Prince Edward Island: Transition to the Harmonized Sales Tax – Admissions

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 taxable sales of admissions made in Prince Edward Island to events that take place 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 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*.

Admissions

The rules explained in this info sheet apply to admissions to a place of amusement, a seminar, an event or an activity. In this info sheet, "event" means any of these places or activities.

Introduction

To determine whether GST or HST would apply to an admission to an event that takes place during the period that includes the proposed April 1, 2013 implementation date for the HST in Prince Edward Island, suppliers would have to consider:

- when the event to which the admission relates takes place;
- when an amount payable for the admission becomes due; and
- whether an amount is paid without having become due.

Refer to Appendix A for a flowchart that illustrates the transitional rules that would apply for admissions to events that take place 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 sales of admissions. Unless otherwise indicated, in the examples:

- all suppliers are GST/HST registrants;
- all sales are taxable sales 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.

When 90% or more of the event takes place before April 2013

When 90% or more of the event for which the admission relates takes place before April 2013, only the GST would apply to any amount that becomes due or is paid without having become due for the admission. Suppliers would account for the GST in their GST/HST returns according to the normal rules.

Example 1

On March 15, 2013, a business sells admissions to a 10-day event that begins on March 23, 2013, and ends on April 1, 2013.

GST would apply to the admissions to the event because 90% or more of the event takes place before April 2013. The business would charge only the GST and account for the tax in its GST/HST return for the reporting period that includes March 15, 2013.

Example 2

A business sells admissions to a group organizer for an event that will take place on March 20, 2013. The business invoices the group organizer on April 2, 2013, and the organizer pays the amount on April 15, 2013.

Even if the amount becomes due or is paid on or after April 1, 2013, only GST would apply to the admissions because the event takes place before April 2013.

When more than 10% of the event takes place on or after April 1, 2013

The following rules would apply when more than 10% of the event to which the admission relates takes place on or after April 1, 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".
- When an amount becomes due or is paid without having become due on or after February 1, 2013:
  - GST would apply to any amount that relates to the portion of the event that takes place before April 2013; and
  - HST would apply to any amount that relates to the portion of the event that takes place on or after April 1, 2013.

Accounting for the GST/HST charged on admissions

The previous rules explained whether GST or HST would apply to an admission to an event. The following rules explain who would account for the tax, and when it would be accounted for, when more than 10% of the event takes place 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 the 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 3

On January 15, 2013, a business sells admissions to a rock concert that will take place on April 15, 2013. The business would charge only GST and would account for the tax in its GST/HST return for the reporting period that includes January 15, 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, the supplier would account for the tax in the following manner.

When GST would apply to an admission or a portion of an admission, the supplier would account for the GST in its GST/HST return according to the normal rules.

When HST would apply to an admission or a portion of an admission, the supplier would account for:

- the 5% federal part of the HST in its GST/HST return according to the normal rules; and
- the 9% provincial part of the 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 4

On March 15, 2013, a business sells admissions to an event that will take place on May 1, 2013. HST would apply because the admissions relate to an event that will take place on or after April 1, 2013.

Because the amounts for the admissions become due on or after February 1, 2013 and before April 2013, the business would account for:

- the 5% federal part of the HST in its GST/HST return for the reporting period that includes March 15, 2013; and
- the 9% provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013.

Example 5

A business sells admissions to a five-day event that will take place from March 29, 2013 to April 2, 2013. Each ticket costs $100 and the full amount becomes due on February 15, 2013.

The business would charge:

- GST on the part of the amount that relates to the portion of the event that takes place in March 2013 (3 days); and
- HST on the part of the amount that relates to the portion of the event that takes place in April 2013 (2 days).

Therefore, the business would charge GST on $60 ($100 × 3/5) and the HST on $40 ($100 × 2/5).

The business would account for:

- the 5% GST in its GST/HST return for the reporting period that includes February 15, 2013;
- the 5% federal part of the HST in its GST/HST return for the reporting period that includes February 15, 2013; and
- 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

A business sells admissions to a museum for April 25, 2013, to a camp. The business issues the invoice dated April 30, 2013, and the camp pays the amount in May 2013.

HST would apply to the amount paid for the admissions because the event takes place on or after April 1, 2013. The business would account for the tax in its GST/HST return for the reporting period that includes April 30, 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:

- an event, or a portion of an event (i.e., more than 10% of the event) takes place on or after April 1, 2013; and
- an amount that relates to the admission to the event or the portion, as the case may be, 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 an admission would have to self-assess the 9% provincial part of the HST if:

- the non-consumer does not purchase the admission for consumption, use or supply exclusively in its commercial activity;
- the admission is subject to an input tax credit recapture (including if the admission 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.

Example 7

On January 15, 2013, a designer sells admissions to a fashion show that will take place on April 15, 2013. A consumer purchases an admission to the show.

GST would apply to the amount that becomes due on January 15, 2013. The designer would charge and account for the tax in its GST/HST return that includes January 15, 2013.

The purchaser, who is a consumer, would not have to self-assess the 9% provincial part of HST because the self-assessment rule applies only to non-consumers.

Example 8

On January 15, 2013, a designer sells admissions to a fashion show that will take place on April 15, 2013. The purchaser of the admissions is a business that will use this event to entertain clients. The business is engaged exclusively in commercial activities and the admissions are subject to input tax credit recapture for entertainment.

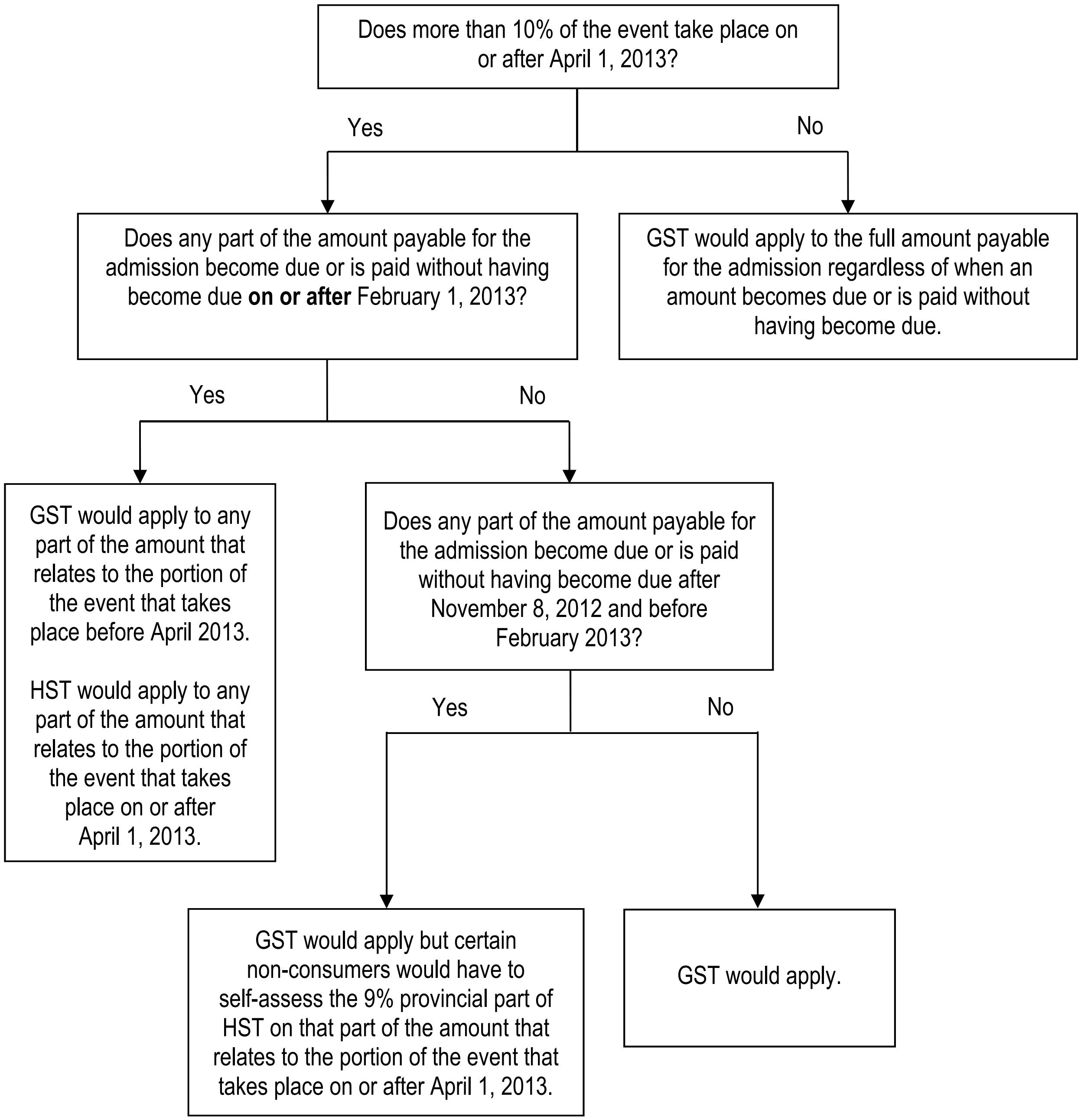
GST would apply to the amount that becomes due on January 15, 2013. The designer would charge and account for the tax in its GST/HST return that includes January 15, 2013.

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

- the business is not a consumer;
- the admission relates to an event that will take place on or after April 1, 2013;
- the amount is paid after November 8, 2012 and before February 2013; and
- the admissions are subject to input tax credit recapture.

Appendix A – Transitional rules for admissions

The following illustrates the transitional rules for admissions to events that take place 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.