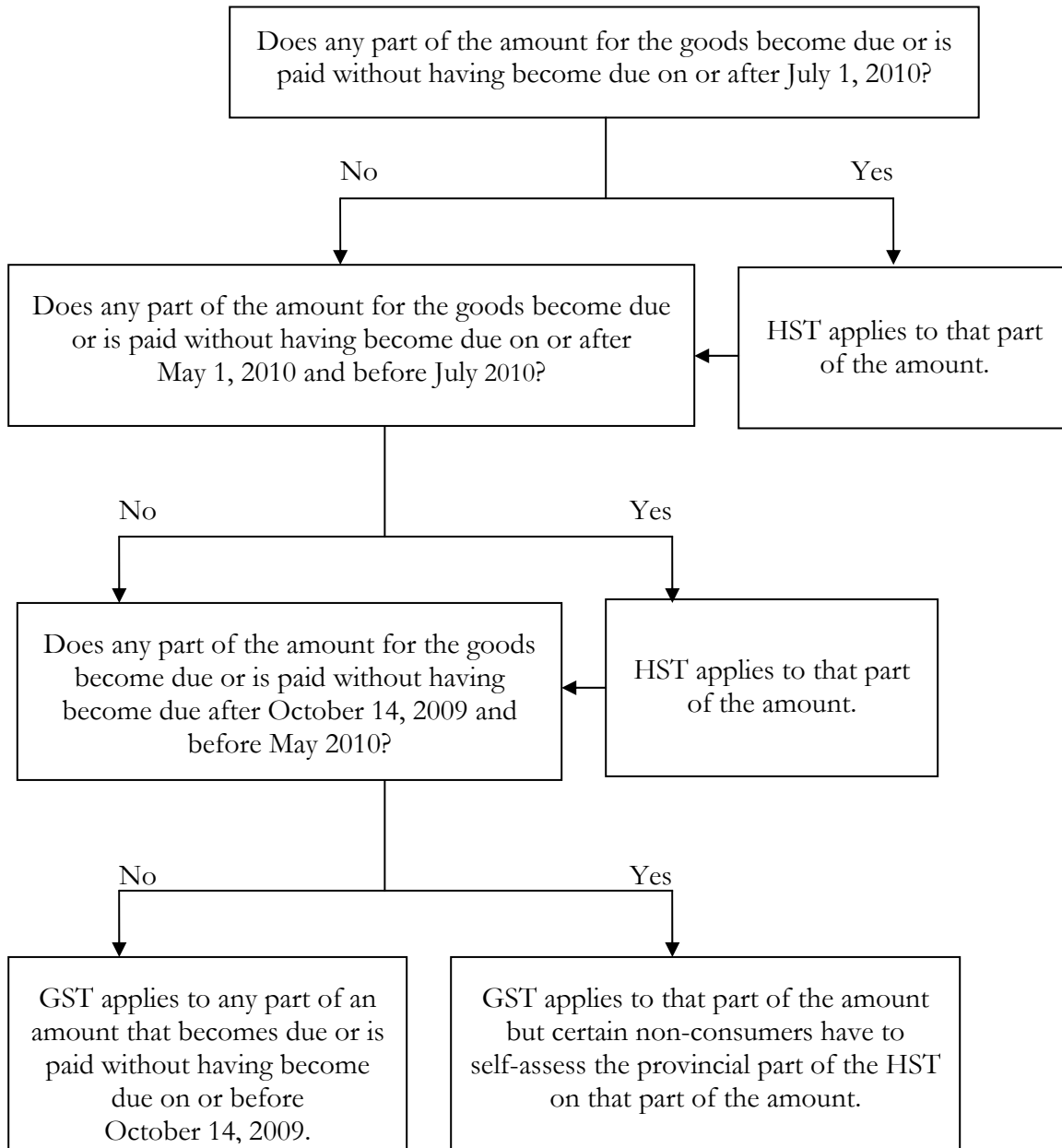
Sometimes, more than one amount becomes due or is paid without having become due. This could happen when, for example, a supplier issues more than one invoice or when the client is required to make more than one payment under a written agreement. In this case, for each amount, the supplier must determine whether GST or HST applies. The supplier cannot, for example, apply the HST on the final amount or on the total amount payable for the supply.

Example 3

A supplier enters into a written agreement with a client for a service. Under the agreement, the client is required to make two payments. The supplier has to consider each payment separately to determine whether GST or HST applies to the amount paid.

Appendix B – Transitional rules for sales of goods when the goods are delivered and ownership is transferred to the purchaser on or after July 1, 2010

The following illustrates the transitional rules for sales of goods (other than sales of subscriptions to periodical publications) when the goods are delivered **and** ownership is transferred to the purchaser on or after July 1, 2010.



Appendix C – Transitional rules for leases of goods

The following illustrates the transitional rules for leases of goods when a lease interval begins before July 2010 and ends on or after July 31, 2010.

