



Ontario and British Columbia: Transition to the Harmonized Sales Tax – Payment of the GST/HST by Ontario and B.C. Government Entities

The Government of Ontario and the Government of British Columbia have each introduced a harmonized sales tax (HST) that will come into effect on July 1, 2010.

The HST rate in Ontario will be 13% of which 5% will represent the federal part and 8% the provincial part. The HST rate in British Columbia will be 12% of which 5% will represent the federal part and 7% the provincial part.

This info sheet reflects proposed tax changes announced in:

- the News Release issued by the Government of British Columbia on July 23, 2009;
 - the Tax Information Notice – HST Notice #1, *General Transitional Rules for British Columbia HST*, released by the Government of British Columbia on October 14, 2009; and
 - the Tax Information Notice – HST Notice #6, *HST Notice for Suppliers of Taxable Property and Services to the B.C. Government*, released by the Government of British Columbia on March 23, 2010.
- the Harmonized Sales Tax Information Notice No. 6, *Supplies of Taxable Property and Services to Ontario Government Entities* released by the Government of Ontario on May 11, 2010.

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 applies to supplies of property and services to Ontario and British Columbia government entities during the period that includes the July 1, 2010 implementation date in Ontario and British Columbia.

Some of the information in this info sheet relates to the general transitional rules for the Ontario and B.C. HST. Refer to the following publications for information on the general transitional rules for the Ontario and B.C. HST:

- Ontario and British Columbia: Transition to the Harmonized Sales Tax – Freight Transportation Services* (GI-053);
- Ontario and British Columbia: Transition to the Harmonized Sales Tax – Passenger Transportation Services* (GI-054);
- Ontario and British Columbia: Transition to the Harmonized Sales Tax – Transportation Passes* (GI-055);
- Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services* (GI-056);
- Ontario and British Columbia: Transition to the Harmonized Sales Tax – Memberships* (GI-057);
- Ontario and British Columbia: Transition to the Harmonized Sales Tax – Admissions* (GI-058);
- Ontario and British Columbia: Transition to the Harmonized Sales Tax – Intangible Personal Property* (GI-059);
- Ontario and British Columbia: Transition to the Harmonized Sales Tax – Direct Sellers and Independent Sales Contractors* (GI-069);
- Ontario and British Columbia: Transition to the Harmonized Sales Tax – Goods* (GI-070);
- Harmonized Sales Tax for Ontario – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario (Notice244); and
- Harmonized Sales Tax for British Columbia – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in British Columbia (Notice246)

What is the GST/HST?

The GST/HST is a tax that applies to most supplies of property and services made in Canada. This includes supplies of tangible personal property (i.e., goods), real property, and intangible property such as trademarks, rights to use patents, digitized products downloaded from the Internet and paid for individually, and options to purchase property.

La version française du présent document est intitulée *Transition à la taxe de vente harmonisée – Paiements de la TPS/TVH par les entités des gouvernements de l'Ontario et de la Colombie-Britannique*.



Supplies of taxable property and services to Ontario and B.C. government entities

Under the sales tax harmonization agreements between the Governments of Ontario and British Columbia (B.C.) and the Government of Canada (i.e., the *Canada-Ontario Comprehensive Integrated Tax Coordination Agreement* and the *Canada-B.C. Comprehensive Integrated Tax Coordination Agreement*) both Ontario and B.C. have agreed that, effective July 1, 2010, all Ontario and B.C. government ministries, agencies, boards, commissions and Crown corporations (“Ontario and B.C. government entities”) will pay GST/HST on the consideration for taxable supplies of property or services they acquire.

This means that, effective July 1, 2010, Ontario and B.C. government entities that are currently paying GST, as well as those that are currently claiming an exemption from GST (i.e., ministries and other provincial entities listed on Schedule A to the current Canada-Ontario or the Canada-B.C. Reciprocal Taxation Agreement (RTA)) will pay GST/HST on the consideration for taxable supplies of property or services they acquire.

Accordingly, suppliers will generally charge GST/HST on any consideration that becomes due on or after July 1, 2010 in respect of taxable supplies of property or services to Ontario and B.C. government entities. In these cases, suppliers would not rely on or accept any Crown funds exemption requests or certifications requesting GST/HST relief at the point of sale.

Application of the general transitional rules for the Ontario and B.C. HST to Ontario and B.C. government entities

Non-Schedule A entities

Ontario and B.C. government entities that are currently paying GST on the consideration for taxable supplies of property or services they acquire (e.g., commercial Crown corporations) will be subject to the general transitional rules for Ontario and B.C. HST. In some circumstances, HST will apply to consideration that becomes due, or is paid without having become due, on or after May 1, 2010. Appendix A to this info sheet contains information on when an amount becomes due and

when an amount is paid without having become due.

Example 1

In June 2010, an Ontario Crown Corporation, which is not listed on Schedule A to the RTA, pays for a photocopier, but the photocopier will not be delivered and ownership will not be transferred to the Ontario Crown Corporation until August 2010.

Because the Ontario Crown Corporation is not listed on Schedule A to the RTA, it is subject to the general transitional rules for the Ontario HST. In this case, under the general transitional rules for tangible personal property, HST will apply to the consideration for the supply of the photocopier because the consideration becomes due on or after May 1, 2010 and the photocopier is delivered and ownership is transferred, to the Ontario Crown Corporation on or after July 1, 2010. Therefore, the supplier of the photocopier charges HST on the consideration for the supply of the photocopier to the Ontario Crown Corporation.

Example 2

A British Columbia Crown Corporation, which is not listed on Schedule A to the RTA, hires a professional to perform services in June and July 2010. The professional charges \$2,000 for its service performed from June 20, 2010 to July 31, 2010. The professional determines that 40% of the service is performed in June, and 60% of the service is performed in July. The professional issues an invoice for the total amount on August 6, 2010.

Because the Crown Corporation is not listed on Schedule A to the RTA, it is be subject to the general transitional rules for the B.C. HST. In this case, under the general transitional rules for services, GST applies to the part of the consideration that becomes due on August 6, 2010 that relates to the portion of the service performed before July 2010, and HST applies to the part of the consideration that becomes due on August 6, 2010 that relates to the portion of the service performed on or after July 1, 2010. Therefore, in this case, the professional will charge GST on \$800 ($\$2,000 \times 40\%$) and HST on \$1,200 ($\$2,000 \times 60\%$) of the consideration for the supply of the service to the British Columbia Crown Corporation.

Schedule A entities

Ontario and B.C. government entities that are currently claiming an exemption from GST (i.e., Ontario and B.C. government entities listed on Schedule A to the RTA) will continue to claim an exemption from GST/HST until July 1, 2010.

GST/HST will not apply to any consideration that becomes due, or is paid without having become due, before July 1, 2010 in respect of supplies of taxable property and services to Ontario or B.C. government entities listed on Schedule A to the RTA. In these cases, suppliers will continue to accept Crown funds exemption requests and

certifications requesting relief in respect of both GST and HST.

Example 3

In May 2010, an Ontario ministry, which is listed on Schedule A to the RTA, orders and pays for furniture, but the furniture will not be delivered and ownership will not be transferred to the Ontario ministry until August 2010. The furniture is acquired in the name of the Province and the Ontario ministry provides a Crown funds exemption request or certification clause to the supplier.

Because the Ontario ministry is listed on Schedule A to the RTA, and the consideration for the supply of the furniture is paid before July 1, 2010, the Ontario ministry will continue to claim an exemption from GST/HST. Therefore, the supplier does not charge GST/HST on the consideration for the supply of the furniture to the Ontario ministry. In this case, the supplier may accept the Ontario ministry's Crown funds exemption request or certification clause requesting relief from both the GST and the HST as the consideration for the supply was paid before July 1, 2010.

Example 4

A British Columbia ministry, which is listed on Schedule A to the RTA, hires a professional to perform services in June and July 2010 for \$2,000, which is payable in full at the beginning of June 2010. The British Columbia ministry pays the \$2,000 to the professional on July 5, 2010.

Because the British Columbia ministry is listed on Schedule A to the RTA, and the consideration for the supply of the service becomes due before July 1, 2010, the British Columbia ministry will continue to claim an exemption from GST/HST. Therefore, in this case, the professional would not charge GST/HST on the consideration for the supply of the service to the British Columbia ministry regardless of when the consideration is paid. In this case, the professional may accept the British Columbia ministry's Crown funds exemption request or certification clause requesting relief from both the GST and the HST as the consideration for the supply becomes due before July 1, 2010.

Ontario and B.C. government entities listed on Schedule A to the RTA will only be subject to the general transitional rules for Ontario and B.C. HST on any consideration that becomes due on or after July 1, 2010 (unless it was paid before that date) or is paid on or after July 1, 2010 without having become due, in respect of taxable supplies of property or services they acquire. In these cases, suppliers would not accept Crown funds exemption requests and certifications requesting HST relief.

Example 5

In May 2010, a British Columbia ministry, which is listed on Schedule A to the RTA, orders a fax machine from a supplier and provides certification to the supplier stating that it is not required to

pay tax because it is listed on Schedule A to the RTA. Under the agreement with the supplier, ownership will not be transferred, and payment will not be due, nor will payment be made until the date of delivery in July 2010.

Although the British Columbia ministry is listed on Schedule A to the RTA, it is subject to the general transitional rules for the B.C. HST because the consideration for the supply becomes due on or after July 1, 2010. In this case, under the general transitional rules for tangible personal property, HST will apply to the consideration for the supply of the fax machine because the consideration becomes due on or after May 1, 2010 and the fax machine is delivered, and ownership is transferred, to the recipient on or after July 1, 2010. Therefore, the supplier will be required to charge HST on the consideration for the supply of the fax machine to the British Columbia ministry. A Crown funds exemption request or certification clause would not be accepted by the supplier.

Example 6

An Ontario ministry, which is listed on Schedule A to the RTA, leases a vehicle and takes possession of the vehicle on July 2, 2010. The first lease payment becomes due and is paid on July 2, 2010 for the lease interval from July 1, 2010 to July 31, 2010.

Although the Ontario ministry is listed on Schedule A to the RTA, it is subject to the general transitional rules for Ontario HST because the consideration for the supply of the vehicle becomes due on or after July 1, 2010 (and was not paid before that date). In this case, under the general transitional rules for leases of goods, HST will apply to the consideration for the lease of the vehicle because the consideration becomes due on or after May 1, 2010 and the lease interval begins on or after July 1, 2010. Therefore, the supplier will be required to charge HST on the consideration for the lease of the vehicle to the Ontario ministry. A Crown funds exemption request or certification clause would not be accepted by the supplier.

Example 7

A British Columbia ministry, which is listed on Schedule A to the RTA, hires a professional to perform services in June and July 2010. The professional charges \$2,000 for services performed from June 20, 2010 to July 31, 2010. The professional determines that 40% of the service is performed in June, and 60% of the service is performed in July. The professional issues an invoice for the total amount on August 6, 2010.

Although the British Columbia ministry is listed on Schedule A to the RTA, it is subject to the general transitional rules for the B.C. HST because the consideration for the supply of the service becomes due on or after July 1, 2010 (and was not paid before that date). In this case, under the general transitional rules for services, GST will apply to the part of the consideration that becomes due on August 6, 2010 that relates to the portion of the service performed before July 2010, and HST will apply to the part of the consideration that becomes due on August 6, 2010 that relates to the portion of the service performed on or after July 1, 2010. Therefore, in this case the professional will be required to charge GST on \$800 ($\$2,000 \times 40\%$) and HST on \$1,200 ($\$2,000 \times 60\%$) of the consideration for the supply of the service to the British

Columbia ministry. A Crown funds exemption request or certification clause would not be accepted by the professional.

Example 8

In May 2010, an Ontario ministry, which is listed on Schedule A to the RTA, enters into a written agreement with a supplier to perform an office renovation. The renovation is expected to take three months. The ministry has agreed that it will make three equal progress payments on June 1, July 1, and August 1, 2010 for the work that took place in the previous month. The agreement with the supplier includes the ministry's certification clause covering the June 1, 2010 progress payment.

As the first progress payment was made on June 1, the supplier does not charge GST/HST. The payments on July 1, and

August 1, 2010 will be subject to the transitional rules for progress payments as the Province has agreed to pay tax effective July 1, 2010. The supplier will charge the GST on the July 1 payment as it is in respect of property delivered and services performed before July 1, 2010. The supplier will charge the HST on the August 1 payment as it is in respect of property delivered and services performed on or after July 2010. A Crown funds exemption request or certification clause should not be provided by the ministry or accepted by the supplier with respect to the July and August payments.

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 to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthsttech.

Appendix A – 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 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 purchaser is required to pay that amount pursuant to 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

A supplier enters into a written agreement with a client. Under the agreement, the client is required to pay the total amount on April 30. The supplier issues an 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; or
- before the client 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 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 GST or HST applies. The supplier cannot, for example, 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 written 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.

Appendix B – General application of transitional rules with respect to taxable supplies acquired by Ontario and British Columbia government entities

The following illustrates to suppliers the rules with respect to payments of the GST/HST by an Ontario or a British Columbia government entity that is the recipient of the supply.

