

Ministry of Finance

Tax Information Notice



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HST Notice # 5

www.fin.gov.bc.ca/rev.htm

Notice to Energy Suppliers

Residential Energy Credit Program for British Columbia Harmonized Sales Tax (HST)

On July 23, 2009, British Columbia announced its plans to implement a harmonized sales tax for British Columbia which, subject to legislative approval, would come into effect on July 1, 2010. The HST would have a combined rate of 12% – combining the existing 5% federal goods and services tax (GST) with a 7% British Columbia component.

In the September Budget Update 2009, British Columbia announced its intention to provide a provincially administered credit of the provincial component of the HST on residential energy. The credit will provide targeted relief from the 7% British Columbia component of the HST on purchases of residential energy similar to British Columbia's current provincial sales tax (PST) exemption on residential energy.

The credit will apply to the British Columbia component of the HST paid or payable on, or after, May 1, 2010, for energy provided on, or after, July 1, 2010, including HST paid or payable, on continuous supplies under the general transition rules (refer to [HST Notice #1](#), *General Transitional Rules for British Columbia HST*).

This notice provides general information on the proposed Residential Energy Credit Program and outlines the responsibilities of energy suppliers under the program. Additional details will be provided in the near future.

What Energy Qualifies for the Credit?

Energy qualifying for the credit will generally include electricity, natural gas, propane, heating oil (including biodiesel or similar renewable fuel), heat, steam, firewood and pellets.

What is residential use?

Residential use will generally include personal use or consumption at a residence by the owner, tenant or other occupant of the residence. Residential use is not limited to energy used for heating a residence; it also includes energy for lighting, cooking and similar residential uses, but will generally not include a business, commercial or industrial use, or a use on which a person may claim an input tax credit or a rebate under Part IX of the *Excise Tax Act* (Canada).

A residence will generally include:

- a detached house or other single family dwelling, duplex, apartment building, residential condominium complex, townhouse, residential care facilities, or
- that portion of a multi-use building used for the purpose of a single family dwelling.

A residence will generally NOT include:

- a hotel, motel, lodge, resort, hospital or other institutional building, bunk house or camp building for use on commercial or construction projects, or
- the portion of any building used for a non-residential use.

Homeowners, residential tenants, landlords purchasing energy for use by residential tenants, and condominium corporations purchasing energy for use by residential occupants may be eligible to receive the credit directly from energy suppliers.

Obligations of Energy Suppliers

“Energy Suppliers” does not include hardware stores, department stores or similar retailers.

Energy suppliers will be required to:

- provide, at the time the consideration for the energy becomes due or is paid without having become due, a credit of the 7% provincial component of the HST paid or payable on purchases of energy exclusively for residential use when the energy is delivered by the supplier to the residence, and
- clearly identify the amount of the credit on the purchaser’s invoice as a separate item from the HST shown on that invoice.

As the requirement to provide this credit will not relieve the energy supplier from the obligation to account for the full 12% HST on their GST/HST returns, the province will reimburse energy suppliers for the total amount of eligible credits they provide.

Energy suppliers must apply to the province to receive reimbursement of the credit and will be required to submit requested information prior to their first claim for reimbursement. Claims for reimbursement will be accepted once the credits have been provided to the purchasers. Additional details on the supplier reimbursement process, including application and reimbursement procedures, and associated timeframes will be provided in the near future.

Where the energy is not purchased exclusively for residential use (i.e. where the energy is purchased for both residential and non-residential use), or the energy is not delivered by the supplier directly to a residence purchasers must apply directly to the government for the credit after they have paid a minimum amount of the provincial component of the HST on energy for residential use. Where the energy purchased is not exclusively for residential use (i.e. energy for both residential and non-residential use), the credit may only be claimed for the portion of the provincial component of the HST attributable to the energy for residential use. Additional details on the purchaser application process, including thresholds and documentation requirements and associated timeframes will be provided in the near future.

How the Credit is Calculated

The credit will be an amount equal to the 7% provincial component of the HST on the consideration paid or payable, to an HST registered supplier for energy purchased for residential use, including base charges, delivery charges and carbon tax, but not including service charges, administration charges, equipment related charges, late payment charges or other penalties and interest.

Additional details on how the credit is calculated will be provided in the near future.