

## **REBATES OF HST ON SUPPLIES MADE FROM THE PARTICIPATING PROVINCES**

This bulletin does not replace the law found in the *Excise Tax 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 Revenue Canada tax services office for additional information. If you are located in the province of Quebec, please contact the ministère du Revenu du Québec (MRQ) for additional information.

This bulletin reflects amendments proposed to the *Excise Tax Act* contained in Bill C-70, which received third reading and was passed by the House of Commons on February 11, 1997. At the time of publication, Parliament has not enacted these proposed amendments. Any commentary in this bulletin should not be taken as a statement by the Department that such amendments will in fact be enacted into law in their current form.

### **INTRODUCTION**

This bulletin explains two new proposed rebates of the provincial component of the Harmonized Sales Tax (HST) on supplies made in Nova Scotia, New Brunswick, Newfoundland, and the Nova Scotia and Newfoundland offshore areas to the extent that offshore activities are carried out in these areas. One of the rebates is available to persons who remove eligible tangible personal property from the participating provinces to a non-participating province within 30 days after delivery to the person. The second rebate is available to persons who receive supplies of intangible personal property or services in a participating province but the property or services are for consumption, use or supply outside the participating provinces. This bulletin also provides information on changes to foreign visitor rebates and rebates available to tour operators and convention organizers as a result of harmonization. The implementation date for the HST in Nova Scotia, New Brunswick and Newfoundland is April 1, 1997.

## **REBATES ON SUPPLIES REMOVED BY CANADIAN RESIDENTS**

### **Tangible personal property removed from the participating provinces**

(new ss 261.1(1), new s 261.4, new s 261.5)

To qualify for the rebate of the provincial component of the HST (8%) for tangible personal property removed from participating provinces, the following conditions must be met:

- the supply acquired by the person must be of tangible personal property (other than excisable goods, wine, and certain gasolines that are described in paragraph 252(1)(c) of the Act), a mobile home or floating home;
- the supply acquired by the person must be made by way of sale;
- the recipient of the supply must be resident in Canada and not, except in the case of specified motor vehicles such as most cars, tractors, and motorcycles, a consumer resident in a participating province;
- the recipient of the supply must not be a selected listed financial institution within the meaning of section 225.2 using the attribution method described in that section unless the property is prescribed for the purposes of paragraph (a) of the description of F in the formula in subsection 225.2(2);
- the property acquired must be for consumption, use or supply exclusively (90% or more) outside the participating provinces;
- the person must remove the property from a participating province to a non-participating province within 30 days after it is delivered to the person making the application for the rebate; and
- the person must pay the applicable provincial retail sales tax in the province to which the property is removed.

### Stored goods

(new ss 261.1(2))

If the person acquires property and puts it into storage prior to removing it from a participating province, the period of time that the goods spend in storage will not be taken into account when determining if the person has removed the property from the province within 30 days after delivery.

Restriction on rebate  
(new s 261.4, s 263)

The application for the rebate will be required to be filed within one year after the day that the person removes the property from the participating provinces. Invoices and receipts must be submitted to substantiate the rebate claim. Moreover, the minimum amount purchased on which HST is charged must be at least \$50 for each invoice or receipt submitted and the total value of the purchases on which HST is charged must be at least \$200 per rebate application. Persons may apply for the rebate by using Form GST189, *General Application for Rebate of GST/HST* which is available from any Revenue Canada tax services office.

If the person is an individual, only one application for a rebate may be made in a particular calendar quarter, except in prescribed circumstances. If the person is not an individual, only one application for a rebate may be made in a particular calendar month.

A person is not entitled to a rebate of an amount of tax to the extent that it can reasonably be regarded that the amount in question has otherwise been refunded, rebated, remitted or credited to the person, or to the extent that the person was otherwise entitled to claim a rebate, refund, remission or an input tax credit (ITC) in respect of the tax.

Example 1: A dentist in Charlottetown, PE, who is not a GST/HST registrant, purchases some office supplies from a manufacturer in Halifax, NS, for use in the dentist's practice located in Charlottetown. While on a visit to Halifax, the dentist picks up the supplies and returns with them to Charlottetown. Since the dentist is not entitled to ITCs, the dentist is eligible to claim a rebate of the provincial component (8%) of the HST paid for the supplies, provided that they were removed from Nova Scotia within 30 days of delivery. To obtain the rebate, the dentist must also pay any sales tax in respect of the office supplies that is payable to the province of Prince Edward Island.

Example 2: A landlord, who is not a GST/HST registrant, owns residential apartments. The landlord buys furniture from a supplier in Newfoundland to use in apartments located in St. John's, NF, Sydney, NS and Montréal, QC. The landlord intends to store the furniture for six months prior to shipping some of it to Sydney and some of it to Montréal from St. John's. In this case, the 8% provincial component of HST paid for the furniture that is shipped to Montréal is rebatable, provided the other conditions for eligibility are met. Ordinarily, the property must be removed from the participating provinces within 30 days of its acquisition by the claimant. However, where the goods are put in storage, the period of time in which the property is held in storage is not counted when calculating whether the 30-day threshold has been exceeded. Tax paid for the furniture destined for Sydney is not rebatable, as the goods are not being removed from the participating provinces.

Example 3: A resident of British Columbia vacations in New Brunswick. The vacationer will be able to claim a rebate of the 8% provincial component of the HST paid on eligible goods (most goods except excisable goods such as beer, liquor and tobacco, as well as wine and certain gasolines) that are removed from the participating provinces within 30 days of purchase and for which applicable retail sales tax payable to British Columbia is paid.

Example 4: A consumer who is a resident of New Brunswick buys a car in New Brunswick. This car qualifies as a specified motor vehicle. The consumer removes the motor vehicle within 30 days to Quebec. When the consumer registers the motor vehicle in Quebec, the consumer pays Quebec's sales tax. This consumer, even though a resident of a participating province, may claim a rebate of the provincial component of the HST that was paid when the consumer bought the motor vehicle provided the other eligibility requirements are met.

### **Intangible personal property or services for consumption, use or supply outside the participating provinces**

(new s 261.3)

To qualify for the rebate for the provincial component of the HST (8%) paid on supplies of intangible personal property or services acquired for consumption, use or supply outside the participating provinces, the following conditions must be met:

- the person claiming the rebate must be a resident of Canada (note: this includes residents of participating provinces);
- the rebate must not be payable to a listed financial institution described in subparagraph 149(1)(a)(vi) or (ix) in respect of HST paid on a supply of a management, administrative or other related service defined as a "specified service" in subsection 261.31(1); and
- the supply must be of intangible personal property or a service acquired by the recipient for consumption, use or supply primarily (more than 50%) outside the participating provinces.

Note: For information on the HST and financial institutions, see Technical Information Bulletin B-083, *Financial Services under the HST*.

#### Calculation of rebate

(new s 261.3)

New section 261.3 provides the formula to calculate the rebate as follows:

$$\mathbf{A} \times \mathbf{B}$$

where

**A** is the amount of the tax payable; and

**B** is the extent (expressed as a percentage) to which the intangible personal property or service is acquired by the person for consumption, use or supply outside the participating provinces.

Restriction on rebate  
(new s 261.4)

The application for rebate will be required to be filed within one year after the day the tax became payable by the recipient of the intangible personal property or services for consumption, use or supply primarily outside the participating provinces. Invoices and receipts must be submitted to substantiate the rebate claim. Moreover, the minimum amount purchased on which HST is charged must be at least \$50 for each invoice or receipt submitted and the total value of the purchases on which HST is charged must be at least \$200 per rebate application. “Persons may apply for the rebate by using Form GST495, *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)*, which is available from any Revenue Canada tax services office.”

Where the person is an individual, only one application for a rebate may be made under this section in a particular calendar quarter, except in prescribed circumstances. Where the person is not an individual, only one application for a rebate under this section may be made in a particular calendar month.

A person is not entitled to a rebate of an amount of tax to the extent that it can reasonably be regarded that the amount in question has otherwise been refunded, rebated, remitted or credited to the person, or to the extent that the person was otherwise entitled to claim a rebate, refund, remission or an ITC in respect of the tax.

Example: An environmental action group, which is not a GST/HST registrant, engages a marine biologist from Halifax, NS, to give a lecture to its members in Halifax, NS, Montréal, QC, and Toronto, ON. The marine biologist, who is a GST/HST registrant, charges HST for his services. The environmental action group may apply for a rebate of the provincial component of the HST (8%) to the extent that the services of the biologist are supplied outside the participating provinces. That is:

Lecture fees @ \$1,000 per lecture	\$3,000
provincial component of HST @ 8%	\$240

Rebate = **A** × **B** where

**A** is the amount of the tax payable; and

**B** is the extent (expressed as a percentage) to which the lecture service is acquired for supply outside the participating provinces, that is

$\$240 \times 67\% =$

\$160.80.

**REBATES ON SUPPLIES REMOVED BY NON-RESIDENTS**

### **Visitors to the participating provinces**

(ss 252(1), s 252.1)

The visitor rebates currently available under the GST for foreign visitors and businesses will also be available under the HST. Visitors will be entitled to claim a rebate of the 15% HST paid on most goods (other than excisable goods, wine and certain gasolines described in paragraph 252(1)(c)) and accommodation. The goods must be taken out of Canada within 60 days of purchase and the accommodation, in accordance with the definition of “short-term accommodation” provided in subsection 123(1), must be for less than one month. Invoices and receipts must be submitted to substantiate the rebate claim. Moreover, the minimum value of goods purchased on which HST is charged must be at least \$50 for each invoice or receipt submitted. Note: this threshold does not apply to supplies of accommodation. The total value of the supplies purchased on which HST is charged must be at least \$200 per rebate application. For information on the GST and visitor rebates, see the booklet, *Tax Refund for Visitors*.

This rebate is not available to residents of Canada. However, Canadian residents may be entitled to claim a rebate of the provincial component of the HST when they remove eligible goods from the participating provinces within 30 days as outlined under the heading “Tangible personal property removed from the participating provinces” on page 2.

Example: A tourist from Germany purchases several items during a two-week vacation in Newfoundland and takes the items home to Germany. If the cost of the goods meets the minimum dollar threshold (i.e., \$50 for each invoice or receipt submitted), the tourist will be entitled to a 100% rebate of the HST paid on these items. The tourist will also be entitled to a rebate in respect of the HST paid on short-term hotel accommodation. The total value of purchases (both goods and accommodation) on which HST is charged must be at least \$200 per rebate claim.

### **Tour operators**

(s 252.1)

Accommodation and tour package rebates currently available to non-resident tour operators will apply for HST purposes. For details, see the GST Memoranda Series, Chapter 27, *Special Sectors: Tourism*, Section 27.3, *Tour Operators*.

Registered tour operators in the participating provinces selling a tour package where the package components are to be consumed entirely in non-participating provinces are required to charge the GST (7%) on the components consumed, but are not required to charge the HST on these components. Tour operators selling tours involving a combination of services with HST applying to some services and not to others will be required to prorate their selling prices under the place of supply rules referred to in section 144.1 and set out in Schedule IX according to the value of the HST and non-HST elements in the package. The proration will be consistent with the general rules and will be based on the relative cost of each of the travel service elements to the tour operator.

**Foreign conventions**

(s 252.3, s 252.4)

Rebates currently available to foreign convention organizers, sponsors and exhibitors for acquisition of convention facilities, short-term accommodation, or the acquisition or importation of related convention supplies will apply for HST purposes. For details, see the GST Memoranda Series, Chapter 27, *Special Sectors: Tourism*, Section 27.2, *Conventions*.