



## Applying the 2010 Nova Scotia HST Rate Increase – Transportation Services and Passes

This info sheet explains how the rate increase in the provincial part of the Nova Scotia harmonized sales tax (HST) applies to supplies of freight transportation services, passenger transportation services, and passenger transportation passes 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 that the rate of the provincial part of the HST increases from 8% to 10% on 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 freight transportation services, passenger transportation services, and passenger transportation passes during the period that includes July 1, 2010, suppliers must first determine if the transportation service or pass 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.

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*.

Information on how the rate increase in the provincial part of the HST applies to other supplies is available in the following documents:

- GST/HST Info Sheet GI-108, *Applying the 2010 Nova Scotia HST Rate Increase – Personal Property*;
- GST/HST Info Sheet GI-109, *Applying the 2010 Nova Scotia HST Rate Increase – Services*; and
- GST/HST Info Sheet GI-110, *Applying the 2010 Nova Scotia HST Rate Increase – Admissions and Memberships*.

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. “Zero-rated” means subject to the GST/HST at 0%.

### Freight Transportation Services

A freight transportation service may be subject to the 5% GST or to the HST rate in effect in a particular province. A freight transportation service may also be zero-rated. In that case, neither the GST nor the HST is charged to the purchaser. The following rules apply only when a freight transportation service is subject to the Nova Scotia HST.

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

- when the service is performed;

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- when an amount for the service becomes due; and
  - whether an amount for the service 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.

### **Meaning of significant terms**

“Carrier” means a person who supplies freight transportation services, whether that person actually performs the services or not. A person only has to accept responsibility as the supplier of the freight transportation service to be considered the carrier.

“Continuous freight movement” means the transportation of goods by one or more carriers to a destination specified by the shipper of the goods, where all the freight transportation services are supplied as a result of instructions given by the shipper of the goods.

“Destination” means the place the shipper specifies (usually on the bill of lading) where a carrier transfers the goods to the person to whom the shipper had consigned or addressed the goods.

“Freight transportation service” means the service of transporting goods and includes mail delivery. It also includes property or services that are incidental to, or part of, a freight transportation service. It does not include transporting a person’s baggage in connection with a passenger transportation service.

“Shipper” means the person who transfers possession of the goods being shipped to a carrier at the start of a continuous freight movement. A person cannot be both a shipper and a carrier for the same shipment. In that case, the person is a shipper only, even if the person transports the goods it is shipping.

For detailed information on freight transportation services, refer to [Guide RC4080, GST/HST Information for Freight Carriers](#).

### **Freight transportation service begins before July 2010**

Regardless of when an amount becomes due or is paid without having become due, HST at 13% applies to any amount for the supply of a freight transportation service if the service begins 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.

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#### **Example 1**

A manufacturer in Nova Scotia hires a carrier to transport the manufacturer’s goods from its plant in Halifax (NS) to a client in Digby (NS). The service begins on June 30, 2010 and ends on July 2, 2010. The carrier issues the invoice on July 2, 2010 for the service.

HST at 13% applies because the freight transportation service begins before July 2010. The carrier accounts for the tax in its GST/HST return for the reporting period that includes July 2, 2010.

Regardless of when an amount becomes due or is paid without having become due, HST at 13% applies to any amount for the supply of a freight transportation service that is part of a continuous freight movement if the shipper transfers possession of the goods to the first carrier before July 2010.

The carrier that invoices the purchaser of the service (either the shipper or the person to whom the goods are to be delivered) accounts for the tax in its GST/HST return according to the normal rules.

The purchaser, if a registrant, would be able to claim any eligible ITC according to the normal rules.

Any freight transportation services provided by other carriers as part of a continuous freight movement may be zero-rated under the interlining rules. For more information, refer to Guide RC4080.

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#### **Example 2**

On June 30, 2010, a shipper transfers possession of goods to the first carrier of a continuous freight movement that begins in Halifax (NS). On July 2, 2010, the goods are transferred to a second carrier for transport to the goods’ destination in Inverness (NS). The first carrier invoices the shipper on July 5, 2010.

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HST at 13% applies because the freight transportation service is part of a continuous freight movement that begins before July 1, 2010. The first carrier accounts for the tax in its GST/HST return for the reporting period that includes July 5, 2010.

***Freight transportation service begins on or after July 1, 2010***

The following rules apply to a freight transportation service that is part of a continuous freight movement that 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 3**

A manufacturer has an agreement with a carrier for a freight transportation service to be performed in Nova Scotia in July 2010. Under the agreement, the manufacturer is required to pay the amount for the service on April 8, 2010.

The carrier charges HST at 13% because the amount for the freight transportation service becomes due before May 2010. The carrier accounts for the tax in its GST/HST return for the reporting period that includes April 8, 2010. The manufacturer may have to self-assess the 2 percentage point increase in the provincial part of the HST.

**Passenger Transportation Services**

A passenger transportation service may be subject to the 5% GST or to the HST rate in effect in a particular province. A passenger transportation service may also be zero-rated. In that case, neither GST nor HST is charged to the purchaser.

The following rules apply only when a passenger transportation service is subject to the Nova Scotia HST.

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

- when the service is performed;
- when an amount for the service becomes due; and
- whether an amount for the service 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.

***Meaning of significant terms***

“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 Canada Revenue Agency 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.

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](#).

#### ***Passenger transportation service begins before July 2010***

Regardless of when an amount becomes due or is paid without having become due, HST at 13% applies to any amount for the supply of a passenger transportation service that is part of a continuous journey that begins before July 2010.

The supplier accounts for the tax in its GST/HST return according to the normal rules. The purchaser, if a registrant, would be able to claim any eligible ITC according to the normal rules.

#### **Example 4**

On May 15, 2010, a bus company sells a single return ticket for travel from Halifax (NS) to Yarmouth (NS). The passenger leaves Halifax on June 29, 2010 and returns on July 6, 2010.

HST at 13% applies because the passenger transportation service is part of a continuous journey that begins before July 2010. The bus company accounts for the tax in its GST/HST return for the reporting period that includes May 15, 2010.

#### **Example 5**

In May 2009, an agent sells a continuous journey that consists of a flight from Halifax (NS) to Sydney (NS), a cruise around the Maritimes and up the St. Lawrence River to Montréal (QC), and a flight from Montréal to Halifax. The flight from Halifax leaves on June 26, 2010 and the return flight departs Montréal on July 3, 2010.

HST at 13% applies to the total amount paid by the traveller because the passenger transportation service is part of a continuous journey that begins before July 2010.

#### ***Passenger transportation service begins on or after July 1, 2010***

The following rules apply to a passenger transportation service that is part of a continuous journey that 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.

The supplier accounts for the tax in its GST/HST return according to the normal rules. The purchaser, if a registrant, would be able to claim any eligible ITC according to the normal rules.

#### **Example 6**

On June 30, 2010, a bus company sells a ticket for travel from Amherst (NS) to Antigonish (NS) on July 2, 2010.

HST at 15% applies because the amount becomes due or is paid on or after May 1, 2010 and the passenger transportation service begins on or after July 1, 2010. The bus company accounts for the 15% HST in its GST/HST return for the reporting period that includes June 30, 2010.

#### **Passenger transportation passes**

The following rules apply to a passenger transportation pass that entitles a person to receive transportation services without having to pay an additional amount each time that the person receives a transportation service because of the pass.

The information in this info sheet does not apply to transportation passes that entitle passengers to exempt municipal transit services.

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To determine whether HST at 13% or 15% applies to sales of a passenger transportation pass where the pass period includes July 1, 2010, suppliers must consider:

- the pass period;
- when an amount for the pass becomes due; and
- whether an amount for the pass 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.

### **Meaning of significant terms**

“Pass period” is the period throughout which the passenger transportation pass entitles a person to passenger transportation services. Generally, it begins and ends on the dates specified on the pass.

If the passenger transportation pass does not specify the beginning and end dates of the pass period, the period:

- begins on the day the pass is delivered or made available to the purchaser; and
- ends on the day the pass expires (if there is no expiry date, the period ends on July 1, 2012).

### **Pass period begins before July 2010 and ends before August 2010**

Regardless of when an amount becomes due or is paid without having become due, HST at 13% applies to any amount for the sale of a passenger transportation pass if the pass period begins before July 2010 and ends before August 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 7**

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On June 20, 2010, a bus company sells a pass that entitles the passenger to unlimited intercity travel on its buses in Nova Scotia from June 15, 2010 to July 15, 2010.

HST at 13% applies on the total amount charged for the pass because the pass covers a period that begins before July 2010 and ends before August 2010. The bus company accounts for the tax in

its GST/HST return for the reporting period that includes June 20, 2010.

### **Pass period begins before July 2010 and ends after July 2010**

The following rules apply when the pass period begins before July 2010 and ends after July 2010:

- Regardless of the pass period, HST at 13% applies to any amount that becomes due or is paid without having become due on or before April 6, 2010.
- Regardless of the pass period, 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 passenger transportation pass that covers the period before July 2010; and
  - HST at 15% applies to any amount that relates to the portion of the passenger transportation pass that covers the period on or after July 1, 2010.

The supplier accounts for the tax in its GST/HST return according to the normal rules. The purchaser, if a registrant, would be able to claim any eligible ITC according to the normal rules.

#### **Example 8**

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On May 14, 2010, a bus company sells a transportation pass for \$200. The pass entitles the passenger to unlimited intercity travel on its buses in Nova Scotia from June 1, 2010 to September 30, 2010. The company determines that 25% of the service to which the pass relates will be performed before July 2010 (i.e., one of the four months included in the pass) and 75% on and after July 1, 2010 (i.e., three of the four months included in the pass).

As a result, the company charges

- HST at 13% on \$50 (25% × \$200); and
- HST at 15% on \$150 (75% × \$200).

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The bus company accounts for the tax in its GST/HST return for the reporting period that includes May 14, 2010.

### ***Pass period begins on or after July 1, 2010***

The following rules apply when a pass period 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.

The supplier accounts for the tax in its GST/HST return according to the normal rules. The purchaser, if a registrant, would be able to claim any eligible ITC according to the normal rules.

#### **Example 9**

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On June 25, 2010, a bus company sells a pass that entitles the passenger to unlimited intercity travel on its buses in Nova Scotia from July 1, 2010 to July 31, 2010.

HST at 15% applies because the pass covers a period that begins on or after July 1, 2010 and the payment is due on or after May 1, 2010. The bus company accounts for the tax in its GST/HST return for the reporting period that includes June 25, 2010.

#### **Example 10**

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On June 15, 2010, a bus company sells a pass that entitles the passenger to unlimited intercity travel on its buses in Nova Scotia from July 1, 2010 to September 30, 2010. The bus company charges HST at 15% because the pass period begins on or after July 1, 2010, and the payment is due on or after May 1, 2010.

The bus company accounts for the tax in its GST/HST return for the reporting period that includes June 15, 2010.

### **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 when an amount for that service or pass becomes due or is paid without having become due after April 6, 2010 and before May 2010, and:

- for a freight or passenger transportation service, the service begins on or after July 1, 2010; or
- for a passenger transportation pass, the pass period covers the period that is 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 that purchases a transportation service or pass must self assess the 2 percentage point increase in the provincial part of the HST if the non-consumer:

- does not purchase the transportation service or pass 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 transportation service or pass 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 11**

On April 30, 2010, a bus company sells a transportation pass to a registrant business that is using the Quick Method of Accounting. The pass entitles the business' employees to unlimited intercity travel in Nova Scotia from July 1, 2010 to September 30, 2010, for business purposes.

The bus company charges HST at 13% on the total amount. The registrant business has to self-assess the 2 percentage point increase in the provincial part of the HST on the total amount paid in April 2010 because:

- the registrant business is a non-consumer;
- the pass relates to a period that occurs on or after July 1, 2010;
- the amount is paid after April 6, 2010, and before May 2010; and
- the registrant business is using a simplified accounting method to calculate its net tax.

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

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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 a service. 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 a service to be performed during the year. Under the agreement, the client is required to pay the total amount due on April 30. No invoice is issued. The client pays the amount due on April 15. In this case, April 30 is the day the amount becomes due and April 15 is the day the amount is paid without having become due.

### ***More than one invoice or payment***

Sometimes, more than one amount becomes due or is paid without having become due. This could happen when, for example, a supplier issues more than one invoice or when the client is required to make more than one payment under a written agreement. In this case, for each amount, the supplier must determine whether 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.