



## Applying the 2010 Nova Scotia HST Rate Increase – Personal Property

This info sheet explains how the rate increase of the provincial part of the Nova Scotia harmonized sales tax (HST) applies to supplies of personal property that straddle the date the rate increase comes into effect.

### Background information on the Nova Scotia HST rate increase

The Government of Nova Scotia announced an increase of the rate of the provincial part of the HST from 8% to 10% effective July 1, 2010. As a result, the combined HST rate increased from 13% to 15%, of which 5% represents the federal part and 10% the provincial part. Amendments to implement the rate increase have been published in the [Nova Scotia HST Regulations, 2010](#).

Before determining whether HST at 13% or 15% applies to supplies of personal property during the period that includes July 1, 2010, suppliers must first determine if the property is supplied in Nova Scotia. For information, 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](#).

For purposes of this info sheet, “Nova Scotia” includes the Nova Scotia offshore area.

In the examples in this info sheet, all supplies are taxable and made in Nova Scotia, and all suppliers are GST/HST registrants. “Taxable” means subject to the HST.

The information provided in this info sheet does not apply to continuous supplies, supplies made under budget payment arrangements, supplies made under prepaid funeral or cemetery arrangements, or supplies made by direct sellers. For information, refer to the *Nova Scotia HST Regulations, 2010*.

Also, the information provided in this info sheet does not apply to certain supplies of intangible personal property such as admissions, memberships, and transportation passes. For information, refer to the following GST/HST Info Sheets:

- GST/HST Info Sheet GI-110, *Applying the 2010 Nova Scotia HST Rate Increase – Admissions and Memberships; and*
- GST/HST Info Sheet GI-111, *Applying the 2010 Nova Scotia HST Rate Increase – Transportation Services and Passes*.

For information on how the rate increase of the provincial part of the HST applies to supplies of services, see GST/HST Info Sheet GI-109, *Applying the 2010 Nova Scotia HST Rate Increase – Services*.

### Meaning of significant terms used in this info sheet

“Goods” means tangible personal property.

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

“Personal property” means goods and intangible personal property.

### Sales of personal property

The following rules apply to:

- goods supplied by way of sale, including subscriptions to periodical publications such as newspapers and magazines;
- intangible personal property supplied by way of sale; and

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- intangible personal property supplied by way of lease, licence or similar arrangement where the payments do not vary with the amount of use or profits from the property. This could be the case where, for example, a lump-sum payment is made to an author for all rights associated with a book written by the author.

To determine whether the HST at 13% or 15% applies to supplies of personal property during the period that includes July 1, 2010, suppliers must consider:

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

The Appendix to this info sheet contains information on when an amount becomes due and whether an amount is paid without having become due.

#### ***When an amount becomes due or is paid before July 2010***

The HST at 13% applies to the sale of personal property when an amount for the sale becomes due or is paid without having become due before July 2010.

Suppliers account for the tax in their GST/HST returns according to the normal rules. The purchaser, if a registrant, would be able to claim any eligible input tax credit (ITC) according to the normal rules.

#### **Example 1**

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A retailer sells a television on June 25, 2010 and delivers it to the purchaser on July 2, 2010. The retailer issues an invoice for the sale of the television on June 25, 2010, which the purchaser pays at that time.

Although the retailer delivers the television to the purchaser on or after July 1, 2010, HST at 13% applies because the amount for the television becomes due before July 2010. The retailer accounts for the tax in its GST/HST return for the reporting period that includes June 25, 2010.

#### **Example 2**

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A publisher sells a one-year subscription to a magazine beginning on July 1, 2010. The publisher issues an invoice for the

subscription on June 30, 2010 and the subscriber pays the amount on July 6, 2010.

Although the subscription begins on or after July 1, 2010, HST at 13% applies because the amount for the subscription becomes due before July 2010. The publisher accounts for the tax in its GST/HST return for the reporting period that includes June 30, 2010.

#### **Example 3**

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A club charges a person an initiation fee for the right to acquire a membership in the club. The membership period begins on July 1, 2010. The club issues the invoice dated June 26, 2010.

Although the membership period begins on or after July 1, 2010, HST at 13% applies because the amount for this intangible personal property becomes due before July 2010. The club accounts for the tax in its GST/HST return for the reporting period that includes June 26, 2010.

#### **Example 4**

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A business sells a patent to manufacture widgets for which it receives fixed annual royalty payments. A royalty payment becomes due to the business on June 20, 2010. The payment is made on July 5, 2010.

HST at 13% applies because the royalty payment for the patent becomes due before July 2010. The business accounts for the tax in its GST/HST return for the reporting period that includes June 20, 2010.

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

HST at 15% applies to the sale of personal property when an amount for the sale becomes due or is paid without having become due on or after July 1, 2010.

Suppliers account for the tax in their GST/HST returns according to the normal rules. The purchaser, if a registrant, would be able to claim any eligible ITC according to the normal rules.

#### **Example 5**

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A supplier sells a sailboat to a person under a written agreement on June 20, 2010. Under the terms of the agreement, the person must make twelve monthly payments starting on July 2, 2010. The supplier does not issue invoices in respect of the monthly payments and the person pays each amount when it becomes due.

HST at 15% applies to each payment because the amounts for the sailboat become due on or after July 1, 2010 and are not paid before that date.

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### Example 6

On June 29, 2010, a business enters into a written agreement with a Canadian supplier for the purchase of an off-the-shelf software package on CDs. The business pays the total amount by credit card on July 5, 2010 as required in the written agreement, and the supplier delivers the software package on July 6, 2010.

In this situation, the software package is a good for GST/HST purposes because it is a pre-packaged, commercially-available software program provided on a tangible medium.

HST at 15% applies because the amount for the software package becomes due on or after July 1, 2010. The supplier accounts for the tax in its GST/HST return for the reporting period that includes July 5, 2010.

### Example 7

A business sells annual subscriptions to access on-line editions of books. Subscribers pay for their subscriptions by making payments on June 1, 2010, July 1, 2010, and August 1, 2010. The amounts are not paid before they become due.

HST at 13% applies to the first payment because the amount becomes due before July 2010. The 15% HST applies to the second and third payments because the amounts become due on or after July 1, 2010.

### Example 8

On May 1, 2010, a business enters into a written agreement with a software designer for the design and development of custom software. Under the terms of the written agreement, the software designer retains ownership of the custom software. As required in the written agreement, the business pays a monthly fee to the designer on the 15<sup>th</sup> day of each month, starting June 15, 2010. The amounts do not vary with the amount of use of the custom software and they are not paid before they become due.

The custom software is intangible personal property for GST/HST purposes because it is designed and developed for the needs of a particular person and the supplier retains the right to it.

HST at 13% applies to the June 15, 2010 payment because the amount becomes due before July 2010. HST at 15% applies to the other payments because the amounts become due on or after July 1, 2010.

### Combination of goods, property and/or services

The following rule applies to any combination of personal property, real property and/or services supplied together as a single supply where one of the items is a good that would not be subject to HST at 15% if it were supplied separately.

In this case, the good is considered to have been sold separately from the other items but only for the purposes of determining whether HST at 13% or 15% applies during the period that includes July 1, 2010.

For information on applying the 2010 Nova Scotia HST rate increase to services during the period that includes July 1, 2010, refer to GST/HST Info Sheet GI-109, *Applying the 2010 Nova Scotia HST Rate Increase – Services*.

### Example 9

In June 2010 a supplier sells restaurant equipment to a person. Installation of the equipment is part of the supply. The equipment is delivered to the client on June 30, 2010 and paid for at that time. The equipment is installed on July 2, 2010.

HST at 13% applies to the portion of the amount attributable to the equipment because the amount is paid before July 2010. However, HST at 15% applies to the portion of the amount attributable to the installation service since the service is performed on or after July 1, 2010.

### Example 10

On June 26, 2010, a vendor sells an off-the-shelf computer software package. Training is provided to the client's employees in July 2010 as part of the supply. The invoice is issued to the client on June 26, 2010.

HST at 13% applies to the portion of the amount attributable to the software package because the amount becomes due before July 2010. However, HST at 15% applies to the portion of the amount attributable to the training service since the service is performed on or after July 1, 2010.

### Leases and licences of personal property

The following rules apply to personal property supplied by way of lease, licence or similar arrangement, the consideration for which is rent, royalties or similar payments. However, they do not apply to leases and licences of intangible personal property where the payments do not vary with the amount of use or profits from the property. The rules described under the heading "Sales of personal property" will apply instead.

In this info sheet, the term "lease" is used to mean "lease, licence or similar arrangement".

To determine whether HST at 13% or 15% applies to leases of personal property during the period that includes July 1, 2010, suppliers must consider:

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

A “lease interval” is the period of time to which a periodic payment is attributable under a lease.

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#### **Example 11**

A person leases a car and, according to the lease agreement, the payments are due on the 15<sup>th</sup> of each month for the upcoming month.

Because a lease interval is the period of time covered by each lease payment, for the payment due on June 15<sup>th</sup>, the lease interval begins on July 1<sup>st</sup> and ends on July 31<sup>st</sup>.

#### ***When a lease interval begins before July 2010 and ends before July 31, 2010***

When a lease interval begins before July 2010 and ends before July 31, 2010, the 13% HST applies to any amount that becomes due or is paid without having become due for that lease interval.

Suppliers account for the tax in their GST/HST returns according to the normal rules. The purchaser, if a registrant, would be able to claim any eligible ITC according to the normal rules.

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#### **Example 12**

On July 2, 2010, a person makes a car lease payment for the lease interval from June 15, 2010 to July 14, 2010.

HST at 13% applies to the lease payment because the lease interval begins before July 2010 and ends before July 31, 2010.

#### ***When a lease interval begins before July 2010 and ends on or after July 31, 2010***

The following rules apply when a lease interval begins before July 2010 and ends on or after July 31, 2010:

- HST at 13% applies to any amount that becomes due or is paid without having become due on or before April 6, 2010.
- HST at 13% applies to any amount that becomes due or is paid without having become due after April 6, 2010 and before May 2010. Certain purchasers have to self-assess the 2 percentage point increase in the provincial part of the HST.

For more details on self-assessing, see the information under the heading “Self-assessing the 2 percentage point increase in the provincial part of the Nova Scotia HST”.

- When an amount becomes due or is paid without having become due on or after May 1, 2010:
  - HST at 13% applies to any amount that relates to the portion of the lease interval that occurs before July 2010; and
  - HST at 15% applies to any amount that relates to the portion of the lease interval that occurs on or after July 1, 2010.

Suppliers account for the tax in their GST/HST returns according to the normal rules. The purchaser, if a registrant, would be able to claim any eligible ITC according to the normal rules.

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#### **Example 13**

On April 28, 2010, a supplier enters into a written agreement for the lease of equipment to a person. The lease payment for the first lease interval from July 2, 2010 to August 1, 2010, becomes due at that time.

Because the amount becomes due after April 6, 2010 and before May 2010, the supplier charges the HST at 13% and accounts for the tax in its GST/HST return for the reporting period that includes April 28, 2010.

Because the lease interval begins on or after July 1, 2010, the person who leases the equipment may have to self-assess the 2 percentage point increase in the provincial part of the HST.

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#### **Example 14**

On May 1, 2010, a person makes a lease payment of \$1,200, which is due on that day, for the lease interval of May 1, 2010 to October 31, 2010.

Because the lease interval begins before July 2010 and ends on or after July 31, 2010, the supplier charges:

- HST at 13% on \$400 which represents the amount that relates to the portion of the lease interval that occurs in May and June ( $\$1,200 \times 2/6 = \$400$ ); and
- HST at 15% on \$800 which represents the amount that relates to the portion of the lease interval that occurs in July, August, September and October ( $\$1,200 \times 4/6 = \$800$ ).

The supplier accounts for the total tax in its GST/HST return for the reporting period that includes May 1, 2010.

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***When a lease interval begins on or after July 1, 2010***

The following rules apply when a lease interval begins on or after July 1, 2010:

- HST at 13% applies to any amount that becomes due or is paid without having become due on or before April 6, 2010.
- HST at 13% applies to any amount that becomes due or is paid without having become due after April 6, 2010 and before May 2010. Certain purchasers have to self-assess the 2 percentage point increase in the provincial part of the HST. For more details on self-assessing, see the information under the heading “Self-assessing the 2 percentage point increase in the provincial part of the Nova Scotia HST”.
- HST at 15% applies to any amount that becomes due or is paid without having become due on or after May 1, 2010.

Suppliers account for the tax in their GST/HST returns according to the normal rules. The purchaser, if a registrant, would be able to claim any eligible ITC according to the normal rules.

**Example 15**

A monthly car lease payment becomes due on July 15, 2010 for the lease interval of July 15, 2010 to August 14, 2010. The person prepays the amount on June 30, 2010.

Because the lease interval begins on or after July 1, 2010, and the amount is paid without having become due on or after May 1, 2010, the supplier charges the HST at 15% on the lease payment for that lease interval and accounts for the tax in its GST/HST return for the reporting period that includes June 30, 2010.

**Example 16**

On June 24, 2010, a registrant prepays for the lease of equipment for the lease interval from July 1, 2010 to July 31, 2010. The amount was due on June 30, 2010. The equipment is used in the registrant’s commercial activities.

HST at 15% applies because the lease interval begins on or after July 1, 2010, and the amount is paid without having become due on or after May 1, 2010. The supplier accounts for the tax in its GST/HST return for the reporting period that includes June 24, 2010.

**Example 17**

In June 2010, a supplier enters into a written agreement to lease goods to an individual for one year beginning on July 1, 2010. Under the agreement, the individual must make the first monthly lease payment on July 1, 2010.

HST at 15% applies to all the payments and the supplier accounts for the tax in its GST/HST return according to the normal rules.

**Self-assessing the 2 percentage point increase in the provincial part of the Nova Scotia HST**

Certain purchasers that are non-consumers have to self-assess the 2 percentage point increase in the provincial part of the HST on leases of personal property when an amount becomes due or is paid without having become due after April 6, 2010 and before May 2010, and the lease interval

- begins before July 2010 and ends on or after July 31, 2010; or
- begins on or after July 1 2010.

Consumer means an individual who acquires property for the individual’s personal consumption or use, or for the personal consumption or use of another individual.
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This self-assessment rule applies to a person that is a sole proprietor, a business, an organization, a public service body, or any other entity.

A non-consumer must self-assess the 2 percentage point increase in the provincial part of the HST if the non-consumer:

- does not purchase the supply for consumption, use or supply exclusively (90% or more) in its commercial activity;
- is using a simplified accounting method to calculate its net tax;
- is purchasing a supply that is subject to an ITC recapture;
- is a charity that uses the net tax calculation method for charities; or
- is a registrant that is a selected listed financial institution.

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The non-consumer accounts for the 2 percentage point increase in the provincial part of the HST:

- if a registrant, on line 405 of its GST/HST return for the reporting period in which the amount became payable; 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 on or before the last day of the month following the calendar month in which the amount became payable.

#### **Example 18**

On April 24, 2010, a registrant that uses the Quick Method leases equipment. The amount for the lease interval from July 1, 2010 to July 31, 2010 becomes due on July 1, 2010; however, the registrant prepays the amount on April 24, 2010.

The supplier charges the HST at 13% because the amount was paid without having become due after April 6, 2010 and before May 2010.

The registrant who leased the equipment has to self-assess the 2 percentage point increase in the provincial part of the HST because:

- the registrant is not a consumer;
- the lease interval begins on or after July 1, 2010;

- the amount is paid without having become due after April 6, 2010 and before May 2010; and
- the registrant uses a simplified accounting method to calculate its net tax.

#### **Example 19**

On April 15, 2010, a business leases equipment and makes a lease payment for a five-month lease interval that begins on May 1, 2010 and ends on September 30, 2010. The equipment is not used exclusively in the business' commercial activities.

Because the amount is paid after April 6, 2010 and before May 2010, the supplier charges the HST at 13% on the lease payment for that lease interval.

The business has to self-assess the 2 percentage point increase in the provincial part of the HST on the part of the amount that relates to the portion of the lease interval that occurs in July, August and September (i.e., three out of the five months or 60% of the lease payment) because:

- the business is not a consumer;
- the lease interval begins before July 2010 and ends on or after July 31, 2010;
- the amount is paid after April 6, 2010 and before May 2010; and
- the equipment is not used exclusively in commercial activities.

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](http://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/gsthsttech](http://www.cra.gc.ca/gsthsttech).

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## **Appendix – 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 supplies of services, tangible personal property, 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 becomes due on the day the client is required to pay that amount under 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**

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A supplier enters into a written agreement with a client for the sale of personal property. Under the agreement, the client is required to pay the total amount on April 30. The supplier issues the 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**

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A supplier enters into a written agreement with a client for the sale of personal property. 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 HST at 13% or 15% applies to that amount based on the applicable transitional rules for the Nova Scotia HST rate increase.

#### **Example 3**

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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 HST at 13% or 15% applies to the amount.