

Prince Edward Island: Transition to the Harmonized Sales Tax – Passenger Transportation Services

The Government of Prince Edward Island has proposed a harmonized sales tax (HST) that would come into effect on April 1, 2013.

The HST rate in Prince Edward Island would be 14% of which 5% would represent the federal part and 9% the provincial part.

This info sheet reflects proposed tax changes announced in the *Prince Edward Island 2012 Budget and Revenue Tax Guide RTG185, Implementation of the Harmonized Sales Tax in Prince Edward Island*.

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.

This info sheet explains whether the goods and services tax (GST) or the HST would apply to a taxable supply of a passenger transportation service made in Prince Edward Island where the service is performed during the period that includes the proposed April 1, 2013 implementation date for the HST in Prince Edward Island.

For more information on determining whether a supply is made in Prince Edward Island, refer to the Draft GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province*.

The information provided in this info sheet does not apply to passenger transportation passes. For information on passenger transportation passes, refer to GST/HST Info Sheet GI-141, *Prince Edward Island: Transition to the Harmonized Sales Tax – Transportation Passes*.

Meaning of significant terms used in this info sheet

Before explaining the rules that determine whether GST or HST would apply to a passenger transportation service, it is important to understand the meaning of “continuous journey”.

“Continuous journey” means the set of all passenger transportation services provided to an individual as part of the same journey.

When a single ticket or voucher is issued for one or more passenger transportation services, all of the passenger transportation services on this ticket or voucher are treated as part of one continuous journey.

When more than one passenger transportation service is provided and separate tickets or vouchers are issued for the different legs of the journey, all of the legs are part of one continuous journey if all of the following conditions are met:

- all of the tickets or vouchers are issued by a single supplier, or by an agent acting on behalf of all the suppliers;
- all of the tickets or vouchers are for the same individual;
- there is no stopover between any legs of the journey for which separate tickets or vouchers are issued; and
- the supplier or agent can show the CRA that it has met all the above conditions.

“Stopover” means any place at which an individual embarks or disembarks a conveyance for any reason other than for transferring to another conveyance or to allow for servicing or refueling of the conveyance.

La version française de la présente publication est intitulée *Transition à la taxe de vente harmonisée de l'Île-du-Prince-Édouard – Services de transport de passagers*.



A stop between two legs of a journey that is 24 hours or less is not considered to be a stopover. However, a stop of more than 24 hours between two legs of a journey will generally be considered a stopover where two or more tickets or vouchers are issued for the legs of the journey.

These rules for a continuous journey also apply to a group of individuals.

For more information on a continuous journey, refer to Guide RC4036, *GST/HST Information for the Travel and Convention Industry*.

Introduction

Depending on the circumstances, some passenger transportation services may be subject to the 5% GST or the proposed 14% HST, whereas other passenger transportation services may be zero-rated. In the latter case, neither GST nor the proposed HST is charged to the purchaser. If a passenger transportation service is zero-rated under the GST, it continues to be zero-rated under the proposed HST. “Zero-rated” means subject to the GST/HST at 0%.

The rules explained in this info sheet would apply only when a passenger transportation service is not zero-rated.

If there is a supply of a service of transporting an individual’s baggage in connection with the passenger transportation service, GST or HST will apply to the service of transporting the luggage in the same manner as it applies to the passenger transportation service.

To determine whether GST or HST would apply to a passenger transportation service performed during the period that includes the proposed April 1, 2013 implementation date for the HST in Prince Edward Island, suppliers would have to consider:

- whether the passenger transportation service is part of a continuous journey;
- when the continuous journey begins;
- when an amount payable for the service becomes due; and
- whether an amount is paid without having become due.

Refer to Appendix A for a flowchart that illustrates the general transitional rules that would apply for passenger transportation services performed during the period that includes the proposed April 1, 2013 implementation date for the HST in Prince Edward Island.

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

Note: This info sheet uses examples to illustrate the application of the HST transitional rules for supplies of passenger transportation services. Unless otherwise indicated, in the examples:

- all suppliers are GST/HST registrants;
- all supplies are taxable supplies made in Prince Edward Island; and
- no amount is paid without having become due.

In this info sheet, “taxable” means subject to the 5% GST or to the proposed 14% HST.

Continuous journey begins before April 2013

GST would apply to a passenger transportation service that is part of a continuous journey that begins before April 2013. The supplier would account for the GST in its GST/HST return according to the normal rules.

Example 1

On February 15, 2013, an airline sells a single return ticket for travel from Charlottetown to Edmonton. The traveller leaves Charlottetown on March 30, 2013, and returns on April 3, 2013. On April 3, 2013, the airline charges the traveller an additional amount to transport the traveller’s luggage on the return flight.

GST would apply to the total amount paid by the traveller, including the amount paid to transport the traveller’s luggage, because the passenger transportation services are part of a continuous journey that begins before April 2013. The airline would account for the tax in respect of the ticket in its GST/HST return for the reporting period that includes February 15, 2013. The airline would account for the tax in respect of the transportation of the luggage in its GST/HST return for the reporting period that includes April 3, 2013.

Example 2

A bus company sells a ticket for travel from Charlottetown to Québec. The bus leaves Charlottetown on March 31, 2013, and arrives in Québec on April 2, 2013.

GST would apply to the amount paid by the traveller because the passenger transportation service is part of a continuous journey that begins before April 2013.

Example 3

In February 2013, an agent sells a continuous journey that consists of a flight from Charlottetown to Halifax, a connecting flight from Halifax to Montréal, and a return flight from Montréal to Charlottetown. The flight from Charlottetown leaves on March 26, 2013, and the return flight from Montréal departs on April 3, 2013.

GST would apply to the total amount paid by the traveller because the passenger transportation services are part of a continuous journey that begins before April 2013.

Passenger transportation service begins on or after April 1, 2013

The following rules would apply to a passenger transportation service that begins on or after April 1, 2013 (unless it is part of a continuous journey that begins before April 2013):

- GST would apply to any amount that becomes due or is paid without having become due on or before November 8, 2012.
- GST would apply to any amount that becomes due or is paid without having become due after November 8, 2012 and before February 2013. Certain purchasers would have to self-assess the 9% provincial part of the HST. For more information, refer to “Self-assessing the provincial part of the HST”.
- HST would apply to any amount that becomes due or is paid without having become due on or after February 1, 2013.

Accounting for the GST/HST charged on passenger transportation services

The previous rules explained whether GST or HST would apply to a passenger transportation service. The following rules explain who would account for the tax, and when it would be accounted for, when the service begins on or after April 1, 2013.

After November 8, 2012 and before February 2013

When an amount becomes due or is paid without having become due after November 8, 2012 and before February 2013, the supplier would charge the purchaser GST and would account for the GST in its GST/HST return according to the normal rules. Certain purchasers would have to self-assess the 9% provincial part of the HST. For more information, refer to “Self-assessing the provincial part of the HST”.

Example 4

On January 20, 2013, an airline sells a single ticket for travel from Charlottetown to Edmonton on April 3, 2013.

The airline would charge GST because the amount for the passenger transportation service becomes due before February 2013. The airline would account for the GST in its GST/HST return for the reporting period that includes January 20, 2013. If the purchaser is a non-consumer, the purchaser may have to self-assess the 9% provincial part of the HST.

On or after February 1, 2013 and before April 2013

When an amount becomes due or is paid without having become due on or after February 1, 2013 and before April 2013 for a passenger transportation service that begins on or after April 1, 2013, the supplier would account for:

- the 5% federal part of the HST in its GST/HST return according to the normal rules; and

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- the 9% provincial part of HST in its GST/HST return for the reporting period that includes April 1, 2013. The purchaser, if a registrant, would be able to claim any eligible input tax credit in respect of the 9% provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013.

Example 5

On March 4, 2013, an airline sells a ticket for travel from Charlottetown to Regina on May 1, 2013.

HST would apply because the passenger transportation service begins on or after April 1, 2013. The airline would account for the 5% federal part of the HST in its GST/HST return for the reporting period that includes March 4, 2013. The airline would account for the 9% provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013.

On or after April 1, 2013

When an amount becomes due or is paid without having become due on or after April 1, 2013, the supplier would account for the GST/HST in its GST/HST return according to the normal rules.

Example 6

On April 4, 2013, a bus company sells a ticket for travel from Charlottetown to Regina on May 1, 2013.

HST would apply because the passenger transportation service begins on or after April 1, 2013. The bus company would account for the 14% HST in its GST/HST return for the reporting period that includes April 4, 2013.

Self-assessing the provincial part of the HST

Certain non-consumers would have to self-assess the 9% provincial part of the HST when they purchase a passenger transportation service (provided it is not a passenger transportation service that is part of a continuous journey that begins before April 2013) that begins on or after April 1, 2013, and an amount for the service becomes due or is paid without having become due after November 8, 2012 and before February 2013.

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

This self-assessment rule may apply to a person that is a sole proprietor, a partnership, a corporation, an organization, a public service body, or any other entity.

A non-consumer that purchases a passenger transportation service would have to self-assess the 9% provincial part of the HST if:

- the non-consumer does not purchase the service for consumption, use or supply exclusively in its commercial activity;
- the service is subject to an input tax credit recapture (including if the service would be subject to a proposed temporary recapture of an input tax credit in respect of the 9% provincial part of the HST);
- the non-consumer is a GST/HST registrant using a simplified method to calculate its net tax (including the net tax calculation for charities); or
- the non-consumer is a GST/HST registrant selected listed financial institution.

The non-consumer would account for the 9% provincial part of the HST either:

- on line 405 of its GST/HST return for the reporting period that includes April 1, 2013, if the due date for that return is before August 2013; or
 - in any other case, by completing Form GST489, *Return for Self-Assessment for the Provincial Part of Harmonized Sales Tax (HST)*, and paying that amount before August 2013.
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Example 7

On January 20, 2013, an airline sells a single ticket for travel from Charlottetown to Montréal on April 3, 2013, to a consultant who uses the Quick Method of Accounting.

GST would apply because the amount for the passenger transportation service becomes due before February 2013. The airline would account for the GST in its GST/HST return for the reporting period that includes January 20, 2013.

The consultant would have to self-assess the 9% provincial part of the HST because:

- the consultant is not a consumer;
 - the passenger transportation service begins on or after April 1, 2013;
 - the amount is paid after November 8, 2012 and before February 2013; and
 - the consultant uses a simplified accounting method.
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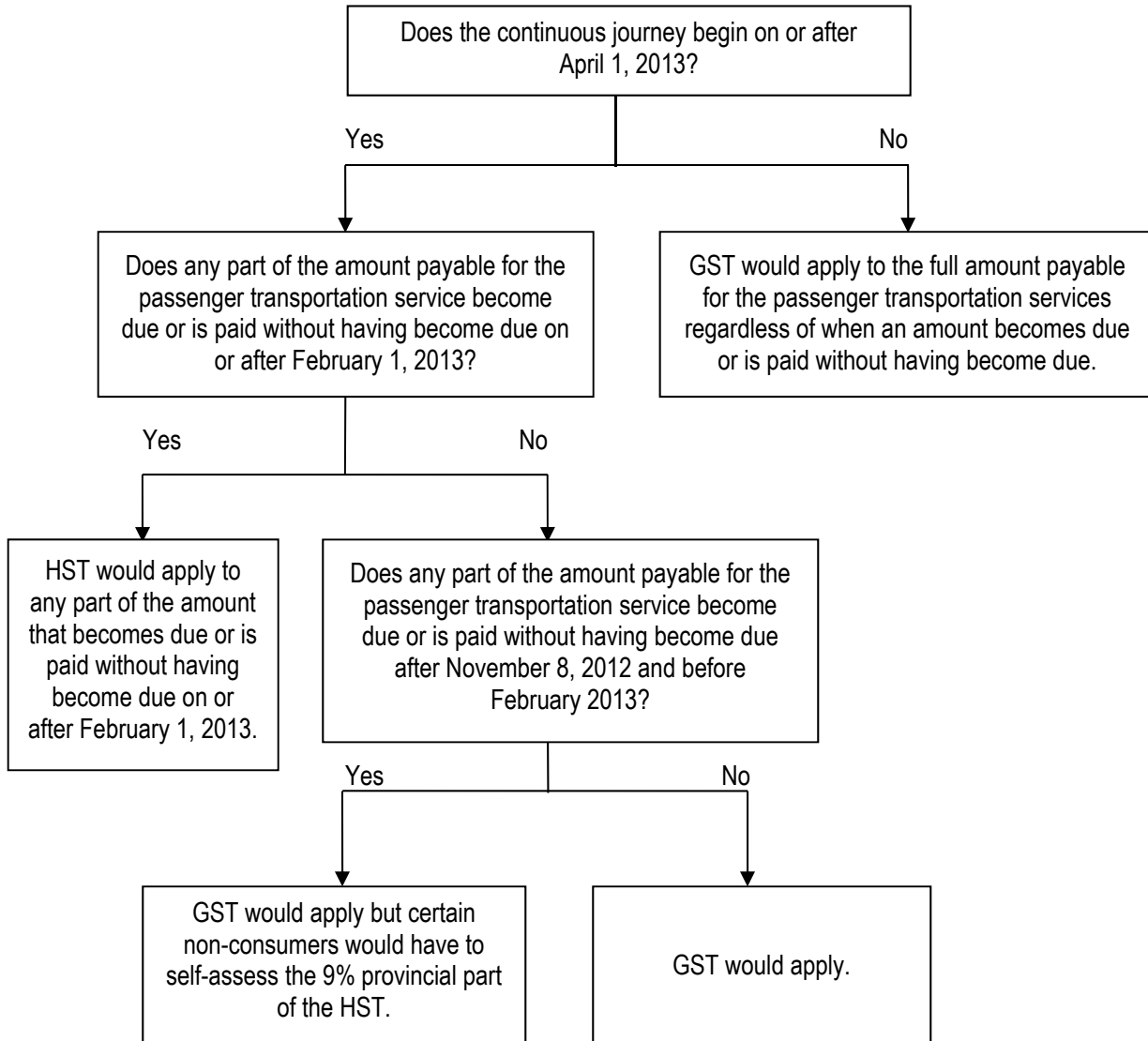
This info sheet does not replace the law found in the *Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for 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 at 1-800-567-4692. You may also visit the Revenu Québec Web site 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 – Transitional rules for passenger transportation services

The following illustrates the transitional rules for passenger transportation services (other than zero-rated passenger transportation services) performed during the period that includes the proposed April 1, 2013, implementation date for the HST in Prince Edward Island.



Appendix B – 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

An amount payable for a supply becomes due on the earliest of the following days:

- the date of an invoice for that amount;
- 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 purchaser is required to pay that amount under a written agreement.

Example 1

A supplier enters into a written agreement with a client. Under the agreement, the client is required to pay the total amount on January 31. On January 15, the supplier issues an invoice which is dated January 15.

The amount becomes due on January 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 the amount under the written agreement.

Amount is paid without having become due

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

- before the date of an invoice, or before a supplier issues, or would have issued, the invoice; or
- before the purchaser is required to pay the amount under a written agreement and no invoice has been issued.

Example 2

A supplier enters into a written agreement with a client. Under the agreement, the client is required to pay the total amount due on January 31. No invoice is issued. The client pays the amount due on January 15. In this case, January 31 is the day the amount becomes due and January 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 purchaser 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 supply.

Example 3

A supplier enters into a written agreement with a client for a supply. 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.
