



HST Rate Increases for New Brunswick and Newfoundland and Labrador – Questions and Answers on General Transitional Rules for Personal Property and Services

The Government of New Brunswick and the Government of Newfoundland and Labrador each announced, in their Budget 2016, their intention to increase their harmonized sales tax (HST) from 13% to 15% effective July 1, 2016, by increasing the rate of their provincial parts of the HST from 8% to 10%.

On March 30, 2016, the Government of New Brunswick released transitional rules to determine the HST rate applicable to transactions that straddle the July 1, 2016 implementation date.

On May 3, 2016, the Government of Newfoundland and Labrador released transitional rules to determine the HST rate applicable to transactions that straddle the July 1, 2016 implementation date.

This notice provides detailed questions and answers that reflect the application of those transitional rules, which have been enacted in the *Regulations Amending Various GST/HST Regulations, No. 8* (SOR/2016-119).

This document is provided to assist businesses¹ and consumers in understanding how the transitional rules for the HST rate increases for New Brunswick and Newfoundland and Labrador apply. Transitional rules are required to determine which tax rate – the existing HST rate of 13% or the new HST rate of 15% – applies to transactions that straddle the July 1, 2016 implementation date. The following questions and answers are provided to assist businesses and consumers in understanding these transitional rules.

Unless otherwise noted, these transitional rules apply to the following:

- taxable (other than zero-rated) supplies of personal property and services made in either New Brunswick or Newfoundland and Labrador,
- personal property and services brought into either New Brunswick or Newfoundland and Labrador, and
- taxable importations of personal property by a resident of either New Brunswick or Newfoundland and Labrador.

The definitions and concepts in the *Excise Tax Act* (the Act) apply to the transitional rules outlined in this document. If you are uncertain as to whether a supply is made in a participating province, refer to GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province*.

Under the transitional rules, the new HST rate of 15% generally applies to:

- any supply that is made on or after July 1, 2016;
- any consideration (amount payable) for a supply made before July 1, 2016 that becomes due, or is paid without having become due, on or after July 1, 2016;

¹ In this notice, “business” includes public sector bodies where applicable.



-
- non-commercial goods imported into Canada by a resident of either New Brunswick or Newfoundland and Labrador on or after July 1, 2016;
 - non-commercial goods imported into Canada by a resident of either New Brunswick or Newfoundland and Labrador before July 1, 2016, that are accounted for under the relevant provisions of the *Customs Act* on or after July 1, 2016;
 - property brought into New Brunswick, Newfoundland and Labrador or the Newfoundland offshore area on or after July 1, 2016; and
 - property brought into New Brunswick, Newfoundland and Labrador or the Newfoundland offshore area before July 1, 2016, by a carrier if the property is delivered in New Brunswick, Newfoundland and Labrador or the Newfoundland offshore area to a consignee on or after that day.

Under the Act, a supply is the provision of property or a service in any manner, including sale, transfer, barter, exchange, licence, rental, lease, gift or disposition. Where an agreement is entered into to provide property or a service:

- the entering into of the agreement is deemed to be a supply of the property or service made at the time the agreement is entered into; and
- the provision, if any, of property or a service under the agreement is deemed to be part of that supply and not a separate supply.

Consideration, or any part of the consideration, for a supply becomes due on the earliest of:

- the day the supplier first issues an invoice in respect of the supply for that consideration or part;
- the date of the invoice;
- the day the supplier would have, but for an undue delay, issued an invoice in respect of the supply for that consideration or part; and
- the day the recipient of the supply is required to pay the consideration or part pursuant to a written agreement.

Table of Contents

Information for businesses.....	3
General	3
Tangible personal property.....	5
Intangible personal property.....	8
Services	9
Property and services brought into New Brunswick or Newfoundland and Labrador from another province	10
Imports.....	11
Taxable benefits	12
Streamlined accounting methods.....	12
Information for consumers.....	13
General	13
Tangible personal property (goods).....	15
Intangible personal property.....	16
Services	17
Imports.....	18
Other publications.....	18

Information for businesses

General

1. What is the new HST rate for New Brunswick and Newfoundland and Labrador?

The new HST rate for New Brunswick is 15%, which is composed of a federal part of 5% (the GST) and a New Brunswick part of 10%.

The new HST rate for Newfoundland and Labrador is 15%, which is composed of a federal part of 5% (the GST) and a Newfoundland and Labrador part of 10%.

2. When is the new HST rate for New Brunswick and Newfoundland and Labrador effective?

The new HST rate is effective July 1, 2016.

3. How does the new HST rate apply to supplies made in New Brunswick or Newfoundland and Labrador?

The new HST rate applies to a taxable supply of goods, intangible personal property (such as rights) and services made in New Brunswick or Newfoundland and Labrador if the consideration (or a part) for the supply:

- becomes due on or after July 1, 2016, without having been paid before that day; or
- is paid on or after July 1, 2016, without having become due before that day.

4. When is a supply made?

Under the Act, a supply is the provision of property or a service in any manner, including sale, transfer, barter, exchange, licence, rental, lease, gift or disposition. Generally, when property or a service is supplied under an agreement, the supply is deemed to be made at the time the agreement is entered into.

However, there are specific deeming rules that apply to a supply of property made by way of lease, licence or similar arrangement, and to a supply of an ongoing service, when the consideration includes a payment that is attributable to a period in respect of the supply. See questions 5 and 6 below for more information.

5. When is a supply of property by way of lease, licence or similar arrangement made where the consideration includes a payment that is attributable to a period?

For a supply of property made by way of lease, licence or similar arrangement, when a payment is attributable to a period during which use of the property is provided, a separate supply of the property is deemed to be made for each such period. Each such supply is deemed to be made on the earliest of:

- the first day of the period;
- the day on which the payment becomes due; and
- the day on which the payment is made.

6. When is a supply of an ongoing service made where the consideration includes a payment that is attributable to a period?

For a supply of an ongoing service, when a payment is attributable to a period during which the service is or is to be rendered under the agreement for the supply, a separate supply of the service is deemed to be made for each such period. Each such supply is deemed to be made on the earliest of:

- the first day of the period;

-
- the day on which the payment becomes due; and
 - the day on which the payment is made.

7. When does consideration for a taxable supply become due?

Consideration, or any part of the consideration, for a taxable supply becomes due on the earliest of:

- the day the supplier first issues an invoice in respect of the supply for that consideration or part;
- the date of the invoice;
- the day the supplier would have, but for an undue delay, issued an invoice in respect of the supply for that consideration or part; and
- the day the recipient of the supply is required to pay that consideration or part to the supplier under a written agreement.

8. When does consideration for a supply of property by way of lease, licence or similar arrangement become due where there is a written agreement for the supply?

Consideration, or any part of the consideration, for a supply of property by way of lease, licence or similar arrangement under a written agreement becomes due on the day the recipient of the supply is required to pay the consideration or part under the agreement.

9. When is consideration paid without having become due?

Consideration is paid without having become due when a recipient pays all or part of the consideration for a supply before the amount becomes due. Questions 7 and 8 explain when consideration for a supply becomes due.

10. I pay the consideration for a supply on July 4, 2016. The invoice was issued June 30, 2016, but I have until July 29, 2016 to pay without any interest. Is the consideration that I pay early an amount that was paid without having become due?

No. The amount becomes due on June 30, 2016 the day the invoice for the supply was issued. Once that invoice is issued, any amount paid for the supply on or after the date of that invoice is not an amount that was paid without having become due.

11. I pay the consideration for a supply on June 30, 2016. Under the written agreement for the supply, I do not have to pay the amount until July 4, 2016. No invoice is issued. Is this an amount that was paid without having become due?

Yes. Since no invoice is issued and you made the payment before the consideration for the supply became due under the written agreement for the supply, the amount was paid before becoming due.

12. I make my July 2016 payment for a leased car on June 30, 2016. Under the lease, the payment for the month of July 2016 is due July 4, 2016. Which rate of HST applies?

The supply of the leased car for the July 2016 period is deemed to be made on June 30, 2016. This is the day the payment was made, which is the earliest of the three days (see question 5). As the consideration for that period is paid before July 1, 2016 without having become due, HST at 13% applies.

13. I provide cleaning services under a year-long contract with monthly payments. The payment for the services provided in June 2016 is due on July 15, 2016. If the consideration for the supply is paid after it becomes due, which rate of HST do I charge?

HST at 15% applies since the consideration for the supply becomes due on or after July 1, 2016.

Tangible personal property

Sales

14. When does HST at 15% apply to a supply by way of sale of tangible personal property?

Under the Act, a sale, in respect of property, includes any transfer of the ownership of the property and a transfer of the possession of the property under an agreement to transfer ownership of the property. HST at 15% applies to any consideration for a supply by way of sale of tangible personal property made to the recipient of the supply on or after July 1, 2016, which becomes due, or is paid without having become due, on or after July 1, 2016. Also, HST at 15% applies to any consideration for a supply by way of sale of tangible personal property made to the recipient of the supply before July 1, 2016, which becomes due, or is paid without having become due, on or after July 1, 2016.

15. I sell a refrigerator and issue an invoice to my customer on June 11, 2016. The customer does not pay for the refrigerator until October 15, 2016. What rate of HST applies?

As the customer is invoiced before July 2016, the HST applies at 13%.

16. In April of 2016, I sell a washer and dryer. Under the written agreement for the sale, the customer has to make six equal monthly payments that become due in each of the months from April 2016 to September 2016. Ownership of the washer and dryer are transferred to the customer after the final payment is made in September 2016 and the washer and dryer are delivered to the customer at that time. How does the HST apply?

HST at 13% applies to the payments made in April, May and June of 2016 and HST at 15% applies to the payments made in July, August and September of 2016.

17. I accept a deposit of \$100 in May 2016 for a sale of goods that I make on July 5, 2016. The goods are delivered and ownership is transferred to the customer on July 5, 2016. I invoice the customer for the sale and apply the deposit as partial payment for the sale on July 5, 2016. How does the HST apply?

A deposit is not a payment for a supply until the supplier applies it as consideration for the supply. In this example, the deposit made in May 2016 is applied as partial payment for the supply of the goods on July 5, 2016. Since the consideration becomes due on July 5, 2016, HST at 15% applies to the total consideration payable for the supply, including the \$100 deposit.

18. I sell a magazine subscription covering the period from July 2016 to October 2017. The subscriber pays the subscription in full on June 30, 2016. The magazines are made available to the subscriber on or after July 1, 2016. What rate of HST applies?

HST applies at 13% to this subscription as it is paid in full before July 2016.

19. I sell a subscription to a monthly newsletter. The consideration for this subscription is due on June 30, 2016, but the subscriber does not pay until July 6, 2016. What rate of HST applies?

HST at 13% applies to the full amount of the subscription because the subscriber was invoiced before July 1, 2016.

20. I sell goods through a vending machine. I charge tax on these goods. I restock the machine and collect the accumulated money from the machine on the 10th day of each month. How does HST apply?

You are considered to have made the supply, received the consideration for the supply and collected any tax payable in respect of the supply at the time you remove the consideration from a vending machine. Consequently, when you remove the consideration from the vending machine on July 10, 2016, you are deemed to have made the supply of the goods sold through the vending machine on July 10, 2016. You are also deemed to have collected HST at 15% on the consideration paid for those goods on July 10, 2016.

Leases and licences

21. How does the new HST rate apply to leases of tangible personal property?

HST at 15% applies to a lease payment due on or after July 1, 2016, unless it is paid before that date. HST at 13% applies to a lease payment due before July 1, 2016, even if it is paid on or after July 1, 2016.

22. I pay the rent for my office computers on the 15th of every month. What rate of tax applies to the payment made on June 15, 2016 covering the rent for the month of June 15, 2016 to July 14, 2016?

Since the payment is made before July 1, 2016, HST at 13% applies to the lease payment.

23. The lease payment for my passenger vehicle is due on June 15, 2016. What rate of tax applies to this lease payment if I do not make it until after July 1, 2016?

Since the lease payment is due before July 1, 2016, HST at 13% applies to the lease payment, even if you make the payment after July 1, 2016.

24. How does the new HST rate affect existing leases for vehicles?

HST at 15% applies to lease payments that become payable on or after July 1, 2016, without having been paid before that date.

Coupons, returns and exchanges

25. I am a manufacturer and redeem coupons from retailers in respect of taxable (other than zero-rated) supplies of property and services made by the retailers to consumers. The coupons entitle consumers to a reduction of the price of the property or service equal to a fixed dollar amount. I have been claiming an input tax credit (ITC) equal to the tax fraction 13/113 of the coupon value when I pay the redemption amount for the coupon to a retailer. What tax fraction do I use to calculate an ITC when I redeem coupons from the retailers on or after July 1, 2016?

When you redeem a coupon offering a fixed dollar price reduction specified in the coupon that was accepted by a retailer on or after July 1, 2016, you calculate your ITC using 15/115 as the tax fraction of the coupon value, which is based on HST at 15%.

26. I am a retailer and I issue coupons entitling consumers to a price reduction on a taxable (other than zero-rated) supply of property equal to a fixed dollar amount specified in the coupon. I treat the coupons as a partial cash payment (i.e., the tax is calculated on the value of the consideration for the supply before the coupon discount). I charge and collect HST at 13% on the consideration payable for the supply and then I claim an ITC equal to 13/113 of the coupon value. I understand that on and after July 1, 2016, I will be charging and collecting HST at 15% instead of 13% and that I will be claiming an ITC equal to 15/115 of the coupon value. What happens if a reporting period straddles July 1, 2016?

For that part of the reporting period before July 1, 2016, you are required to charge and collect HST at 13% on the consideration for taxable (other than zero-rated) supplies and you are entitled to an ITC equal to 13/113 of the coupon value for coupons that are accepted before July 1, 2016. For that part of the reporting period on or after July 1, 2016, you are required to charge and collect 15% HST on the consideration for taxable (other than zero-rated) supplies and you are entitled to an ITC equal to 15/115 of the coupon value for coupons accepted on or after July 1, 2016.

27. I am a manufacturer who has been claiming ITCs equal to the tax fraction 13/113 of the amount of mail-in rebates I have paid to consumers who have purchased my product from retailers. After July 1, 2016, if I pay a rebate to a consumer who purchased my product in the first half of 2016, what tax fraction do I use to calculate an ITC in respect of the rebate?

In order to determine your ITC when you pay a rebate to a consumer, you apply the tax fraction for the HST rate in effect at the time the tax becomes payable on the supply of your product to the consumer. Generally, in respect of sales occurring before July 1, 2016, the HST rate is 13% and the tax fraction is 13/113. In respect of sales of your product to consumers occurring on and after July 1, 2016, the HST rate is 15% and the tax fraction is 15/115.

28. How does the HST rate apply to a price adjustment, such as a volume rebate, paid on or after July 1, 2016, where the supply to which the price adjustment relates occurs before July 1, 2016?

If a supplier chooses to credit a recipient an amount of HST on a price adjustment, the HST rate that applies to the price adjustment is the rate of tax that applied to the original supply. For example, a price adjustment in relation to a supply that was subject to HST at 13% is subject to HST at that same rate.

29. I sell a stereo in June 2016. The sale of the stereo was subject to HST at 13%. In October 2016, the customer returns the stereo and I give the customer a refund for the stereo. At what HST rate should I refund the tax?

As HST at 13% was applied to the sale of the stereo, a refund of the HST paid on the purchase of the stereo is also at the rate of 13%.

30. I sell a men's shirt in June 2016. In July 2016, the customer returns the shirt and exchanges it for a men's shirt of equal value. I do not give the customer a credit or a refund for the returned shirt and I do not charge the customer any consideration for the new shirt. How does the HST apply?

Where an exchange is made and you do not credit or refund any consideration to the customer for the returned shirt and you do not charge any consideration to the customer for the new shirt, then the HST is neither refundable nor payable.

Intangible personal property

31. What does intangible personal property include?

Intangible personal property includes contractual rights, intellectual property (e.g., inventions, patents, trade secrets, trademarks, trade names, copyrights, or industrial designs), admissions, memberships, rights to acquire a membership and rights in relation to goods that are not in the possession of a person.

32. When does HST at 15% apply to a taxable supply of intangible personal property?

HST at 15% applies to a taxable supply of intangible personal property made in New Brunswick or Newfoundland and Labrador if the consideration (or a part) for the supply:

- becomes due on or after July 1, 2016, without having been paid before that day; or
- is paid on or after July 1, 2016, without having become due before that day.

33. When does HST at 15% apply to a taxable supply of intangible personal property made by way of lease, licence or similar arrangement?

HST at 15% applies to the consideration for a taxable supply of intangible personal property made by way of lease, licence or similar arrangement for any period during which use of the property is provided and where the earliest of the following is on or after July 1, 2016:

- the first day of the period;
- the day on which the payment for the period becomes due; and
- the day on which the payment for the period is made.

34. I supply a licence for a patent to manufacture widgets and receive monthly royalty payments in respect of the licence. Under the agreement, the royalty payment for June 2016 is due on July 5, 2016, and it is made to me on that day. Which HST rate applies?

Since the royalty payment for June 2016 becomes due on or after July 1, 2016 and is not paid before it becomes due, HST at 15% applies.

35. I sell annual subscriptions to a website. Subscribers pay for the subscription by making quarterly payments. A customer purchases a subscription on April 1, 2016. The payments become due on April 1, 2016, July 1, 2016, October 1, 2016 and January 1, 2017. None of the payments are made before they become due. Which HST rate applies?

HST at 13% applies to the subscription payment due on April 1, 2016 for the first quarter, since the payment becomes due before July 2016. HST at 15% applies to the payment for each of the remaining quarters, since each of those payments becomes due on or after July 1, 2016 and is not paid without having become due before that date.

36. On May 28, 2016, I sell tickets to a concert that will take place in October 2016. Which HST rate applies?

HST at 13% applies since the tickets are sold (i.e., when the agreement to provide the admissions to the concert is entered into) and the consideration becomes due and is paid, before July 1, 2016.

37. I operate a fitness club and sell annual memberships. The annual membership fee becomes due at the time of sale. On June 21, 2016, I sell and receive payment for a membership effective from that day to June 30, 2017. Which HST rate applies?

HST at 13% applies since the consideration becomes due and is paid before July 1, 2016.

38. I operate a fitness club and sell annual memberships. On June 29, 2016, I sell a membership for the period from July 1, 2016 to June 30, 2017. Under the terms of the membership agreement, a monthly membership fee becomes due on the first business day of each month. On June 29, 2016, the member pre-pays his monthly membership fee for July 2016. Which HST rate applies?

HST at 13% applies to the monthly membership fee for July 2016 since the fee is paid before July 1, 2016.

39. I operate a fitness club and sell annual memberships. On June 30, 2016, I sell a membership for the period from July 1, 2016 to June 30, 2017. Under the terms of the membership agreement, members pay a monthly membership fee, with the first payment due within two weeks of signing the agreement. The first monthly fee will be charged to the member's credit card on July 4, 2016. Which HST rate applies?

HST at 15% applies to the monthly membership fee for July 2016 since the fee becomes due and is paid on or after July 1, 2016.

40. A professional association issues invoices on June 10, 2016, for the renewal of annual taxable memberships in the association. The membership year is from July 1, 2016 to June 30, 2017 and the amount is due in full 30 days after the invoice date. On July 8, 2016, a member pays his membership fee for the July 1, 2016 to June 30, 2017 period. Which HST rate applies?

HST at 13% applies to the membership for the period since the consideration for the membership became due before July 1, 2016.

Services

41. When does HST at 15% apply to a taxable supply of a service?

HST at 15% applies to a taxable supply of a service made in New Brunswick or Newfoundland and Labrador if the consideration (or a part) for the supply:

- becomes due on or after July 1, 2016, without having been paid before that day; or
- is paid on or after July 1, 2016, without having become due before that day.

42. When does HST at 15% apply to a taxable supply of an ongoing service?

HST at 15% applies to the consideration for a taxable supply of an ongoing service for any period during which the service is or is to be rendered under the agreement for the supply, where the earliest of the following is on or after July 1, 2016:

- the first day of the period;
- the day on which the payment for the period becomes due; and
- the day on which the payment for the period is made.

43. I issue an invoice on or after July 1, 2016 for accounting services I performed from April to June 2016. What HST rate do I charge on these services?

Since the consideration for your supply of accounting services becomes due on or after July 1, 2016, you will charge HST at 15%.

44. I invoice my client after July 1, 2016, for landscaping services that were performed in June and July 2016. What HST rate applies to my services?

Since the consideration for the supply becomes due on or after July 1, 2016, HST at 15% applies to your landscaping services.

45. My customer made a partial payment of \$100 in June 2016 for services that will be performed on or after July 1, 2016. Under the agreement for the services, the total consideration for the services is \$500 and the invoice for these services is issued on or after July 1, 2016, once the services are completed. What HST rate do I charge on my services?

HST at 13% applies to the \$100 paid before the consideration became due. HST at 15% applies to the remaining \$400 of the consideration that becomes due on or after July 1, 2016.

46. In 2014, we entered into a long-term contract for services, where we pay a tax-included monthly fixed price for three years. How does the new HST rate affect the payments we make under this contract?

The monthly payments under this contract that become due, or that are paid without having become due, before July 1, 2016, include HST at 13%. Any monthly payments that become due, or that are paid without having become due, on or after July 1, 2016, include HST at 15%.

47. If I prepay an amount in June 2016 for a freight transportation service that will be provided in July 2016, what rate of tax applies?

Since the consideration for the supply is paid before July 1, 2016, HST at 13% applies.

48. In June 2016, a customer pays me for round-trip air travel from Saint John to Halifax, departing on July 3, 2016 and returning on July 9, 2016. What HST rate should I charge?

HST at 13% applies, since the consideration becomes due and is paid before July 1, 2016.

Property and services brought into New Brunswick or Newfoundland and Labrador from another province

49. If I bring tangible personal property into New Brunswick or Newfoundland and Labrador from another province, when does the provincial part of the HST apply at the new rate?

The provincial part of the HST generally applies at the new rate of 10%, or a part thereof, to tangible personal property that is brought into New Brunswick or Newfoundland and Labrador from another province on or after July 1, 2016. The New Brunswick or Newfoundland and Labrador part of the HST at the old rate of 8%, or a part thereof, generally applies in respect of tangible personal property that is brought into these provinces before July 2016.

Persons who are liable to pay the provincial part of the HST in these circumstances are generally required to self-assess the tax.

50. If a carrier brings tangible personal property into New Brunswick or Newfoundland and Labrador before July 2016, but the property is not delivered in either province to a consignee until after June 2016, which rate of the provincial part of the HST applies?

The provincial part of the HST at the new rate of 10%, or a part thereof, generally applies in respect of tangible personal property brought into New Brunswick or Newfoundland and Labrador before July 2016 by a carrier where the property is delivered in either province to a consignee after June 2016.

51. When does the provincial part of the HST at the new rate apply to services or intangible personal property acquired in another province for consumption, use or supply in New Brunswick or Newfoundland and Labrador?

The provincial part of the HST at the new rate of 10%, or a part thereof, generally applies to any consideration that becomes due or is paid without having become due, on or after July 1, 2016, for services or intangible personal property that are supplied in a province other than New Brunswick to a resident of New Brunswick, to the extent that the resident acquires the services or property for consumption, use or supply in New Brunswick. The New Brunswick part of the HST at the old rate of 8%, or a part thereof, generally applies to any consideration that becomes due or is paid without having become due, before July 2016, for services or intangible personal property that are supplied in a province other than New Brunswick to a resident of New Brunswick, to the extent that the resident acquires the services or property for consumption, use or supply in New Brunswick.

The same rules also apply in respect of services or intangible personal property supplied in a province other than Newfoundland and Labrador to a resident of Newfoundland and Labrador, to the extent that the resident acquires the services or property for consumption, use or supply in Newfoundland and Labrador.

Persons who are liable to pay the provincial part of the HST in these circumstances are generally required to self-assess the tax.

Imports

52. Does the HST apply when my business imports goods for use in its commercial activities?

The provincial part of the HST does not apply to importations of commercial goods.

53. When does the new rate of tax apply to imported taxable supplies of services and intangible personal property?

The provincial part of the HST generally applies at the new rate of 10%, or a part thereof, in respect of an imported taxable supply made on or after July 1, 2016. Also, the New Brunswick or Newfoundland and Labrador part of the HST at the new rate of 10%, or a part thereof, generally applies in respect of an imported taxable supply made before July 2016 to the extent the consideration for the supply becomes due or is paid without having become due, on or after July 1, 2016.

Generally, the federal part of the HST at a rate of 5% also continues to apply regardless of when the imported taxable supply is made.

Taxable benefits

54. The Act requires registrants to pay HST on certain taxable benefits provided to individuals who are employees who report to work in New Brunswick or Newfoundland and Labrador, or who are shareholders resident in New Brunswick or Newfoundland and Labrador. For most taxable benefits provided to these individuals, the registrant is deemed to have collected HST equal to 12/112 on the value of the taxable benefit reported for income tax purposes and, if the taxable benefit is for a standby charge, on the amount of any reimbursement. For taxable benefits provided to these individuals relating to the operating costs of a passenger vehicle, the registrant is deemed to have collected HST at a rate of 9%, on the value of the benefit reported for income tax purposes and on any reimbursements. Do these rates of tax change as a result of the increase in the HST?

Registrants are required to pay HST on certain taxable benefits provided to individuals who are employees who report to work in New Brunswick or Newfoundland and Labrador, or who are shareholders resident in New Brunswick or Newfoundland and Labrador, at the following rates:

- (a) For the 2016 taxation year of individuals, if the taxable benefit relates to the standby charge of an automobile or other taxable benefits, the registrant is deemed to have collected HST equal to 13/113 on the value of the taxable benefit reported for income tax purposes and, if the taxable benefit is for a standby charge, on the amount of any reimbursement.

For the 2017 and subsequent taxation years of individuals, the registrant is deemed to have collected HST equal to 14/114 on the value of the taxable benefit and, if the taxable benefit is for a standby charge, on the amount of any reimbursement.

- (b) For the 2016 taxation year of individuals, if the taxable benefit relates to the operating cost of an automobile, the registrant is deemed to have collected HST equal to 10% on the value of the benefit reported for income tax purposes and on any reimbursements.

For the 2017 and subsequent taxation years of individuals, the registrant is deemed to have collected HST equal to 11% on the value of the benefit reported for income tax purposes and on any reimbursements.

Streamlined accounting methods

55. I use the quick method of accounting to determine the amount of net tax I have to remit. Has the remittance rate that I use changed?

The quick method remittance rates have changed to reflect the increased rate of HST for reporting periods beginning on or after July 1, 2016. For reporting periods beginning before July 1, 2016 and ending after June 30, 2016, the existing remittance rates apply in respect of a supply if the consideration for the supply becomes due, or is paid without having become due, before July 1, 2016. The new remittance rates apply if the consideration for the supply becomes due on or after July 1, 2016, without having been paid before that date, or is paid without having become due, on or after July 1, 2016.

The following tables reflect the new quick method remittance rates for small businesses and certain public service bodies that use the quick method of accounting after June 30, 2016.

TABLE 1 – New quick method remittance rates for GST/HST registrants with a permanent establishment in Newfoundland and Labrador or New Brunswick

GST/HST registrants	Supplies made in a non-participating province	Supplies made in Ontario	Supplies made in Prince Edward Island	Supplies made in Nova Scotia, New Brunswick or Newfoundland and Labrador
Mainly purchase goods for resale	0.0%* (credit 4.0%)*	3.3%	4.2%	5.0%
Mainly provide services	1.4%	8.4%	9.2%	10.0%

* Businesses that use the 0% remittance rate for eligible sales are entitled to a credit on those sales as they generally pay HST at 15% on their inputs but collect 5% GST on those sales.

TABLE 2 – New quick method remittance rates for GST/HST registrants with a permanent establishment in provinces other than Newfoundland and Labrador and New Brunswick for supplies made in Newfoundland and Labrador or New Brunswick

GST/HST registrants	Permanent establishment in Nova Scotia	Permanent establishment in Ontario	Permanent establishment in Prince Edward Island	Permanent establishment in a non-participating province
Mainly purchase goods for resale	5.0%	6.1%	5.6%	10.4%
Mainly provide services	10.0%	10.4%	10.2%	1.4%

56. I use the special quick method of accounting for public service bodies to determine the amount of net tax I have to remit. Has the remittance rate that I use changed?

The special quick method of accounting for public service bodies remittance rates have changed to reflect the increased rate of HST for reporting periods beginning on or after July 1, 2016. For reporting periods beginning before July 1, 2016 and ending after June 30, 2016, the existing remittance rates apply in respect of a supply if consideration for the supply becomes due, or is paid without having become due, before July 1, 2016. The new remittance rates apply if the consideration for the supply becomes due, or is paid without having become due, on or after July 1, 2016.

Information on these rates is available on the CRA web page **Special quick method of accounting for public service bodies**.

Information for consumers

General

57. What is the new HST rate for New Brunswick and Newfoundland and Labrador?

The new HST rate for New Brunswick and Newfoundland and Labrador is 15%, which is composed of a federal part of 5% (the GST) and a New Brunswick or Newfoundland and Labrador part of 10%.

58. When is the new HST for New Brunswick and Newfoundland and Labrador effective?

The new HST rate is effective July 1, 2016.

59. When do I pay the new HST rate on supplies made in New Brunswick or Newfoundland and Labrador?

Generally, you pay the new HST rate on a taxable supply of goods, intangible personal property (such as rights) and services made in New Brunswick or Newfoundland and Labrador if all or part of the consideration for the supply:

- becomes due on or after July 1, 2016, without having been paid before that day; or
- is paid on or after July 1, 2016, without having become due before that day.

60. When does consideration for a taxable supply become due?

Consideration, or any part of the consideration, for a taxable supply becomes due on the earliest of:

- the day the supplier first issues you an invoice in respect of the supply for that consideration or part;
- the date of that invoice;
- the day the supplier would have, but for an undue delay, issued you an invoice in respect of the supply for that consideration or part; and
- the day you are required to pay that consideration or part to a supplier under a written agreement.

61. When does consideration for a supply of property by way of lease, licence or similar arrangement become due when there is a written agreement for the supply?

Consideration or any part of the consideration for a supply of property by way of lease, licence or similar arrangement under a written agreement becomes due on the day the recipient of the supply is required to pay the consideration or part under the agreement.

62. When is consideration paid without having become due?

Consideration is paid without having become due when a recipient pays all or part of the consideration for a supply before the amount becomes due. Questions 60 and 61 explain when consideration for a supply becomes due.

63. I pay the consideration for a supply on July 4, 2016. The invoice was issued June 30, 2016, but I have until July 29, 2016 to pay without any interest. Is the consideration that I pay early an amount that was paid without having become due?

No. The amount became due on June 30, 2016, the day the invoice for the supply was issued. Once that invoice is issued, any amount you paid for the supply on or after the date of that invoice is not an amount that was paid without having become due.

64. I pay the consideration for a supply on June 30, 2016. Under the written agreement for the supply, I do not have to pay the amount until July 4, 2016. No invoice was issued. Is this an amount that is paid without having become due?

Yes. Since no invoice was issued and you made the payment before the consideration for the supply became due under the written agreement for the supply, the amount was paid before becoming due.

65. I make my July 2016 payment for a leased car on June 29, 2016. Under the lease, the payment for the month of July 2016 is due July 4, 2016. Which HST rate applies?

As the consideration for the supply is paid before July 1, 2016, HST at 13% applies.

66. I receive cleaning services under a year-long contract with monthly payments. The payment for the services provided in June 2016 is due on July 15, 2016. If I pay the consideration for the supply after it becomes due, which HST rate applies?

HST at 15% applies since the consideration for the supply becomes due and is paid on or after July 1, 2016.

Tangible personal property (goods)

Sales

67. In June 2016, I purchase furniture from a store that has a sales promotion where I do not have to make any payments until April 2017. What rate of tax should apply to this purchase, since I do not receive an invoice for payment until April 2017?

When you acquire ownership or possession of the furniture in June 2016 without having paid for it, the HST is deemed to be payable at the end of July 2016. Since it becomes payable on or after July 1, 2016, you are required to pay HST at 15%.

68. I use my credit card to pay for goods I purchase in June 2016. Since the credit card statement is not issued until after June 2016, what rate of tax do I pay?

The payment for the goods takes place in June 2016. Consequently HST at 13% applies. The date on which the credit card statement is issued has no effect on the HST rate.

69. I purchased a refrigerator under a layaway plan in March 2016. Under the written agreement, I am required to make six equal monthly payments from March 2016 to August 2016 (the payments become due during each of these months). I only receive possession and ownership of the refrigerator after the final payment is made. What rates of tax apply to these payments?

HST at 13% applies to the monthly payments required to be made in March, April, May and June 2016. Payments that are required to be made on or after July 1, 2016 are subject to HST at 15%.

70. If I sign a magazine subscription renewal notice accepting the renewal offer on June 1, 2016, for magazines that are delivered to me after July 1, 2016, what rate of tax applies to the amount I pay for this subscription, if I pay it before July 1, 2016?

If the payment due date on the renewal offer is before July 1, 2016, the subscription is subject to HST at 13% even though the magazines are provided after July 1, 2016.

71. What happens to tax-included pricing on gasoline?

Effective July 1, 2016, the tax-included pricing for goods, such as gasoline, reflect the new HST rate at 15%.

72. If I receive my electricity bill in a month that includes the day the HST rate changes, what rate of tax applies?

If the date of the invoice is on or after July 1, 2016, HST at 15% is charged on that invoice.

73. If I have an equal billing plan set up for electricity which covers the period June 2016 to May 2017, how does the supplier (i.e., the utility) determine which of the payments made should be subject to the new HST rate?

The supplier collects HST at 13% on payments made or that become due before July 1, 2016. The supplier collects HST at 15% on payments made without becoming due, or that become due without having been paid, on or after July 1, 2016.

74. I have an equal billing plan set up for electricity that covers the period June 2016 to May 2017. The supplier (i.e., the utility) reconciles my actual consumption of the utility service and the amount that would have been payable on that consumption against the amount I actually paid throughout the period. As a result of the reconciliation, the supplier issues an invoice on or after July 1, 2016 for the remaining amount due on the electricity that I had consumed during the period. What rate of tax applies on the amount of consideration charged on this invoice?

If, as a result of the reconciliation of the account, the supplier issues an invoice on or after July 1, 2016, for the remaining amount payable on the electricity, the supplier charges HST at 15% on the amount owing.

75. I have an equal billing plan set up for electricity covering the period June 2016 to May 2017. The supplier reconciles my actual electricity consumption and the amount that would have been payable on that consumption against the amount I paid throughout the period. As a result of this reconciliation, the supplier issues a credit note to me on or after July 1, 2016, for the overpayment that I made. What rate of tax applies to the credit amount given to me?

If, as a result of the reconciliation of the account, the supplier issues a credit note on or after July 1, 2016 for the amount of consideration that was overpaid, the supplier may generally issue a credit to you using the HST rate that applied to the original purchase.

Returns and exchanges

76. I purchased a stereo in May 2016 and paid HST at 13%. In July 2016, I return the stereo to the supplier because it is defective and the supplier pays me a refund of the price of the stereo and the HST. What HST rate applies to the refund?

The supplier refunds you the HST rate that you had originally paid, which is 13% in this case.

77. I purchased a shirt in June 2016 and paid HST at 13% on the price of the shirt. In July 2016, I return the shirt to the supplier and receive a credit. I exchange it for another shirt and the supplier applies the credit to the price of the new shirt. What HST rate applies to the exchange of the shirts?

Since you paid HST at 13% on the purchase of the shirt you returned to the supplier, then a credit or refund of the HST paid on the consideration for that shirt is also at the rate of 13%. HST at 15% applies to the total consideration for the new shirt supplied in July 2016.

Intangible personal property

78. What does intangible personal property include?

Intangible personal property includes contractual rights, intellectual property (e.g., inventions, patents and copyrights), admissions, memberships and rights in relation to goods that are not in the possession of a person.

79. When do I pay the new HST rate on supplies of intangible personal property made in New Brunswick or Newfoundland and Labrador?

Generally, you pay the new HST rate on a taxable supply of intangible personal property made in New Brunswick or Newfoundland and Labrador if all or part of the consideration for the supply:

- becomes due on or after July 1, 2016, without having been paid before that day; or
- is paid on or after July 1, 2016, without having become due before that day.

80. I purchase an annual subscription to a website on June 11, 2016. I pay in monthly instalments, with the first payment on the date of purchase and further payments due on the 11th of each month. I pay each amount on the day it becomes due. What HST rate do I pay?

HST at 13% applies to the June 11, 2016 payment, since it becomes due before July 2016. HST at 15% applies to the subsequent payments, since each monthly payment becomes due on or after July 1, 2016 and is not paid without having become due before July 1, 2016.

81. On May 28, 2016, I purchase tickets to a concert that will take place in October 2016. What HST rate do I pay?

HST at 13% applies since the consideration is paid before July 1, 2016.

82. I purchase an annual membership to a fitness club on June 21, 2016, for the period July 1, 2016 to June 30, 2017, by paying the full fee due at signing. What HST rate do I pay?

HST at 13% applies to the sale of the membership, since the consideration becomes due and is paid before July 1, 2016.

83. I purchase a membership to a health club on June 29, 2016. Under the membership agreement, I have to pay a monthly membership fee on the first business day of each month. On June 29, 2016 I prepay the monthly membership fee for July 2016. What HST rate do I pay?

HST at 13% applies, since the consideration is paid before July 1, 2016, without having become due.

84. My professional association issues an invoice on June 10, 2016 for the renewal of my annual membership for the period from July 1, 2016 to June 30, 2017. I have 30 days to pay and will do so, but on or after July 1, 2016. What HST rate do I pay?

HST at 13% applies, since the consideration for the membership becomes due before July 1, 2016.

Services

85. When do I pay the new HST rate on supplies of services made in New Brunswick or Newfoundland and Labrador?

Generally, you pay the new HST rate on a taxable supply of services made in New Brunswick or Newfoundland and Labrador if all or part of the consideration for the supply:

- becomes due on or after July 1, 2016, without having been paid before that day; or
- is paid on or after July 1, 2016, without having become due before that day.

86. I pay for window cleaning services that I received in June 2016 after I receive the invoice on July 15, 2016. What HST rate do I pay?

Since the invoice is issued on or after July 1, 2016, you pay HST at 15%.

87. I receive landscaping services starting in June 2016 and continuing until August 2016. I am invoiced for the services at the end of the summer season and pay at that time. What HST rate do I pay?

You pay HST at 15%, since the consideration for the services become due on or after July 1, 2016 without having been paid before that date.

88. In June 2016, I purchase a ticket for round-trip air travel from Saint John to Halifax, departing on July 3, 2016 and returning on July 9, 2016. What HST rate do I pay?

HST at 13% applies since the consideration is paid before July 1, 2016.

Imports

89. As a consumer what rate of tax do I pay when I import goods?

In most cases, HST at 15% applies on taxable importations of non-commercial goods by a resident of New Brunswick or Newfoundland and Labrador on or after July 1, 2016, regardless of the point of entry into Canada or customs clearance.

Other publications

90. Where can I find more information about the HST rate change in New Brunswick and Newfoundland and Labrador?

For more information on the HST rate change in respect of real property in New Brunswick and Newfoundland and Labrador, refer to the following publications:

- GST/HST NOTICE 298, *New Brunswick HST Rate Increase – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in New Brunswick*;
- GST/HST NOTICE 299, *Newfoundland and Labrador HST Rate Increase – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Newfoundland and Labrador*;
- GST/HST Info Sheet GI-188, *New Brunswick and Newfoundland and Labrador HST Rate Increases – Sales and Rentals of Non-residential Real Property*;
- GST/HST Info Sheet GI-189, *New Brunswick and Newfoundland and Labrador HST Rate Increases – Information for Non-registrant Builders*;
- GST/HST Info Sheet GI-190, *New Brunswick and Newfoundland and Labrador HST Rate Increases – Sales and Rentals of New Housing*;
- GST/HST Info Sheet GI-191, *New Brunswick and Newfoundland and Labrador HST Rate Increases – Stated Price Net of the GST/HST New Housing Rebate*.

Further information

All GST/HST technical publications are available on the CRA website at www.cra.gc.ca/gsthstech.

To make a GST/HST enquiry by telephone:

- for general GST/HST enquiries, call Business Enquiries at 1-800-959-5525
- for technical GST/HST enquiries, call GST/HST Rulings at 1-800-959-8287

If you are located in Quebec, call Revenu Québec at 1-800-567-4692 or visit their website at www.revenuquebec.ca.

If you are a selected listed financial institution (whether or not you are located in Quebec) and require information on the GST/HST or the QST, go to www.cra.gc.ca/slfi or

- for general GST/HST or QST enquiries, call Business Enquiries at 1-800-959-5525
- for technical GST/HST or QST enquiries, call GST/HST Rulings SLFI at 1-855-666-5166