

RTG: 190

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PREPARE FOR THE HST: RETURNED OR EXCHANGED GOODS

The purpose of this Guide is to provide information that will help Revenue Tax (PST) vendors understand on the application of PST to returned or exchanged goods after the implementation of the Harmonized Sales Tax (HST) where the goods were purchased before April 1, 2013.

Returns and Exchanges

If a customer purchased goods before April 1, 2013 that were subject to PST, and returns or exchanges those goods after March 31, 2013 but before August 1, 2013:

- PST will be refunded if the goods are returned and a full or partial refund is given.

Example: In March 2013, a person purchases a camera for \$100 and pays the applicable GST and PST. On April 6, 2013 they return the camera and exchange it for one that cost \$50. The customer is entitled to a refund of \$50 and the related PST.

- No PST would be refunded and no HST charged if an exchange is made resulting in neither a refund, nor an additional payment.
- HST would apply to the additional payment where the price for the exchanged goods exceeds the price paid for the original goods.

Example: In April 2013, a person returns a toy that was purchased in March 2013 for \$40. The store exchanges the returned toy for another toy that costs \$60. In this situation, the store would collect the 14% HST on \$20.

However, if a customer purchased goods before April 1, 2013 that were **not** subject to PST and returns or exchanges those goods after March 31, 2013 but before August 1, 2013 then the 14% HST would apply to the full price of the replacement goods. In these situations the purchaser may be eligible for a refund of the GST paid on the original purchase. See [GST/HST Memorandum 12.2 Refund, Adjustment, or Credit of the GST/HST under Section 232 of the Excise Tax Act](#).

Example: In March, 2013 a person purchases a PST exempt shirt for \$30. In April, 2013, that person exchanges the shirt for another shirt that costs \$45. In this situation, the store would collect the 14% HST on the full value (i.e. \$45) of the new shirt. The purchaser may be eligible for a refund of the GST paid on the original purchase.

Refunds from Prince Edward Island Department of Finance, Energy and Municipal Affairs:

If a customer returns goods, on which PST was paid, on or after August 1, 2013 that were bought before April 1, 2013, the customer may obtain a refund of the PST paid by submitting a [Request for Refund of Revenue Tax \(PST\)](#) directly to the Prince Edward Island Department of Finance, Energy and Municipal Affairs within four years from the date on the original invoice.

Businesses may file a supplemental PST return no later than August 20, 2013 to account for refunds they have given to customers as a result of returned or exchanged goods. They also have the option of filing a [Request for Refund of Revenue Tax \(PST\)](#). For more information regarding PST returns, refer to Revenue Tax Guide 185 – [Implementation of the Harmonized Sales Tax in Prince Edward Island \(General Transitional Rules\)](#).

FURTHER INFORMATION

The Harmonized Sales Tax (HST) is administered by the Canada Revenue Agency (CRA). If you have specific questions on how the HST applies to your business or whether a good or service is taxable, visit the CRA website at www.cra.gc.ca/gsthst or call **1-800-959-5525**.

Copies of the *Revenue Tax Act* and Regulations are available on our website. For information regarding the winding down of the revenue tax (PST), please contact:

Taxation and Property Records Division
P.O. Box 1330
Charlottetown, PE
C1A 7N1
Telephone: (902) 368-4171
Fax: (902) 368-6164
Website: www.taxandland.pe.ca

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