



Ontario and British Columbia: Transition to the Harmonized Sales Tax – Prepaid Funeral and Cemetery Arrangements and Interment Rights

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

The HST rate in Ontario will be 13% of which 5% will represent the federal part and 8% the provincial part.

The HST rate in British Columbia will be 12% of which 5% will represent the federal part and 7% the provincial part.

This info sheet reflects proposed tax changes announced in:

- the 2009 Ontario Budget and in the Information Notice No. 3, *General Transitional Rules for Ontario HST*, released by the Government of Ontario on October 14, 2009; and
- the News Release issued by the Government of British Columbia on July 23, 2009 and the Tax Information Notice – HST Notice #1, *General Transitional Rules for British Columbia HST*, released by the Government of British Columbia on October 14, 2009.

Any commentary in this info sheet should not be taken as a statement by the Canada Revenue Agency (CRA) that the proposed transitional rules will be enacted in their current form.

Introduction

This info sheet explains whether the goods and services tax (GST) or the HST applies to funeral or cemetery services supplied under a prepaid arrangement in Ontario or British Columbia. Also, it explains whether the GST or the HST applies to supplies of interment rights in Ontario or British Columbia for periods that include July 1, 2010.

In this info sheet, all operators referred to in the examples are GST/HST registrants.

The information provided in this info sheet applies only to prepaid funeral and cemetery arrangements and interment rights. Information on other property and services is available in the following GST/HST Info Sheets:

- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Freight Transportation Services* (GI-053);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Passenger Transportation Services* (GI-054);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Transportation Passes* (GI-055);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services* (GI-056);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Memberships* (GI-057);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Admissions* (GI-058);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Intangible Personal Property* (GI-059);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Direct Sellers and Independent Sales Contractors* (GI-069); and
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Goods* (GI-070).

Meaning of significant terms used in this info sheet

“Cemetery services” means services that are, or are to be, supplied in respect of places of interment. It includes services such as opening a grave, sealing a tomb, and interring human remains. Also, it includes property such as burial vaults, urns, gravestones, grave liners or markers for use in a cemetery, mausoleum or columbarium, but does not include interment rights.



Please see the definitions of “cemetery products” and “cemetery services” in Appendix 1 of GST/HST Technical Information Bulletin B-093, *Application of GST/HST to Interment Rights and Prepaid Cemetery Arrangements*, for more examples of property and services included in the definition of “cemetery services” for purposes of this info sheet.

“Funeral services” means services that are, or are to be, supplied in respect of the funeral or final disposition of a deceased individual. It includes property and services such as those provided for the care and embalming of the deceased individual or in connection with the funeral rite of the deceased individual, and the transportation of the deceased individual. Also, it includes property such as coffins, headstones or any other property (e.g., a casket or monument) relating to the funeral or final disposition of a deceased individual (such as burial or cremation).

“Interment rights” means rights with respect to the interment of human remains in any of the following: a lot or plot in a cemetery; a tomb, crypt, compartment or vault in a mausoleum; a niche or compartment in a columbarium; or any similar place used for the interment of human remains.

“Operator” means the operator of a funeral home or a place of interment.

“Place of interment” includes a cemetery, mausoleum, or columbarium.

“Prepaid arrangement” means an arrangement under which an operator contracts with a purchaser to supply certain funeral or cemetery services in respect of one or more named individuals upon the death of the individual(s). For purposes of this info sheet, prepaid arrangements must be in writing and may include electronic documents that are capable of being rendered into writing.

Funeral and cemetery services

To determine whether GST or HST applies to funeral or cemetery services supplied under a prepaid arrangement in Ontario or British Columbia, operators must consider the following:

- when the prepaid arrangement was entered into;
- whether it was reasonable, at the time the prepaid arrangement was entered into, to expect

that all or at least part of the amount to pay for the funeral or cemetery services would be paid (or put into trust) before the individual’s death; and

- when the funeral or cemetery services under the prepaid arrangement are provided.

For details on how to determine whether GST or HST applies to services (other than funeral or cemetery services) supplied in connection with a prepaid arrangement, see the information under the heading “Other services.”

Please see the following documents for information relating to the timing of the application of the GST/HST to supplies of funeral or cemetery services made under prepaid arrangements where the amount to pay for the service are put in trust:

- GST/HST Technical Information Bulletin B-091R, *Application of GST/HST to Prepaid Funeral Arrangements*; and
- GST/HST Technical Information Bulletin B-093, *Application of GST/HST to Interment Rights and Prepaid Cemetery Arrangements*.

Prepaid arrangements entered into before September 1990

Regardless of when the funeral or cemetery services are provided, neither GST nor HST applies to funeral or cemetery services supplied under a prepaid arrangement entered into before September 1990. This rule only applies if it was reasonable, at the time the prepaid arrangement was entered into, to expect that all or at least part of the amount to pay for the funeral or cemetery services would be paid (or put into trust) before the individual’s death.

Example 1

The operator of a funeral home entered into a prepaid arrangement with a purchaser in August 1990 to supply funeral services upon an individual’s death. It was reasonable, at the time the prepaid arrangement was entered into, to expect that all or at least part of the amount to pay for the funeral services would be paid (or put into trust) before the individual’s death. The individual dies in September 2010 and the operator supplies the funeral services pursuant to the prepaid arrangement.

Although the funeral services are provided on or after July 1, 2010 neither GST nor HST applies to the funeral services because the funeral services are supplied under a prepaid arrangement entered into before September 1990.

Prepaid arrangements entered into after August 1990 and before July 2010

GST applies to funeral or cemetery services supplied under a prepaid arrangement entered into after August 1990. Therefore, the federal part of the HST (i.e., the equivalent to the existing GST) applies to funeral or cemetery services supplied under a prepaid arrangement entered into after August 1990.

Regardless of when the funeral or cemetery services are provided, the provincial part of the HST does not apply to funeral or cemetery services supplied under a prepaid arrangement entered into before July 2010. This rule only applies if it was reasonable, at the time the prepaid arrangement was entered into, to expect that all or at least part of the amount to pay for the funeral or cemetery services would be paid (or put into trust) before the individual's death.

Example 2

The operator of a place of interment enters into a prepaid arrangement with a purchaser in June 2010 to supply cemetery services upon an individual's death. It is reasonable, at the time the prepaid arrangement is entered into, to expect that all or at least part of the consideration to pay for the cemetery services will be paid (or put into trust) before the individual's death. The individual dies in February 2015 and the operator supplies the cemetery services pursuant to the prepaid arrangement.

The federal part of the HST (i.e., the equivalent to the existing GST) applies to the cemetery services because the cemetery services are supplied under a prepaid arrangement entered into after August 1990.

The provincial part of the HST does not apply to the cemetery services because the cemetery services are supplied under a prepaid arrangement entered into before July 2010 and it was reasonable, at the time the prepaid arrangement was entered into, to expect that all or at least part of the consideration to pay for the cemetery services would be paid (or put into trust) before the individual's death.

Prepaid arrangements entered into on or after July 1, 2010

HST applies to funeral or cemetery services supplied under a prepaid arrangement entered into on or after July 1, 2010.

Example 3

The operator of a funeral home enters into a prepaid arrangement with a purchaser in October 2010 to supply funeral services upon an individual's death. The individual dies in January 2020 and the

operator supplies the funeral services pursuant to the prepaid arrangement.

The HST applies to the funeral services because the funeral services are supplied under a prepaid arrangement entered into on or after July 1, 2010.

Amounts paid (or put into trust) before the individual's death

Generally, at the time an operator enters into a prepaid arrangement with a purchaser, the purchaser agrees to either:

- pay all of the amount for the funeral or cemetery services by making a lump sum payment to the operator before the individual's death;
- pay all or at least part of the amount for the funeral or cemetery services by making a series of payments (e.g., instalment payments) to the operator before the individual's death; or
- purchase an insurance policy under which the proceeds from the policy at the time of the individual's death are payable to the operator for the funeral or cemetery services.

If at the time a prepaid arrangement is entered into the purchaser agrees to do any of the above, the CRA considers it reasonable, at the time the arrangement is entered into, to expect that all or at least part of the amount to pay for the funeral or cemetery services will be paid (or put into trust) before the individual's death.

Example 4

The operator of a place of interment enters into a prepaid arrangement with a purchaser in June 2010 to supply cemetery services upon an individual's death. At the time the prepaid arrangement is entered into, the purchaser agrees to make a lump sum payment to the operator on July 2, 2010. The purchaser makes the lump sum payment to the operator on July 2, 2010, and the individual dies in February 2011. The operator supplies the cemetery services pursuant to the prepaid arrangement.

The federal part of the HST (i.e., the equivalent to the existing GST) applies to the cemetery services because the cemetery services are supplied under a prepaid arrangement entered into after August 1990.

The provincial part of the HST does not apply to the cemetery services because: (1) the cemetery services are supplied under a prepaid arrangement entered into before July 2010, and (2) by agreeing to make a lump sum payment to the operator before the individual's death, it is reasonable, at the time the prepaid arrangement is entered into, to expect that all or at least part of the

amount to pay for the services will be paid (or put into trust) before the individual's death.

Example 5

The operator of a funeral home enters into a prepaid arrangement with a purchaser in May 2010 to supply funeral services upon an individual's death. At the time the prepaid arrangement is entered into, the purchaser agrees to make an initial payment to the operator on that day, and to make 15 quarterly instalment payments to the operator starting on July 1, 2010. The purchaser makes all of the quarterly instalment payments to the operator on the dates set out in the prepaid arrangement. The individual dies in November 2016 and the operator supplies the funeral services pursuant to the prepaid arrangement.

The federal part of the HST (i.e., the equivalent to the existing GST) applies to the funeral services because the cemetery services are supplied under a prepaid arrangement entered into after August 1990.

The provincial part of the HST does not apply to the funeral services because: (1) the funeral services are supplied under a prepaid arrangement entered into before July 2010, and (2) by agreeing to make a series of payments to the operator before the individual's death, it is reasonable, at the time the prepaid arrangement is entered into, to expect that all or at least part of the amount to pay for the services will be paid (or put into trust) before the individual's death.

Example 6

The operator of a place of interment enters into a prepaid arrangement with a purchaser in May 2010 to supply cemetery services upon an individual's death. At the time the prepaid arrangement is entered into, the purchaser agrees to make an initial payment to the operator on that day, and to make 15 quarterly instalment payments to the operator starting on July 1, 2010. The individual dies in March 2013, and at that time, the purchaser has made only 11 of the 15 quarterly instalment payments to the operator on the dates set out in the prepaid arrangement. The deceased individual's estate pays the remaining amounts for the cemetery services to the operator, and the operator supplies the cemetery services pursuant to the prepaid arrangement.

The federal part of the HST (i.e., the equivalent to the existing GST) applies to the cemetery services because the cemetery services are supplied under a prepaid arrangement entered into after August 1990.

The provincial part of the HST does not apply to the cemetery services because: (1) the cemetery services are supplied under a prepaid arrangement entered into before July 2010, and (2) by agreeing to make a series of payments to the operator before the individual's death, it is reasonable, at the time the prepaid arrangement is entered into, to expect that all or part of the amount to pay for the cemetery services will be paid (or put into trust) before the individual's death.

Other services

Some operators charge fees for other services that are not funeral or cemetery services, but are supplied in connection with prepaid arrangements. Examples of such fees include set-up fees, administration fees, cancellation fees, and instalment payment charges (also known as finance charges or service charges).

The fees mentioned in the preceding paragraph are regarded as amounts paid for services (other than funeral or cemetery services) for purposes of determining whether GST or HST applies during the period that includes the July 1, 2010 implementation date of the HST in Ontario and British Columbia.

To determine whether GST or HST applies to such services performed during the period that includes July 1, 2010, operators must consider:

- when the service is performed;
- when an amount for the service becomes due; and
- whether an amount is paid without having become due.

Refer to Appendix A for more information on when an amount becomes due and when an amount is paid without having become due.

When 90% or more of the service is performed before July 2010

When 90% or more of the service is performed before July 1, 2010, only the GST applies to any amount that becomes due or is paid without having become due for the service.

Where more than 10% of the service is performed on or after July 1, 2010

When more than 10% of the service is performed on or after July 1, 2010:

- Regardless of when the service is performed, GST applies to any amount that becomes due or is paid without having become due on or before October 14, 2009.
- Regardless of when the service is performed, GST applies to any amount that becomes due or is paid without having become due after

October 14, 2009 and before May 2010. However certain purchasers may have to self-assess the provincial part of the HST. For more information, refer to “Self-assessment of the provincial part of the HST” in GST/HST Info Sheet GI-056, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services*.

- 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 service performed before July 2010; and
 - HST applies to any amount that relates to the portion of the service performed on or after July 1, 2010.

Accounting for the GST/HST charged on other services

The previous rules explain whether GST or HST applies to supplies of services (other than funeral or cemetery services). The following rules explain who accounts for the tax and when it should be accounted for.

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 operator 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 information, refer to “Self-assessment of the provincial part of the HST” in GST/HST Info Sheet GI-056, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services*.

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

When GST applies to a service or a portion of a service, the operator accounts for the GST in its GST/HST return according to the normal rules.

When HST applies to a service or a portion of a service, the operator 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.

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

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

Funeral and cemetery services provided at the time of need

Generally, a prepaid arrangement sets out certain funeral or cemetery services to be supplied by the operator at the time of the individual’s death. The relief from the provincial part of the HST, as discussed under the heading, “Prepaid arrangements entered into after August 1990 and before July 2010” in this info sheet, only applies to the funeral or cemetery services included in the prepaid arrangement and not to other funeral or cemetery services provided at the time of need.

Upgrading or adding services

It is common for a deceased individual’s estate to request that the operator either upgrade some of the funeral or cemetery services included in the prepaid arrangement or supply additional funeral or cemetery services that were not included in the prepaid arrangement.

Regardless of when a prepaid arrangement was entered into, if at the request of a deceased individual’s estate the operator:

- substitutes, on or after July 1, 2010, a certain funeral or cemetery service included in the prepaid arrangement with a similar kind or class of funeral or cemetery service, but of an increased value, HST applies to the amount that is the difference between the amounts to pay for those services; or
- adds, on or after July 1, 2010, new funeral or cemetery services that are supplied in connection with the prepaid arrangement, HST

applies to any amount to pay for those new services.

In both cases, the HST collectible by the operator is based on the HST rate that applies on the earlier of the date when the amount becomes due or is paid without having become due.

Example 7

The operator of a funeral home entered into a prepaid arrangement with a purchaser in July 2004 to supply funeral services upon an individual's death. At the time the prepaid arrangement was entered into, the purchaser agreed to make an initial payment to the operator on that day, and to make 15 quarterly instalment payments to the operator starting on October 1, 2004. The purchaser made all of the quarterly instalment payments to the operator on the dates set out in the prepaid arrangement. The individual dies in August 2010 and at the request of the deceased individual's estate, the operator substitutes the original casket specified in the prepaid arrangement with one of a higher value and supplies the remaining funeral services pursuant to the prepaid arrangement.

The federal part of the HST (i.e., the equivalent to the existing GST) applies to the funeral services because the funeral services are supplied under a prepaid arrangement entered into after August 1990.

The provincial part of the HST does not apply to the funeral services because: (1) the funeral services are supplied under a prepaid arrangement entered into before July 2010, and (2) by agreeing to make a series of payments to the operator before the individual's death, it was reasonable, at the time the prepaid arrangement was entered into, to expect that all or part of the amount to pay for the funeral services would be paid (or put into trust) before the individual's death.

HST applies to the amount that represents the difference between the amount to pay for the new casket and the amount for the original casket that was to be supplied under the prepaid arrangement.

Cancelling prepaid arrangements

At the time of an individual's death, some operators cancel the prepaid arrangement and replace it with an at-need arrangement. Where this happens, the funeral or cemetery services are no longer supplied under a prepaid arrangement.

Regardless of when a prepaid arrangement is entered into, if a prepaid arrangement is cancelled on or after July 1, 2010 and replaced with an at-need arrangement, HST applies to any amount to pay for the funeral or cemetery services supplied under the at-need arrangement. The HST collectible by the

operator is based on the HST rate that applies on the earlier of the date when the amount becomes due or is paid without having become due.

If an at-need arrangement is entered into on or after July 1, 2010 only for the purpose of fulfilling a prepaid arrangement under which the funeral or cemetery services were not subject to the provincial part of the HST and converting the prepaid prices to prevailing retail prices at the time of the individual's death, the provincial part of the HST does not apply to any amount to pay for the funeral or cemetery services included in the prepaid arrangement. However, if at the request of a deceased individual's estate the at-need arrangement includes:

- a substitution of a certain funeral or cemetery service included in the prepaid arrangement with a similar kind or class of funeral or cemetery service, but of an increased value, HST applies to the amount that is the difference between the amounts to pay for those services; or
- new funeral or cemetery services that are supplied in connection with the prepaid arrangement, HST applies to any amount to pay for those new services.

In both cases, the HST collectible by the operator is based on the HST rate that applies on the earlier of the date when the amount becomes due or is paid without having become due.

Example 8

The operator of a funeral home entered into a prepaid arrangement with a purchaser in December 2008 to supply funeral services upon an individual's death. At the time the prepaid arrangement was entered into, the purchaser made a lump sum payment to the operator to pay for the funeral services. At the time of the individual's death in July 2010, the operator cancels the prepaid arrangement and enters into an at-need arrangement with the deceased individual's estate. The at-need arrangement was not entered into for purposes of fulfilling the prepaid arrangement and converting the prepaid prices to prevailing retail prices at the time of the individual's death.

HST applies to any amount payable for the funeral services supplied under the at-need arrangement.

Interment rights

Generally, interment rights are a form of real property for GST/HST purposes. Operators

generally provide interment rights by way of lease, licence or similar arrangement. Given the specific use and purpose of the lot, plot, crypt etc., and the fact that the purchaser may have little or no control over it, supplies of such real property are generally supplies made by way of licence.

The tax status of a supply of an interment right may differ depending upon the person who is making the supply (e.g., charities, public institutions or public service bodies). Pages 12 to 14 of GST/HST Technical Information Bulletin B-093, *Application of GST/HST to Interment Rights and Prepaid Cemetery Arrangements*, provide detailed information regarding the supply of an interment right and related services provided by such persons.

To determine whether GST or HST applies to supplies of interment rights, operators must consider:

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

Lease interval

Generally, under an agreement for the supply of an interment right, the interment right is not granted to the purchaser until all amounts payable for the interment right are paid in full, and the operator of the place of interment issues a document indicating that the purchaser is the holder of the interment right.

Typically, when entering into an agreement for the supply of an interment right, the purchaser will agree to pay the amount for the interment right by making a lump sum payment or a series of payments (e.g., instalment payments) to the operator of the place of interment.

For purposes of determining whether GST or HST applies to a supply of an interment right, the lease interval for the interment right begins on the day the interment right is granted to the purchaser.

Given that interment rights are supplied in perpetuity (i.e., the human remains are interred in perpetuity), the CRA's view is that the portion of the lease interval before July 1, 2010, if any, would be negligible in comparison to the infinite duration of the licence granted under the agreement for the supply of the interment right.

When an amount becomes due or is paid

The following rules apply to the supply of an interment right regardless of whether the lease interval for the supply begins before July 2010, or 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. Under certain limited circumstances, a purchaser may have to self-assess the provincial part of the HST. For more information, refer to "Lease payment due or paid without having become due after October 14, 2009 and before May 2010" in GST/HST Notice No. 244, *Harmonized Sales Tax for Ontario – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario* or GST/HST Notice No. 246, *Harmonized Sales Tax for British Columbia – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in British Columbia*.
- HST applies to any amount that becomes due or is paid without having become due on or after May 1, 2010.

Example 9

The operator of a place of interment entered into a written agreement for the supply of an interment right with a purchaser in March 2009. At the time the written agreement was entered into, the purchaser agreed to make an initial payment to the operator on that day, and to make 10 quarterly instalment payments to the operator starting on April 1, 2009. The purchaser made all of the quarterly instalment payments to the operator on the dates set out in the written agreement and in July 2011, the operator issues a document indicating that the purchaser is the holder of the interment right.

GST applies to the initial payment and the first five quarterly instalment payments (April 2009, July 2009, October 2009, January 2010, and April 2010) because those amounts become due before May 2010.

The lease interval begins in July 2011. HST applies to the last five quarterly instalment payments because those amounts become due on or after May 1, 2010, are not paid before that date, and relate to a lease interval that occurs on or after July 1, 2010.

Example 10

The operator of a place of interment enters into a written agreement for the supply of an interment right with a purchaser in May 2010. At the time the agreement is entered into, the purchaser agrees to make an initial payment to the operator on that day, and to make 10 quarterly instalment payments to the operator starting on July 1, 2010. The purchaser makes all of the quarterly instalment payments to the operator on the dates set out in the written agreement and in October 2012, the operator issues a document indicating that the purchaser is the holder of the interment right.

The lease interval begins in October 2012. HST applies to the initial payment and all of the instalment payments because those amounts become due on or after May 1, 2010, are not paid before that date, and relate to a lease interval that occurs on or after July 1, 2010.

Example 11

The operator of a place of interment enters into an agreement for the supply of an interment right with a purchaser in May 2010. At the time the agreement is entered into, the purchaser agrees to make to a lump sum payment to the operator on that day. The purchaser makes the lump sum payment to the operator, and in June 2010, the operator of the place of interment issues a document indicating that the purchaser is the holder of the interment right.

The lease interval begins in June 2010. Although the lease interval begins before July 2010, the payment attributable to the portion of the lease interval before July 2010 is negligible in comparison to the infinite duration of the lease interval that occurs on or after July 1, 2010. HST applies to the lump sum payment that becomes due and is paid in May 2010.

Accounting for the GST/HST charged on interment rights

The previous rules explain whether GST or HST applies to supplies of interment rights. The

following rules explain who accounts for the tax and when it should be accounted for.

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 operator of the place of interment charges the purchaser GST and accounts for the tax in its GST/HST return according to the normal rules. As indicated on the previous page, in certain limited circumstances, a purchaser 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 operator of the place of interment 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.

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 operator accounts for the HST in its GST/HST return according to the normal rules.

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 (e.g., a supply of an interment right by way of licence) becomes due on the day the purchaser is required to pay that amount pursuant to 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, just apply the HST on the final amount or on the total amount payable for the service.

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.