



Proposed GST/HST Rate Reduction in 2008

Note: This notice supersedes the previous versions dated November 2007 and November 9, 2007.

On October 30, 2007, the Government of Canada announced in its Economic Statement that it proposes to reduce the GST rate by one percentage point from 6% to 5%, effective January 1, 2008. To facilitate the transition to the lower rate, the Economic Statement also proposes transitional rules for determining the GST rates applicable to transactions that straddle the January 1, 2008 implementation date.

This notice provides a detailed set of questions and answers that reflect the proposed amendments to the *Excise Tax Act*. Any commentary in this notice should not be taken as a statement by the Canada Revenue Agency (CRA) that these amendments will be enacted in their current form.

For purposes of simplicity and consistency, the CRA will be following the same approach used in implementing the previous rate reduction.

Effective January 1, 2008, the rate of the GST and the federal component of the HST are proposed to be reduced from 6% to 5%. The provincial component of the HST will remain at 8%. This means that the rate of HST is to be reduced from 14% to 13%. Please note that the HST applies only to purchases made in or imported into New Brunswick, Nova Scotia, and Newfoundland and Labrador (the participating provinces)* and the GST applies to supplies made in the rest of Canada.

For most purchases, the rate of tax will be determined by the date the GST/HST becomes payable or is paid. If GST/HST became payable or was paid in 2007, the old GST rate of 6%, or HST rate of 14%, applies. Otherwise, the reduced GST rate of 5%, or HST rate of 13%, applies if the tax became payable on or after January 1, 2008, or was paid on or after January 1, 2008 without having become payable before that day.

The following detailed set of questions and answers is provided to assist businesses and consumers in understanding how the reduction in these rates will apply. For more information on the GST/HST rate reduction, they can call **1-866-959-7797**. This toll-free hotline service is available from 8:15 a.m. to 8:00 p.m. (local time), Monday to Friday.

Note: Legislative references in this notice refer to the *Excise Tax Act* (the Act) unless otherwise specified.

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* If you are uncertain as to whether a supply is made in a participating province, refer to Technical Information Bulletin B-078, *Place of Supply Rules under the HST*, available on the CRA Web site or from any CRA tax services office or.



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Information for businesses

General

1. What are the new rates of GST and HST?

The rate of the GST and the federal component of the HST are to be reduced from 6% to 5%. The provincial component of the HST will remain at 8%. This means that the rate of HST is to be reduced from 14% to 13%.

2. When are the new rates of GST and HST effective?

The new rates of GST and HST are effective January 1, 2008.

3. When do I apply the GST/HST at the new rates?

Generally, the new 5% GST and 13% HST* rates will apply to the supply of taxable goods, intangible property (such as rights), and services:

- if GST/HST becomes payable on or after January 1, 2008 without having been paid before that day; or
- if GST/HST is paid on or after January 1, 2008 without having become payable before that day.

If GST/HST becomes payable or is paid in 2007, the 6% GST rate or the 14% HST rate will apply.

4. When is GST/HST payable?

GST/HST on the consideration for a supply is usually payable the earlier of the day payment is made and the day the supplier issues an invoice. If there is an undue delay in issuing an invoice, GST/HST becomes payable when the invoice would have been issued if there had been no delay. In addition, if either the date of an invoice or the payment date under a written agreement is earlier than the date the invoice is issued, GST/HST becomes payable on the earlier date.

For a supply of property by way of lease, licence or similar arrangement under a written agreement, GST/HST becomes payable the earlier of the date the payment is made and the date it is required to be made under the agreement.

* To avoid repetition in this publication, it is understood that any reference to the HST rates or related tax fractions relate to supplies made in a participating province, unless otherwise specified.

If GST/HST is not otherwise payable by the last day of the calendar month after the calendar month in which any of the following events takes place, it becomes payable on that day:

- in the case of a sale of tangible personal property, other than a sale referred to below, the buyer acquires ownership or possession of the property;
- in the case of a sale of tangible personal property on approval, consignment, sale-or-return basis or similar terms, the buyer acquires ownership of the property or re-supplies it to someone other than the seller; and
- in the case of a supply under a written agreement for construction, renovation, alteration or repair of real property, or of a ship or other marine vessel when the work is reasonably expected to last more than three months, the work is substantially completed.

The GST/HST will be payable at 5% (GST) or 13% (HST) where it becomes payable under these rules on or after January 1, 2008.

Sales of property (excluding real property)

5. I invoiced a customer in 2007 for the sale of computers. The customer paid the invoice after January 1, 2008. What rate of tax do I charge on this sale?

Since the GST/HST became payable on the date of the invoice and this was in 2007, you would charge the customer 6% GST or 14% HST.

6. In April 2007, we had a sales promotion where our customers purchased furniture without having to make any payments until April 2008. What rate of tax should apply to these sales, where our customers received ownership and possession of this furniture in April 2007, but will not receive an invoice for payment until April 2008?

If the customers received possession and/or ownership of the furniture in April 2007, under a written agreement entered into at that time, the GST/HST is considered to be payable at the end of May 2007. Since this date is in 2007, 6% GST or 14% HST applies to the sale of this furniture.

7. In September 2007, a consumer buys a refrigerator under a layaway plan. Under the written agreement, the consumer must make six equal monthly payments from September 2007 to February 2008 (the payments become due during each of these months). Possession and ownership of the refrigerator will be transferred to the consumer after the final payment is made in February 2008. What rates of tax apply to these payments?

GST at the rate of 6% or HST at the rate of 14% will apply to the monthly payments required to be made in 2007. Payments required to be made on or after January 1, 2008 (January and February 2008) will be subject to GST at the rate of 5% or HST at the rate of 13%.

8. We sell heavy-duty equipment under a conditional sales contract where the customer receives possession of the property on December 1, 2007, but does not receive ownership of the property until full payment of the purchase price. The customer agrees to make monthly payments for the property over a period of time, starting on December 1, 2007. How will the reduced rates of tax affect such a conditional sales contract?

In a conditional sales contract, the GST/HST on the consideration for the property is payable no later than the last day of the month following the month during which you transferred possession of the property to the customer. In this example, 6% GST or 14% HST will be payable on the payment made on December 1, since this is in 2007 while 5% GST or 13% HST will be payable on the payment made January 1, 2008. Finally, on January 31, 2008 (i.e., the last day of the month following the month in which your customer took possession of the property), 5% GST or 13% HST will apply on the remainder of the consideration payable for the property.

9. How will the rules regarding the reduction of the GST/HST rates impact sales of goods from coin-operated devices, such as vending machines?

The prices of goods from a coin-operated device, such as a vending machine, include GST/HST, and you are considered to have collected the tax at the time you remove the money from the coin-operated device.

Consequently, if you remove the money from a vending machine on or after January 1, 2008, you will be deemed to have collected GST at the reduced rate of 5% or HST at the reduced rate of 13%.

Exception: If the GST/HST equalled zero on supplies you made through vending machines before January 1, 2008, it will continue to be zero on or after January 1, 2008.

10. Are there any changes to the sale-leaseback provisions under the Act as a result of the reduction in the GST/HST rates?

The sale-leaseback rules allow a credit of tax initially paid to preclude that property being subsequently taxed on lease payments a second time when the property is sold and leased back from the lessor. The reduced 5% GST or 13% HST rate will apply to the deemed consideration for the lease payments made and due on or after January 1, 2008.

11. On or after January 1, 2008, a registrant re-purchases containers (other than returnable beverage containers) that were initially taxed at 6% GST or 14% HST. Will there be a transitional rule to take into account that some containers returned after January 1, 2008 would have been taxed at 6% or 14%?

Currently, if a registrant is the recipient of a returnable container (other than a returnable beverage container), and no tax is payable on the supply, the registrant is deemed to have paid tax equivalent to 6/106 of the consideration for the supply, or 14/114 for a supply made in a participating province. This deeming provision removes embedded tax, since the registrant would have charged tax when the registrant initially sold the container.

There will be no transitional rule for these containers re-purchased by the registrant on or after January 1, 2008. Consequently, the registrant who re-purchases these containers on or after January 1, 2008 will be deemed to have paid tax equivalent to 5/105 or 13/113 of the consideration for the supply.

12. If a person has an equal billing plan set up for electricity which covers the period June 2007 to May 2008, how will the supplier (i.e., the utility) determine which of the payments made in 2008 should be subject to GST/HST at the reduced rates?

The supplier will collect GST at the rate of 6% on payments made or becoming due in 2007, and GST at the reduced rate of 5% on payments made without becoming due on or after January 1, 2008, or as they become due on or after that date.

For electricity supplied in a participating province, the supplier will collect HST at 14% on payments made or becoming due in 2007, and HST at the reduced rate of 13% on payments made without becoming due on or after January 1, 2008, or as they become due on or after that date.

13. A person has an equal billing plan set up for electricity that covers the period June 2007 to May 2008. The supplier (i.e., the utility) reconciles the person's actual consumption of electricity and the consideration payable by the person against the amount of the consideration the person actually paid throughout the period. As a result of the reconciliation, the supplier issues an invoice on or after January 1, 2008 for the remaining consideration due on the electricity that the person had consumed during the period. What rate of tax applies on the amount of consideration charged on this invoice?

If, as a result of the reconciliation of the account, the supplier issues an invoice on or after January 1, 2008 for the remaining consideration payable on the electricity, the supplier will charge the reduced 5% GST or 13% HST rate.

14. A person has an equal billing plan set up for electricity that covers the period June 2007 to May 2008. The supplier (i.e., the utility) reconciles the person's actual consumption of electricity and the consideration payable by the person for that consumption, against the amount of the consideration the person paid throughout the period. As a result of this reconciliation, the supplier issues the person a credit note on or after January 1, 2008 for the overpayment of consideration the person has made. What rate of tax applies to the credit given to the person on or after January 1, 2008?

If, as a result of the reconciliation of the account, the supplier issues the person a credit note on or after January 1, 2008 for the amount of consideration the recipient overpaid the supplier, the supplier may generally

credit the recipient using the rate of GST or HST to which the original supply had been subject. For example, a price adjustment in relation to a supply that was originally subject to GST at the rate of 6% will be subject to GST at that same rate.

15. We are selling admissions to a concert that is to be held after January 1, 2008. If customers purchase tickets in October 2007 to attend this concert, what rate of tax applies to the purchase of these tickets?

The 6% GST or 14% HST rate will apply to tickets purchased in 2007 for admission to a concert to be held after January 1, 2008.

16. What rate of tax applies to a magazine subscription renewal if it is accepted and paid by the customer in 2007 but the magazines will be provided to the customer in 2008?

If the magazine subscription renewal payment is made in 2007 or becomes due in 2007 the amount will be subject to 6% GST or 14% HST, even though the magazines will be provided in 2008.

Services

17. I am an accountant issuing an invoice after January 1, 2008 for services performed from September to December 2007. What rate of tax do I charge on these services?

Since the invoice was issued after January 1, 2008, you would charge the reduced 5% GST or 13% HST rate.

18. I will be invoicing my client after January 1, 2008 for construction services that will be performed in December 2007 and January 2008. What rate of tax will apply on this invoice for my services?

Since you will be issuing the invoice after January 1, 2008, 5% GST or 13% HST will apply to the services billed on this invoice.

19. My customer made a partial payment of \$100 in 2007 for services that were performed after January 1, 2008. The total consideration for the services is \$500. The invoice for these services will be issued after January 1, 2008. What rates of tax apply?

The 6% GST or 14% HST rate will apply to the partial payment of \$100 made in 2007. The 5% GST or 13% HST rate will apply to the remaining \$400 of consideration for these services invoiced after January 1, 2008.

20. In 2007, we entered into a long-term fixed-price contract for services, which includes tax. Will the reduced rates of tax affect the payments we make under this contract?

Any payments made under this contract in 2007 will include 6% GST or 14% HST if the place of supply for the services is in a participating province. Payments made under this contract on or after January 1, 2008 will include GST at the reduced rate of 5% or HST at the reduced rate of 13%.

21. If I prepay an amount in 2007 for a transportation service that will be provided in 2008, what rate of tax applies to the prepayment amount?

A payment made in 2007 will be taxable at 6% GST or 14% HST, even if the transportation service will be provided in 2008.

Leases

22. How will the reduction in the rate of GST/HST apply to leases of property?

The 5% GST or 13% HST rate will apply to a lease payment due on or after January 1, 2008 unless it was paid before that date.

The 6% GST or 14% HST rate will apply to a lease payment due in 2007, even if it is paid on or after January 1, 2008.

23. I pay the rent for my office space on the 15th of every month. What rate of tax will apply to the payment made on December 15, 2007 that covers the rent for the month of December 15, 2007 to January 14, 2008?

Since the payment is in 2007, 6% GST or 14% HST will apply to the lease payment.

24. The lease payment for my passenger vehicle is due December 15, 2007. What rate of tax applies to this lease payment if I do not make it until after January 1, 2008?

Since the lease payment is due in 2007, 6% GST or 14% HST will apply to the lease payment, even though you will make the payment after January 1, 2008.

25. How will the GST/HST rate reductions affect existing leases for vehicles?

The 5% GST or 13% HST will apply to lease payments that become payable on or after January 1, 2008 without having been made prior to that date, including those for leases that were in effect before October 30, 2007. As a result, all lessees of automobiles, RVs and boats should benefit from the GST/HST reduction on invoices dated on or after January 1, 2008.

Imports

26. What rate of tax will I pay when I import goods?

The 5% GST will apply to taxable importations of goods on or after January 1, 2008 or released from customs control on or after that day.

In most cases, 14% HST applies at the border to taxable importations of non-commercial goods imported by a resident of a participating province, regardless of the point of entry into Canada or customs clearance. If such non-commercial goods are imported on or after January 1, 2008, or released from customs control on or after that day, the resident of a participating province will pay HST at the rate of 13%.

27.(a) Will the reduced rates of tax apply to imported taxable supplies of services and intangible personal property?

GST on imported taxable supplies of services and intangible property is payable the earlier of when consideration is paid or when it becomes due. Therefore, in general, if the earlier of the day the consideration is paid or becomes due is on or after January 1, 2008, 5% GST will apply to the imported taxable services and intangible personal property.

(b) Will the reduced rates of tax apply to amounts of “qualifying consideration” under the proposed import rules for financial institutions?

Under draft legislative proposals released January 26, 2007, financial institutions will be required to self-assess GST on certain cross-border transactions using a special set of rules. The calculation of tax payable under these proposed rules for financial institutions is described in GST/HST Technical Information Bulletin B-095, *Import Rules for Financial Institutions under Section 217.1 and Dealings Between Permanent Establishments under Section 220*.

If a financial institution’s taxation year begins before January 1, 2008, and ends on or after that day, the financial institution will be required to apportion the total amount of qualifying consideration for the taxation year on which it is required to self-assess GST under the proposed measure. The apportionment will be based upon the ratio of the number of days in the taxation year that occur before January 1, 2008, to the total number of days in the taxation year. GST on the amount allocated to the period before January 1, 2008, will be calculated at the rate of 6% GST, and 5% GST will apply on the remaining amount of qualifying consideration.

Coupons, price adjustments and returned goods

28. I am a manufacturer in Saskatchewan. I have been redeeming coupons from retailers in respect of taxable (other than zero-rated) supplies of property and services made by the retailers to consumers. Because the coupon entitles the consumer to a reduction of the price of the property or service equal to a fixed dollar amount, and the coupon is not in

respect of a zero-rated supply, I have been claiming an input tax credit (ITC) equal to the tax fraction (6/106 for redemptions on or after July 1, 2006, or 7/107 for redemptions before July 1, 2006) of the coupon value when I pay a retailer the redemption amount for the coupon. What tax fraction will I use to calculate an ITC when I redeem coupons from the retailers on or after January 1, 2008?

When you redeem a coupon offering a fixed dollar price reduction specified in the coupon that was accepted by a retailer on or after January 1, 2008, you will calculate your ITCs using 5/105 as the tax fraction of the coupon value, which is based on the reduced 5% GST. If you were a manufacturer redeeming the coupon accepted by a retailer in a participating province on or after January 1, 2008, you would calculate your ITCs using 13/113 as the tax fraction of the coupon value, based on the reduced 13% HST.

29. I am a retailer in Newfoundland and Labrador and I issue coupons that entitle a consumer to a price reduction on a taxable (other than zero-rated) supply of property or services equal to a fixed dollar or fixed percentage amount specified in the coupon. When I accept the coupon I treat it as a partial cash payment (i.e., tax is calculated on the value of the consideration for the supply before the coupon discount). As a result, I charge and collect 14% HST on the consideration payable for the supply and then claim an ITC equal to 14/114 of the coupon value. I understand that after January 1, 2008, I will be charging and collecting 13% HST instead of 14%, and that I will be claiming an ITC equal to 13/113 of the coupon value. What happens if a reporting period straddles January 1, 2008?

For that part of the reporting period prior to January 1, 2008, you will be required to charge and collect 14% HST on the consideration for taxable (other than zero-rated) supplies, and you will be entitled to an ITC equal to 14/114 of the coupon value for coupons that are accepted before January 1, 2008. For that part of the reporting period on or after January 1, 2008, you will be required to charge and collect 13% HST on the consideration for taxable (other than zero-rated) supplies, and you will be entitled to an ITC equal to 13/113 of the coupon value for coupons accepted on or after January 1, 2008.

30. A retailer issues coupons entitling consumers to a price reduction on a taxable (other than zero-rated) supply of property or services equal to a fixed dollar or fixed percentage amount specified in the coupon. When redeeming coupons the retailer treats them as reducing the value of consideration for the supply. What happens on January 1, 2008?

In this transaction the GST/HST is calculated after the coupon value is deducted from the consideration for the supply. From July 1, 2006 to December 31, 2007, the applicable GST rate is 6% and the HST rate is 14%. If the transaction takes place on or after January 1, 2008, 5% GST or 13% HST will apply. When you treat a non-reimbursable coupon as reducing the value of the consideration before the GST/HST is calculated, you do not have to deal with tax fractions.

If your reporting period straddles January 1, 2008, for that part of the reporting period prior to January 1, 2008, you will be required to charge and collect 6% GST or 14% HST on the reduced consideration for taxable (other than zero-rated) supplies, as you currently do. For the portion of the reporting period that is on or after January 1, 2008, 5% GST or 13% HST applies.

31. I am a manufacturer in Manitoba who has been claiming ITCs equal to the tax fraction 6/106 of the amount of rebates I have paid to consumers who have purchased my product from retailers. After January 1, 2008, if I pay a rebate to a consumer who purchased my product in 2007, what is the tax fraction that I will use to calculate an ITC in respect of the rebate?

In order to determine your ITC when you pay a rebate to a consumer, you will apply the tax fraction that reflects the rate of GST in effect at the time the tax became payable in respect of the supply of your product to the consumer. Generally, in respect of sales occurring after June 30, 2006 and before January 1, 2008, the GST tax rate is 6% and the tax fraction is 6/106. In respect of sales of your product to consumers occurring on and after January 1, 2008, the GST tax rate will be 5% and the tax fraction will be 5/105.

The same rule applies in participating provinces where the 14% HST rate and 14/114 tax fraction apply to sales occurring after June 30, 2006 and before January 1, 2008, and the reduced 13% HST, and tax fraction of 13/113, apply for sales on or after January 1, 2008.

32. How will the reduced rates of GST/HST apply to a price adjustment, such as a volume rebate, paid on or after January 1, 2008, where the supply to which the price adjustment relates occurs before January 1, 2008?

If a supplier chooses to credit a recipient an amount of GST/HST on a price adjustment, the rate of the GST/HST that applies to the price adjustment will be the rate of tax on the supply to which the price adjustment was subject. For example, a price adjustment in relation to a supply that was subject to GST at 6% will be subject to GST at that same rate.

33. A consumer in Ontario purchases a good in November 2007 and pays 6% GST. In January 2008, the consumer returns the stereo to the supplier because it is defective and the supplier gives the consumer a refund of the price of the stereo and the GST. What rate of GST will apply to the refund?

The supplier will refund the consumer the rate of GST that the consumer had originally paid, in this case 6%.

34. A consumer in New Brunswick purchases a shirt in December 2007 and pays 14% HST on the price of the shirt. In January 2008, the consumer returns the shirt to the supplier and exchanges it for another one. What rates of tax apply to the exchange of the shirts?

At the time the shirt is exchanged, there are two transactions occurring: the refund of the price of the shirt being returned, and the purchase of the new shirt. The refund of the purchase price of the returned shirt will include the 14% HST the consumer paid. The purchase of the new shirt will be subject to 13% HST, since the HST is payable on the purchase price of the new shirt on or after January 1, 2008.

Tax accounting and invoicing

35. I use the Quick Method of Accounting to determine the amount of net tax I have to remit. Will the percentages that I use change?

The Quick Method percentage rates will be changed to reflect the reduced rates of GST/HST for reporting periods beginning on or after January 1, 2008. For reporting periods beginning before January 1, 2008 and ending on or after that date, the existing percentages will apply for consideration that became due, or that was paid without having become due, before January 1, 2008, and the new percentages will apply for all other consideration.

The following tables reflect the current and new Quick Method remittance rates for small business.

Table 1

Remittance rates for businesses that purchase goods* for resale

	Permanent establishment in a non-participating province		Permanent establishment in a participating province	
	Current rate	Reduced rate	Current rate	Reduced rate
Supplies made in a non-participating province	2.2%	1.8%	0% (and 2.5% credit)	0% (and 2.8% credit)
Supplies made in a participating province	9%	8.8%	4.7%	4.4%

*In order to use the rates in Table 1, the cost (including GST/HST) of goods (other than basic groceries and other goods for which you did not pay tax) purchased in the previous fiscal year for resale, or used in goods produced or manufactured for resale, must be at least 40% of total annual taxable supplies (including GST/HST) for that fiscal year. Businesses that have less than this percentage of taxable goods for resale use the remittance rates shown in Table 2.

Table 2

Remittance rates for businesses that provide services

	Permanent establishment in a non-participating province		Permanent establishment in a participating province	
	Current rate	Reduced rate	Current rate	Reduced rate
Supplies made in a non-participating province	4.3%	3.6%	2.6%	1.8%
Supplies made in a participating province	11%	10.5%	9.4%	8.8%

36. What happens to GST-included pricing on gasoline?

Effective January 1, 2008, the tax-included pricing on gasoline will reflect the new rates of 5% GST and 13% HST.

37. How do I calculate the new rates of tax on a tax-included invoice?

The invoice or receipt should show the rate of GST/HST that has been charged. The amount of the reduced rate of GST on a tax-included amount of consideration is 5/105 of the amount. To calculate the amount of consideration payable on the invoice before the GST, multiply the tax-included amount by 100/105.

The amount of the reduced rate of HST on a tax-included amount of consideration is 13/113 of the amount. To calculate the amount of consideration payable on the invoice before the HST, multiply the tax-included amount by 100/113.

38. How will I complete my GST/HST return to account for the reduced amount of GST/HST?

You will continue to report the total GST/HST collected or collectible in a reporting period on line 103 of the GST/HST return. This total could include GST/HST collected or collectible at 6%, 14%, 5% or 13%. ITCs for the tax paid or payable will continue to be reported on line 106 of the return.

39. I am an annual filer for GST/HST reporting purposes and I am required to make quarterly instalment payments. The amount required as an instalment payment is the lesser of ¼ of the net tax for the current annual reporting period, or ¼ of the net tax for the previous reporting period.

a) If I calculate my instalment payments based on the new rates and I underpay, will I be charged interest?

The provisions regarding interest will not be amended as a result of the reduction in GST/HST rates. If the instalments as required under the Act are underpaid, interest will be charged on the underpaid amount.

b) Is there any tolerance if I calculate my instalments incorrectly?

No, unless the reason the instalments were underpaid falls within the CRA's administrative guidelines under taxpayer relief for cancelling interest. The CRA may waive or cancel interest when it results from circumstances that are beyond your control, such as illness, or from an inability to pay because of financial hardship.

40. What happens to the 6/106 or 14/114 calculations I use to calculate ITCs using the Simplified Method for Accounting for ITCs?

When you use the Simplified Method for Accounting for ITCs and you make purchases in both participating and non-participating provinces, you currently have to separate your purchases that are taxable at 6% from those taxable at 14%. To calculate your ITCs for each reporting period, total your taxable purchases, including GST or HST, provincial sales tax, tips, and penalty and interest charges on late payments, and:

- multiply by 6 and divide the result by 106 for GST purchases; or
- multiply by 14 and divide the result by 114 for HST purchases.

Effective on or after January 1, 2008, when you make purchases subject to the reduced 5% GST or 13% HST rate, to calculate your ITCs on these purchases you will separate your purchases that are taxable at 5% from those taxable at 13% and:

- multiply by 5 and divide the result by 105 for GST purchases; or
- multiply by 13 and divide the result by 113 for HST purchases.

You can use the Simplified Method to calculate ITCs only for purchases you use to provide taxable goods and services. If you use your purchases for personal use, or to provide both taxable and exempt goods and services, only the portion used to provide taxable goods and services can be included in the ITC calculation. If you use a purchase at least 90% to provide taxable goods and services, you can include the total purchase price in your ITC calculation.

41. For calculating the tax deemed paid or payable on reimbursements paid to employees, pursuant to section 175 of the Act, the CRA has allowed the use of a factor of 5/105 of the reimbursed expense amount, or 13/113 of the reimbursed amount for expenses incurred in participating provinces, rather than the factors of 6/106 or 14/114. These factors recognize that the expenses may include tips, gratuities and provincial sales tax which are not subject to GST/HST. Will there be new factors we may use when calculating the tax deemed paid on reimbursements to employees, given that the rates of GST and HST are being reduced to 5% and 13% respectively?

Effective for reimbursements paid on or after January 1, 2008, a person will be allowed the option of multiplying the total amount reimbursed for expenses by the factor of 4/104, if 90% or more of these expenses are taxable at 5% GST, or by 12/112 if 90% or more of these expenses are taxable at 13% HST.

The calculation method chosen must be used consistently within each category of reimbursed amounts (e.g., airfare, hotel accommodation, food, beverages and entertainment) throughout the fiscal year.

More detailed information will be available in GST/HST Info Sheet GI-039, *Applying the 2008 GST/HST Rate Reduction to Allowances and Reimbursements*.

42. I wrote off an amount as a bad debt for a supply that was subject to 6% GST. How do I account for this bad debt deduction in my return due after January 1, 2008, since the debt occurred before the GST rate reduction?

For purposes of deducting an amount from your net tax remittance for the GST/HST written off as a bad debt, subsection 231(1) of the Act sets out a formula based on the tax that was payable in respect of the supply associated with the debt that is being written off. Therefore, if the amount you wrote off related to a supply subject to 6% GST, this is the amount of GST that would be used in the formula to calculate the amount you may deduct in your net tax calculation.

43. After January 1, 2008, my client finally paid a debt that I had previously written off. I had already deducted an amount for the HST written off with respect to this debt from my net tax calculation. How do I recover this adjustment, since the debt written off included 14% HST?

When you recover all or part of a bad debt, subsection 231(3) of the Act requires you to add to your net tax calculation, for the reporting period in which the bad debt or part is recovered, an amount determined by a formula that includes the actual tax payable in respect of the supply to which the bad debt relates. Therefore, you would use the amount of the HST originally charged on the supply to calculate the amount you must include in your net tax calculation.

Rebates

44. I claim an employee and partner GST/HST rebate for the GST/HST paid on expenses deducted from my employment income for income tax purposes. How do I calculate the rebate where I may be paying 5% GST or 13% HST on my expenses?

For any rebate for eligible expenses on which you paid 5% GST or 13% HST in the calendar year, you may claim a rebate equal to 5/105 (for GST) or 13/113 (for HST) of the amount of those expenses.

Miscellaneous

45. What are the rules for determining what rate of tax will apply to deposits?

The rules that normally determine when GST/HST is payable will continue to apply to determine the appropriate rate of tax. A deposit is not treated as a payment for a supply until the supplier applies it against the consideration for the supply.

For example, if a person makes a deposit of \$100 in October 2007 for a supply that is made after January 1, 2008, the \$100 will not be treated as consideration for the supply until after January 1, 2008. The reduced 5% GST or 13% HST rate will apply to the consideration for that supply.

46. The Act has many provisions that deem supplies to be made, and GST/HST to be collected, or paid. How will the new rates apply to these deeming provisions?

The rates of 5% or 13% will be used to calculate GST/HST that is deemed under the Act to have been paid or collected on or after January 1, 2008.

For example, if, on or after January 1, 2008, a person pays an employee a reasonable allowance for the use, in Canada, of a motor vehicle in relation to the person's activities, the person is deemed to have paid the tax on the date. Consequently, the person will be deemed to have paid tax at the 5% GST or 13% HST rate.

47. Will the government reimburse me for costs I incur in changing my cash registers or computer systems to accommodate the 2008 rate change?

No compensation will be provided to businesses for any costs of implementing the rate change.

48. What happens if I do not change my cash registers or computer systems in time to charge the new rates of tax on or after January 1, 2008?

The Act requires that any amount collected, or charged, as or on account of tax must be included in your net tax calculation. For example, if you collect or charge 6% GST when, in fact, 5% GST should have been collected or charged, you must include the 6% amount as or account of GST you collected or charged in your net tax.

However, if you refund or credit your customer the amount that you overcharged, and issue a credit or debit note containing the information required under the Act to substantiate the refund or credit, you may deduct the amount of the refund or credit given to your customer from your net tax. This refund or credit must be given within two years after the day the tax was paid or charged.

49. Will there be any anti-avoidance legislation introduced to prevent tax benefits from related parties arranging transactions solely to take advantage of the reduced tax rates?

The legislative amendments include a provision to eliminate the tax savings to any party as a result of the rate reduction in circumstances where an agreement is varied, altered, terminated or entered into on or after October 30, 2007 between parties not dealing at arm's length, primarily to obtain the benefit of the tax reduction. Another existing provision eliminates the tax savings to any party as a result of the rate reduction in circumstances where transactions between related parties are undertaken primarily to obtain the benefit of the tax reduction.

50. Do the rate changes have an impact on the change-in-use rules for capital property?

The change-in-use rules for capital property deem an amount of tax to be collected, or paid, equal to the basic tax content of the property. The basic tax content of a property generally means the amount of GST/HST payable on the acquisition of the property and on any improvements to the property, less any amounts that would be reimbursed to you (such as rebates or remissions, but not ITCs). You also have to consider the fair market value of the property at that time and the original cost of the property (including any improvements).

Therefore, the rate changes will only impact on the change-in-use rules when these amounts that you pay or that are payable on the acquisition and improvements to capital property, or for which you receive a rebate, become part of the calculation for determining the basic tax content of the capital property.

51. I am deregistering for GST and therefore the ITCs I claimed on the property I have on hand at the time I deregister must be recaptured. If I deregister on or after January 1, 2008, how I do ensure that these ITCs are recaptured, since the GST rate has been reduced?

When you cease to be a registrant, any property on hand that you had purchased for consumption, use or supply in your commercial activity is considered to have changed to non-commercial use. As a result, you must ensure that the ITCs previously claimed on such property are recaptured. To do so, you are treated as having disposed of each property (other than capital property) at its fair market value immediately before ceasing to be a registrant and to have collected GST/HST on that amount. The GST/HST is then included in your net tax calculation on your last return as a registrant.

If you cease to be a registrant on or after January 1, 2008, you will be required to account for the tax at the reduced rate of 5% GST or 13% HST on the fair market value of the property (other than capital property) in your net tax calculation.

Where the property on hand is capital property, the change-in-use rules will generally apply to deem you to have paid tax equal to the basic tax content of the property. This will apply regardless of when you deregister. The basic tax content of a property is an amount calculated using a formula that takes into account all of the GST/HST you paid when you acquired the property and on any improvements made to the property.

52. What rate of tax applies to progress payments made after January 1, 2008 that relate to work performed, or property delivered, before that date?

When progress payments are made under a construction contract, GST/HST is payable on the value of each payment on the earlier of the day on which it is paid and the day on which it is due. The reduced 5% GST and 13% HST rates will apply to progress payments made on or after January 1, 2008 (provided that they were not due before January 1, 2008), even though these payments may relate to work performed, or property delivered, before that date.

53. I am a sole proprietor who is using my passenger vehicle less than exclusively in commercial activities. I may only claim ITCs for the GST/HST I paid when I acquired my passenger vehicle based on the capital cost allowance that I claimed on my income tax return for that vehicle. How do I do this now that the GST/HST rates have been reduced?

For the taxation year ending December 31, 2007 you are deemed to have acquired the passenger vehicle and to have paid tax on that day in respect of the vehicle equal to an amount determined by the formula

$$A \times B$$

where “A” is the tax fraction (i.e., 6/106, 14/114 or 8/108), and “B” is generally the capital cost allowance deducted under the *Income Tax Act* for that taxation year in respect of the passenger vehicle.

For 2008 and subsequent taxation years these tax fractions will now be 5/105, 13/113, or 8/108.

54. Will the GST/HST rate reductions affect how the security requirement for non-resident registrants is calculated?

Where the rates of tax are reduced, your net tax calculation may be affected which may, in turn, have an impact on your non-resident security requirements.

55. Taxi businesses that have their fares regulated by law are required to include GST/HST in their fares. Will these tax-included fares be subject to the GST/HST rate reductions?

An amount paid as a taxi fare on or after January 1, 2008 will be a tax-included amount that includes GST equal to 5/105 of the amount, or HST equal to 13/113 of the amount if the transportation is in a participating province.

56. The Act requires registrants to pay GST/HST on certain taxable benefits provided to individuals who are employees or shareholders. For most taxable benefits, the registrant is deemed to have collected GST equal to 5/105, or HST equal to 13/113, of the value of the taxable benefit reported for income tax purposes, and, if the taxable benefit is for a standby charge, on the amount of any reimbursement. For taxable benefits relating to the operating costs of a passenger vehicle, the registrant is deemed to have collected GST at a rate equal to 4%, or HST at a rate of 10%, on the value of the benefit reported for income tax purposes and on any reimbursements. Will these rates of tax change as a result of the rate reductions to GST/HST?

Registrants will be required to pay GST/HST on certain taxable benefits provided to employees and shareholders at the following rates:

- (a) For 2008 and subsequent taxation years of individuals, if the taxable benefit relates to the operating cost of an automobile, the registrant will be deemed to have collected GST equal to 3%, or HST equal to 9%, on the value of the benefit reported for income tax purposes and on any reimbursements.
- (b) For 2008 and subsequent taxation years of individuals, if the taxable benefit relates to the standby charge of an automobile, or other taxable benefits, the registrant will be deemed to have collected GST equal to 4/104, or HST equal to 12/112, of the amount of the value of the taxable benefit reported for income tax purposes, and, if the taxable benefit is for a standby charge, on the amount of any reimbursement..

57. I am an independent sales contractor selling taxable goods for a direct seller who uses the alternate collection method to account for GST/HST. What rate of tax applies when I sell these goods to consumers on or after January 1, 2008?

The reduced 5% GST or 13% HST rate will apply to the goods you sell to consumers on or after January 1, 2008.

Information for consumers

General

1. What are the new rates of GST and HST?

The rate of the GST and the federal component of the HST will be reduced from 6% to 5%. The rate of HST will be reduced from 14% to 13%.

2. When are the new rates of GST and HST effective?

The new rates of GST/HST are effective January 1, 2008.

3. When do I pay GST/HST at the new rates?

Generally, you will pay the new 5% GST or 13% HST* rates for purchases of taxable goods, intangible property (such as rights), and services:

- if GST/HST becomes payable on or after January 1, 2008, without having been paid before that day; or
- if GST/HST is paid on or after January 1, 2008, without having become payable before that day.

* To avoid repetition in this publication, it is understood that any reference to the HST rates or related tax fractions relate to supplies made in a participating province, unless otherwise specified.

If GST/HST becomes payable or is paid in 2007, 6% GST or 14% HST will apply.

4. When is GST/HST payable?

GST/HST on the amount payable for the purchase of a good, intangible property, or a service is usually payable the earlier of the day payment is made and the day the supplier issues an invoice.

If there is an undue delay in issuing an invoice, GST/HST becomes payable when the invoice would have been issued if there had been no delay. In addition, if either the date of an invoice or the payment date under a written agreement is earlier than the date the invoice is issued, GST/HST becomes payable on the earlier date.

If property is supplied by way of lease, licence or similar arrangement under a written agreement, GST/HST becomes payable the earlier of the day payment is made and the day it is required to be made under the agreement.

If GST/HST is not otherwise payable by the last day of the calendar month following the calendar month in which any of the following events takes place, it becomes payable on that day:

- in the case of a sale of tangible personal property, other than a sale referred to below, the buyer acquires ownership or possession of the property;
- in the case of a sale of tangible personal property on approval, consignment, sale-or-return basis or similar terms, the buyer acquires ownership of the property or re-supplies it to someone other than the seller; and
- in the case of a supply under a written agreement for construction, renovation, alteration or repair of real property, or of a ship or other marine vessel when the work is reasonably expected to last more than three months, the work is substantially completed.

The GST/HST will be payable at 5% (GST) or 13% (HST) where it becomes payable under these rules on or after January 1, 2008.

5. How do I calculate the new rates of tax on a tax-included price?

The invoice or receipt should show the rate of GST/HST that has been charged. The amount of the reduced rate of GST on a tax-included price is 5/105 of the price. To calculate the price of an item before the GST, multiply the price by 100/105.

The amount of the reduced rate of HST on a tax-included price is 13/113 of the price. To calculate the price of the item before the HST, multiply the tax-included price by 100/113.

Purchases of property (excluding real property)

6. In October 2007, I purchased furniture from a store that had a sales promotion where I do not have to make any payments until October 2008. What rate of tax should apply to this purchase, since I will not receive an invoice for payment until October 2008?

If you received ownership or possession of the furniture in October 2007, the GST/HST was considered payable at the end of November 2007. Since this date is before January 1, 2008, you would have been required to pay 6% GST or 14% HST at the end of November 2007.

7. What happens if I purchase an item on or after January 1, 2008 and the supplier charges me 6% GST or 14% HST instead of the 5% GST or 13% HST rate?

You may ask the supplier to refund the overpaid tax.

As an alternative, you may file for a rebate for the tax paid in error with the CRA, using form GST189, *General Application for Rebate of GST/HST*.

8. I use my credit card to pay for property I purchase in December 2007. Since the credit card statement will not be issued until on or after January 1, 2008 what rate of tax will I pay?

The GST/HST becomes payable in 2007 when purchasing the property even though the purchase was made with a credit card. The 6% GST or 14% HST rate will apply.

9. I purchased a refrigerator under a layaway plan in September 2007. Under the written agreement, I am required to make six equal monthly payments from September 2007 to February 2008 (the payments become due during each of these months). I will only receive possession and ownership of the refrigerator after the final payment is made. What rates of tax apply to these payments?

The 6% GST or 14% HST rate will apply to the monthly payments required to be made in 2007. Payments that are required to be made on or after January 1, 2008 will be subject to 5% GST or 13% HST.

10. If I sign a magazine subscription renewal notice accepting the renewal offer on December 1, 2007 for magazines that will be delivered to me in 2008, what rate of tax applies to the amount I will pay for this subscription, if I pay it before January 1, 2008?

If the payment due date on the renewal offer is in 2007 the subscription will be subject to 6% GST or 14% HST, even though the magazines will be provided in 2008.

11. What happens to tax-included pricing on gasoline?

Effective January 1, 2008, the tax-included pricing for goods, such as gasoline, will reflect the new 5% GST or 13% HST rate.

12. If I receive my electricity bill in a month that includes the day the GST/HST rate changes, what rate of tax will apply?

If the date of the invoice is on or after January 1, 2008, 5% GST or 13% HST will be charged on that invoice.

13. If I have an equal billing plan set up for electricity which covers the period June 2007 to May 2008, how will the supplier (i.e., the utility) determine which of the payments made in 2008 should be subject to GST/HST at the reduced rates?

The supplier will collect 6% GST or 14% HST on payments made or becoming due in 2007, and the reduced 5% GST or 13% HST rate on payments made without becoming due on or after January 1, 2008, or as they become due on or after that date.

14. I have an equal billing plan set up for electricity that covers the period June 2007 to May 2008. The supplier (i.e., the utility) reconciles my actual consumption of the utility service and the amount that would have been payable on that consumption against the amount I actually paid throughout the period. As a result of the reconciliation, the supplier issues an invoice on or after January 1, 2008 for the remaining amount due on the electricity that I had consumed during the period. What rate of tax applies on the amount of consideration charged on this invoice?

If, as a result of the reconciliation of the account, the supplier issues an invoice on or after January 1, 2008 for the remaining amount payable on the electricity, the supplier will charge the reduced 5% GST or 13% HST rate on the amount owing.

15. I have an equal billing plan set up for electricity that covers the period June 2007 to May 2008. The supplier (i.e., the utility) reconciles my actual electricity consumption and the amount that would have been payable on that consumption against the amount I paid throughout the period. As a result of this reconciliation, the supplier issues me a credit note on or after January 1, 2008 for the overpayment that I made. What rate of tax applies to the credit amount given to me?

If, as a result of the reconciliation of the account, the supplier issues a credit note on or after January 1, 2008 for the amount of consideration that was overpaid, the supplier may generally credit you using the rate of GST/HST to which the original supply had been subject. For example, a price adjustment in relation to a supply that was originally subject to GST at the rate of 6% will be subject to GST at that same rate.

16. If I sign a membership renewal notice from my fitness club accepting the renewal offer on December 1, 2007 for membership in 2008, what rate of tax applies to the amount if I pay it in 2007?

If the payment due date on the renewal notice is in 2007, the membership will be subject to 6% GST or 14% HST, even though the membership is for 2008.

17. If I purchase tickets in 2007 to attend a concert that is to be held on or after January 1, 2008, what rate of tax will apply to the purchase of these tickets?

The 6% GST or 14% HST rate will apply to tickets purchased before January 1, 2008 for admission to a concert held on or after that date.

Services

18. If the contractor I hired to renovate my kitchen in 2007 finishes the renovation work in 2007, but invoices me on or after January 1, 2008, what rate of tax will he charge me on these services?

Since the contractor issues the invoice on or after January 1, 2008, the contractor will charge you 5% GST or 13% HST.

19. A contractor that I hired to renovate my home will be invoicing me after January 1, 2008 for construction services that will be performed in 2007 and 2008. What rate of tax will apply on this invoice for the services?

Since the contractor will be issuing the invoice after January 1, 2008, 5% GST or 13% HST will apply to the services billed. Refer to the "Services and real property" section for more information on construction services.

20. I was required to make a down payment of \$100 in 2007 for services that are to be performed on or after January 1, 2008. The total amount that I will be required to pay for these services is \$500 and the invoice will be issued on or after January 1, 2008. What rate of tax applies to these payments?

The 6% GST or 14% HST rate will apply to the down payment of \$100 made in 2007. The reduced 5% GST or 13% HST rate will apply to the remaining \$400 due for these services invoiced on or after January 1, 2008.

21. If I make a deposit of \$100 in December 2007 for a service that will be provided on or after January 1, 2008, what rate of tax applies to this deposit?

A deposit is not treated as a payment until such time as the amount is applied against the total consideration payable for the supply. Where you make a deposit of \$100 in December 2007 for a service to be provided on or after January 1, 2008, the \$100 will not be treated as payment for that service until it is applied against the payment for the service. If the payment is made or became due (whichever is earlier) on or after January 1, 2008, 5% GST or 13% HST will apply to the payment for that supply.

22. Taxi businesses that have their fares regulated by law are required to include GST/HST in their fares. Will these tax-included fares be subject to the GST/HST rate reduction?

An amount paid as a taxi fare on or after January 1, 2008 will be a tax-included amount that includes GST of 5/105 or HST of 13/113 of the amount.

Leases

23. The lease payment for my car is due December 15, 2007, but I will not pay it until on or after January 1, 2008. What rate of tax applies to this lease payment?

Since the lease payment is due in 2007, 6% GST or 14% HST will apply, even though you will make the payment on or after January 1, 2008.

24. How will the GST/HST rate reductions affect existing leases for vehicles?

The reduced 5% GST or 13% HST rate will apply to lease payments that become payable on or after January 1, 2008 without having been paid prior to that date, including those for leases that were in effect before

October 30, 2007. As a result, all lessees of automobiles, RVs and boats should benefit from the GST/HST rate reductions on payments required to be made under the lease agreement on or after January 1, 2008.

Imports

25. What rate of tax will I pay when I import goods?

The reduced 5% GST rate will apply to taxable importations of goods on or after January 1, 2008 or released from customs control on or after that day.

In most cases, 14% HST applies at the border to taxable importations of non-commercial goods imported by a resident of a participating province, regardless of the point of entry into Canada or customs clearance. If these non-commercial goods are imported on or after January 1, 2008, or released from customs control on or after that day, a resident of a participating province will pay 13% HST.

Real Property

General

1. Do the new rates of tax (5% GST or 13% HST) apply to real property purchased before January 1, 2008?

For purchases of real property (other than a residential complex where a written agreement of purchase and sale was entered into on or before October 30, 2007):

- The new rates of tax (5% GST or 13% HST) apply to a taxable purchase of real property made before January 1, 2008 if both ownership and possession are transferred on or after January 1, 2008.
- For taxable purchases of real property made after June 30, 2006, 6% GST or 14% HST will apply if either ownership or possession of the real property is transferred before January 1, 2008.
- For taxable purchases of real property made before July 1, 2006, 7% GST or 15% HST will apply if either ownership or possession of the real property is transferred before July 1, 2006.
- For taxable purchases of real property made before July 1, 2006, 6% GST or 14% HST will apply if both ownership and possession of the real property are transferred after June 30, 2006, and either ownership or possession of the real property is transferred before January 1, 2008.

Refer to question number 7 for the exception to the general rule for the purchase of a new or substantially renovated residential complex.

2. Does the GST rate change affect the rate of HST payable in respect of a taxable supply of real property made in a participating province?

Yes, a taxable supply of real property (other than a residential complex where a written agreement of purchase and sale was entered into on or before October 30, 2007) made in a participating province, where both ownership and possession of the property are transferred on or after January 1, 2008, will be subject to HST at a rate of 13%.

3. A GST/HST registrant purchases a commercial building that is fully leased to retail tenants. The registrant entered into the agreement of purchase and sale in September 2007. Ownership and possession will be transferred in January 2008. At what tax rate is the registrant required to report and pay the tax payable on the purchase?

The taxable purchase of the commercial building is subject to 5% GST or 13% HST since both ownership and possession will be transferred on or after January 1, 2008.

If either ownership or possession of the commercial building is transferred before January 1, 2008, the taxable purchase of the commercial building is subject to 6% GST or 14% HST.

4. A GST/HST registrant purchases a residential apartment building that is already fully occupied and is leased to tenants on a long-term basis. Is the registrant required to pay GST/HST if ownership and possession will be transferred after January 1, 2008?

Generally, the supply of a residential apartment building in these circumstances is exempt pursuant to Part I of Schedule V to the Act. There are no changes where the supply of the real property is exempt.

5. A GST/HST registrant paid the GST that was payable at the rate of 6% on the purchase of a commercial building. If the return for the reporting period in which tax becomes payable is due after January 1, 2008, can the registrant still claim an ITC at the 6% rate or are they restricted to 5%?

Since GST was payable at the rate of 6%, the registrant may claim an ITC for the GST paid at 6%, provided that the conditions for claiming the ITC are met. If the commercial building was located in a participating province and HST was payable at 14%, the registrant would claim an ITC for the tax payable at 14%, provided that the conditions for claiming the ITC are met.

6. What are the rules for determining when GST/HST is payable on a holdback amount, and what rate of tax will apply?

If a purchaser retains part of a payment as a holdback amount pursuant to federal or provincial legislation or pursuant to a written agreement for the construction, renovation or repair of real property, GST/HST calculated on the holdback amount is payable on the earlier of the day the holdback is paid by the purchaser and the day the holdback becomes due under the agreement or pursuant to the legislation.

If the purchaser pays the holdback amount in 2007, 6% GST or 14% HST will apply. If the holdback amount becomes due under the agreement or pursuant to the legislation in 2007, 6% GST or 14% HST will apply. If the holdback amount becomes due under the agreement or pursuant to the legislation on or after January 1, 2008, and the purchaser does not pay the holdback amount before January 1, 2008, 5% GST or 13% HST will apply.

New housing

Tables illustrating the transition rules for purchases of new or substantially renovated residential complexes from a builder are included in the Appendix.

7. Do the new rates of tax (5% GST or 13% HST) apply to the purchase of a new or substantially renovated residential complex where a written purchase and sale agreement was entered into after May 2, 2006, and on or before October 30, 2007?

No, if a written agreement of purchase and sale was entered into after May 2, 2006 and on or before October 30, 2007, 6% GST or 14% HST will apply.

If both ownership and possession are transferred on or after January 1, 2008, a GST/HST 2008 transitional rebate will be available to the purchaser to account for the 2006 rate reduction. If either ownership or possession is transferred before January 1, 2008, the purchaser will not be entitled to claim a 2008 transitional rebate.

8. Do the new rates of tax apply to the purchase of a new or substantially renovated residential complex where a written purchase and sale agreement was entered into before May 3, 2006?

No, if a written agreement of purchase and sale was entered into before May 3, 2006, 7% GST or 15% HST will apply.

If both ownership and possession are transferred on or after January 1, 2008, a GST/HST 2006 transitional rebate will be available to the purchaser to account for the 2006 rate reduction, and a GST/HST 2008 transitional rebate will be available to account for the 2008 rate reduction.

If both ownership and possession are transferred after June 30, 2006, and either ownership or possession is transferred before January 1, 2008, 7% GST or 15% HST will apply and the purchaser will only be entitled to claim a GST/HST 2006 transitional rebate to account for the 2006 rate reduction.

9. Do the new rates of tax apply to new or substantially renovated housing purchased after October 30, 2007?

Where an agreement of purchase and sale is entered into after October 30, 2007, the 5% GST or 13% HST will apply provided both ownership and possession are transferred on or after January 1, 2008.

If either ownership or possession is transferred before January 1, 2008, 6% GST or 14% HST will apply and the purchaser will not be entitled to claim a GST/HST 2008 transitional rebate.

10. A purchaser entered into a written agreement of purchase and sale in November 2005 to purchase a new residential complex. Both ownership and possession will be transferred in February 2008. What rate of tax is applicable?

The purchase of a new residential complex under a written agreement of purchase and sale entered into on or before May 2, 2006 is subject to 7% GST or 15% HST.

Since both ownership and possession of the complex will be transferred on or after January 1, 2008, the purchaser will be entitled to claim a GST/HST 2006 transitional rebate to account for the rate reduction in 2006 and a GST/HST 2008 transitional rebate to account for the rate reduction in 2008.

11. A purchaser entered into an agreement of purchase and sale in September 2006 to purchase a new residential complex. Ownership of the complex will be transferred to the purchaser in December 2007, but possession will only be transferred in March 2008. What rate of GST/HST is applicable?

The 6% GST or 14% HST rate will apply, since ownership of the residential complex will be transferred before January 1, 2008, even though possession will be transferred after January 1, 2008.

In this case, the purchaser will not be entitled to claim a GST/HST transitional rebate since ownership will be transferred before January 1, 2008.

12. A purchaser entered into an agreement of purchase and sale in August 2006 to purchase a new residential condominium unit. Possession of the condominium unit will be transferred in December 2007, but ownership will only be transferred in April 2008. What rate of GST/HST is applicable?

The 6% GST or 14% HST rate will apply, since possession of the residential condominium unit will be transferred before January 1, 2008, even though ownership will be transferred after January 1, 2008.

In this case, the purchaser will not be entitled to claim a GST/HST transitional rebate since possession will be transferred before January 1, 2008.

13. After entering into a written agreement of purchase and sale in September 2007 for a new residential complex, the purchaser requests in November 2007 that additional upgrades be made to the complex. Do the new rates of tax apply to the additional amount payable for the upgrades?

Upgrades to a residential complex will generally result in modifications to the existing agreement, such that the upgrades form part of the agreement of purchase and sale for the complex. In this case, the tax rate applicable to the purchase of the complex will prevail. Since a written agreement of purchase and sale was entered into after May 2, 2006 and on or before October 30, 2007, 6% GST or 14% HST will apply to the total amount payable for the complex, including the amount payable for the upgrades.

If both ownership and possession of the complex are transferred on or after January 1, 2008, a GST/HST 2008 transitional rebate will be available to the purchaser to account for the rate reduction based on the total amount

payable for the complex, including the amount payable for the upgrades. If either ownership or possession is transferred before January 1, 2008, the purchaser will not be entitled to claim a transitional rebate.

14. A written agreement of purchase and sale entered into in September 2007 for a new residential complex provides for standard kitchen cabinets. The purchaser negotiates with the builder for an upgrade to deluxe cabinets in November 2007. Do the new rates of tax apply to the additional amount payable for the upgrade?

The additional amount the builder charges for the upgrade is an additional amount payable for the residential complex. The purchaser is not considered to have entered into a new agreement as a result of the upgrade and there is no impact on the application of the transitional rules. Since the agreement was entered into after May 2, 2006 and on or before October 30, 2007, 6% GST or 14% HST will apply on the total amount payable for the residential complex, including the amount payable for the upgrade.

If both ownership and possession of the complex are transferred on or after January 1, 2008, the purchaser may claim a GST/HST 2008 transitional rebate. When determining the amount of the transitional rebate, the total amount paid for the complex includes the additional amount paid for the upgrade. A transitional rebate is not available if either ownership or possession is transferred before January 1, 2008.

15. After entering into a written agreement of purchase and sale for a residential complex in September 2007, the purchaser requests that the builder upgrade the flooring on the main floor to hardwood. The amount payable for the upgrade is not included in the written agreement of purchase and sale, nor is an addendum to that agreement made in respect of the upgrade. The builder issues a separate invoice for the upgrade on February 12, 2008, and the purchaser pays the amount directly to the builder on the following day. Both ownership and possession of the residential complex will be transferred in April 2008. Do the new rates of tax apply to the additional amount payable for the upgrade?

The additional amount the builder charges for the upgrade is an additional amount payable for the residential complex. Although the purchase and sale agreement is not actually modified, the upgrade nonetheless forms part of the single supply of the residential complex made by the builder, as the builder is not making a separate supply of hardwood flooring. Since the written agreement of purchase and sale was entered into after May 2, 2006, and on or before October 30, 2007, 6% GST or 14% HST will apply on the total amount payable for the residential complex, including the amount payable for the upgrade.

Where both ownership and possession are transferred on or after January 1, 2008, the purchaser may claim a GST/HST 2008 transitional rebate. When determining the amount of the transitional rebate, the total amount paid for the complex includes the additional amount paid for the upgrade. A transitional rebate is not available if either ownership or possession is transferred before January 1, 2008.

16. What happens if the purchaser of a new residential complex replaces a previous purchaser in the agreement of purchase and sale?

It must be determined whether the agreement has been modified, varied or otherwise materially altered to the extent that a new agreement is entered into and, as a result, whether novation (i.e., a new agreement) has occurred. If novation has occurred, the application of the transitional rule for sales of new housing will be based on the date the new agreement is entered into, as well as the dates that possession and ownership are transferred under that new agreement. Refer to GST/HST Policy Statement P-249, *Agreements and Novation*. If novation has not occurred, the application of the transitional rule will be based on the date that the agreement was entered into as well as the dates that ownership and possession are transferred under that agreement. Generally, however, a change in the purchaser (i.e., the person liable to pay for the supply under the agreement) would result in a novation.

17. A written agreement of purchase and sale was entered into in September 2007 for a new residential complex where both ownership and possession will be transferred in December 2007. The purchaser and builder renegotiate the terms of

the agreement and enter into a new agreement in November 2007. Both ownership and possession under the new agreement will be transferred in February 2008. Do the new rates of tax apply to this transaction?

Where the builder and purchaser renegotiate the terms of agreement to purchase a new residential complex and enter into a new agreement of purchase and sale, the transitional rule will apply to the new agreement. Since the new agreement is entered into after October 30, 2007, and both ownership and possession under the new agreement will be transferred on or after January 1, 2008, 5% GST or 13% HST will apply.

GST/HST transitional rebate

18. On November 5, 2007, a builder enters into a written agreement of purchase and sale for a new house. The total amount payable under the agreement is \$300,000, including GST/HST, and is net of the new housing rebate that the builder will credit the purchaser. The amount is the same amount charged under a written agreement of purchase and sale entered into with another purchaser on October 30, 2007, for a similar house, where 6% GST or 14% HST is applied. In both cases, ownership and possession will be transferred in January 2008. The builder has indicated that he has not increased the price upon which the GST/HST is calculated. Can the builder pay or credit an amount to the purchaser to reflect the fact that the agreement entered into on November 5, 2007 should include 5% GST or 13% HST?

Since the written agreement of purchase and sale was entered into after October 30, 2007, and both ownership and possession will be transferred after January 1, 2008, the reduced rates of 5% GST or 13% HST will apply. The builder can adjust the total amount payable to reflect the fact that the tax included in the amount payable under the written agreement (entered into on November 5, 2007) should be at the new rate. Or, the builder can refund the excess amount of tax charged to the purchaser. Where the builder has accounted for 6% GST or 14% HST in determining its net tax, the builder can deduct the amount of the adjustment or refund in determining its net tax provided that the conditions for making the deduction are met (e.g., a credit note containing the required information is issued by the builder).

19. How does a person claim a GST/HST transitional rebate?

To claim a GST/HST transitional rebate for the 2008 GST/HST rate reduction, the 2006 GST/HST rate reduction, or both, the person purchasing a new or substantially renovated residential complex must send a completed application form together with a copy of the agreement of purchase and sale, the Statement of Adjustments and, if applicable, a copy of the GST/HST new housing rebate or new residential rental property rebate to the CRA.

If a GST/HST new housing rebate is available in respect of the purchase, the individual who claimed the new housing rebate is the individual who claims the transitional rebate. Refer to question 26 if an amount was paid or credited by the builder to the purchaser in respect of the new housing rebate.

Form GST193, *GST/HST Transitional Rebate Application for Purchasers of New Housing*, can be used to claim the transitional rebate in respect of the 2006 GST/HST rate reduction. This application form will be revised to also include the transitional rebate for the 2008 GST/HST rate reduction. The revised application form will be available on the CRA Web site or by calling 1-800-959-2221.

20. When can a person claim the GST/HST 2008 transitional rebate?

The GST/HST 2008 transitional rebate can only be claimed in 2008 after all of the conditions for claiming it are met. For example, a person may only claim a transitional rebate after both ownership and possession of a new residential complex are transferred to the person.

Generally, a transitional rebate application and the required documents must be sent to the CRA within two years after the day ownership of the residential complex is transferred to the person.

21. An individual is not entitled to claim a GST/HST new housing rebate for their house because the purchase price of the house is \$500,000. Can the individual claim a GST/HST transitional rebate?

Yes. The GST/HST transitional rebate is not conditional on receiving a new housing rebate, nor is it subject to any maximum purchase or fair market value limitation.

- If the agreement of purchase and sale was entered into before May 3, 2006, the amount of the 2006 transitional rebate is \$5,000 (1% of \$500,000) if both ownership and possession are transferred on or after July 1, 2006 and before January 1, 2008. In this case, a 2008 transitional rebate is not available.
- If the agreement of purchase and sale was entered into before May 3, 2006, the amount of the 2006 transitional rebate is \$5,000 (1% of \$500,000) and the amount of the 2008 transitional rebate is \$5,000 (1% of \$500,000) if both ownership and possession are transferred on or after January 1, 2008.
- If the agreement of purchase and sale was entered into after May 2, 2006 and on or before October 30, 2007, the amount of the 2008 transitional rebate is \$5,000 (1% of \$500,000) if both ownership and possession are transferred on or after January 1, 2008. In this case, a 2006 transitional rebate is not available.

22. Are there any restrictions on the type of property for which a GST/HST transitional rebate may be claimed?

The GST/HST transitional rebate may only be claimed in respect of a taxable purchase of a new or substantially renovated residential complex. In certain circumstances, the transitional rebate may also be claimed in respect of a deemed supply under section 191 of the Act. A transitional rebate is not available in respect of an owner-built home.

23. In April 2006, an individual and his wife entered into a written agreement of purchase and sale for a new residential complex located in a non-participating province. Both ownership and possession of the complex will be transferred in February 2008. The total consideration payable for the complex is \$300,000. The individual will claim the GST/HST new housing rebate. Are the individual and his wife entitled to claim the GST/HST 2006 transitional rebate and the 2008 transitional rebate? If so, can the individual's wife file the rebate claim?

Yes, both the GST/HST 2006 and 2008 transitional rebates are available where a written agreement of purchase and sale for a new residential complex was entered into before May 3, 2006, and both ownership and possession of the complex will be transferred on or after January 1, 2008.

Where a GST/HST new housing rebate is also available, the individual claiming the new housing rebate must claim the GST/HST transitional rebate.

If a GST/HST new housing rebate is not available, either the individual or their spouse can complete the application for the GST/HST transitional rebate and the CRA will issue a cheque for the amount of the transitional rebate in the name of both individuals. The cheque will be sent to the address of the individual who signs the application form.

24. An individual purchased a new residential complex for \$350,000 and claimed a GST/HST new housing rebate of \$7,560. The individual is entitled to claim a GST/HST 2008 transitional rebate as the complex was purchased under a written agreement of purchase and sale entered into in September 2007 and both ownership and possession will be transferred in January 2008. What effect will the new housing rebate claim of \$7,560 have on the calculation of the transitional rebate?

The GST/HST 2008 transitional rebate reflects the reduction in tax rates (now 5% GST and 13% HST), net of any adjustments for other corresponding rebate (e.g., a GST/HST new housing rebate).

Where a new housing rebate is available, the following formula will apply to determine the amount of the 2008 transitional rebate:

$$A \times [0.01 - \frac{(B/A)}{6}]$$

where

A = Total consideration paid for the residential complex

B = Total amount of any available rebate such as the new housing rebate

In the example above, the 2008 transitional rebate would be equal to \$2,240, as follows:

$$\begin{aligned} & \$350,000 \times [0.01 - \frac{(\$7,560/\$350,000)}{6}] \\ & = \$350,000 \times [0.01 - \frac{0.0216}{6}] \\ & = \$350,000 \times [0.01 - 0.0036] \\ & = \$2,240 \end{aligned}$$

25. Is the GST/HST transitional rebate only available to individuals?

No, any person purchasing a new or substantially renovated residential complex may be eligible to claim a GST/HST transitional rebate unless the person was entitled to claim an ITC in respect of the purchase. The amount of the transitional rebate takes into account any rebate that the person may be entitled to claim (e.g., a GST/HST new housing rebate or public service bodies rebate).

26. Can the GST/HST transitional rebates available for new housing purchasers be assigned or transferred to a builder?

No, there is no provision for a new housing purchaser to assign, to a builder or to any other person, the GST/HST transitional rebate. The purchaser must complete a separate application for the transitional rebate and submit it to the Summerside Tax Centre. Where the purchaser qualifies for a transitional rebate, the CRA will pay the amount to the purchaser only.

It should be noted that, while new housing rebates also cannot be assigned to the builder or any other person, the Act includes mechanisms to allow builders to pay or credit the amount of certain new housing rebates to a purchaser and to deduct the amount paid or credited in determining the builder's net tax, where certain conditions have been met (such as when the completed rebate application signed by the purchaser has been transmitted to the CRA). However, such mechanisms are not available for the transitional rebate. As a result, it is not possible for a builder to pay or credit an amount to the purchaser in respect of the transitional rebate.

27. A person claimed a full ITC on the purchase of a new residential complex as it is used exclusively in commercial activities. Is the person entitled to claim a GST/HST transitional rebate?

No, where an ITC is available in respect of the purchase of a residential complex, a GST/HST transitional rebate is not available.

GST/HST new housing rebates

28. Will there be any changes to the rules for claiming a GST/HST new housing rebate for builder-built housing?

There will be a reduction of the maximum rebate amount from \$7,560 to \$6,300 to account for the reduction in the GST/HST rates. There will also be changes to the applicable rebate factor used to calculate the consideration, tax payable, and the new housing rebate when the amount payable for the purchase of new housing includes the tax payable and is net of the new housing rebate. Refer to GST/HST Memoranda 19.3.1.2, *Stated Price Net of Rebate – GST at 5%*, and 19.3.8.1, *New Housing Rebates and the HST at 13%*, which will be available on the CRA Web site.

29. In November 2007, an individual and a builder enter into a written agreement of purchase and sale for a newly constructed house for use as the individual's primary place of residence. The purchase price is \$320,000 plus GST and the

GST/HST new housing rebate is not paid or credited to the individual by the builder. Is the individual entitled to claim a new housing rebate? If so, what is the amount of the rebate?

Individuals who purchase a house for use as their primary place of residence will continue to be entitled to claim a GST/HST new housing rebate for part of the GST (or federal component of the HST) they pay on their purchase. Where the GST is payable at 6%, the maximum rebate amount is equal to the lesser of 36% of the GST paid and \$7,560. Where GST is payable at 5%, the maximum rebate amount is equal to the lesser of 36% of the GST paid and \$6,300.

Therefore, in this example, if either ownership or possession is transferred before January 1, 2008, GST is payable at the rate of 6% and the amount of the new housing rebate would be equal to \$6,912 (i.e., the lesser of \$7,560 and 36% of the 6% GST paid on the purchase of the house).

If both ownership and possession are transferred on or after January 1, 2008, GST is payable at the rate of 5% and the amount of the new housing rebate would be \$5,760 (i.e., the lesser of \$6,300 and 36% of the 5% GST paid on the purchase of the house).

30. Will the GST/HST rate reduction have any effect on the GST/HST new housing rebate in respect of the provincial component of the HST available for a residential complex that is located in Nova Scotia?

There will be no changes to the Nova Scotia housing rebate that is in respect of the provincial component of the HST for a residential complex that is located in Nova Scotia.

31. Will there be any changes to the rules for claiming a GST/HST new housing rebate for owner-built housing?

There will be a reduction of the maximum rebate amount from \$7,560 to \$6,300. If all or substantially all of the GST was paid at the rate of 5% (or 13% HST), the maximum rebate amount will be \$6,300. However, if all or substantially all of the GST was paid at the rate of 6% (or 14% HST), the maximum rebate amount will remain at \$7,560.

In any other case, where the owner incurs eligible expenses that are subject to GST at 7%, 6% and 5% (or HST at 15%, 14% and 13%), or any combination thereof, the claimant will be required to determine the extent to which tax was paid at each rate to determine the maximum rebate amount that is available.

32. An individual is building a new house. Does the individual have to keep track of the invoices for purchases that are taxed at the different rates? How does the individual calculate the maximum new housing rebate for which they are eligible?

Yes, the individual must keep track of all invoices for purchases that are taxed at the different rates, as the maximum new housing rebate amount will be determined on a proportionate basis. The maximum rebate amount is equal to the lesser of:

- \$8,750, and
- \$6,300 plus the extent (expressed as a percentage) to which tax was paid at 6% multiplied by \$1,260 and plus the extent (expressed as a percentage) to which tax was paid at 7% multiplied by \$2,520.

If all or substantially all of the GST was paid at the rate of 5% (or 13% HST), the maximum rebate amount will be \$6,300.

If all or substantially all of the GST was paid at the rate of 6% (or 14% HST), the maximum rebate amount will be \$7,560.

For example, if 10% of the individual's tax paid was at the rate of 7%, 30% was paid at the rate of 6% and 60% was paid at the rate of 5%, the maximum rebate amount will be:

$$\begin{aligned} &= \$6,300 + (30\% \times \$1,260) + (10\% \times \$2,520) \\ &= \$6,300 + \$378 + \$252 \\ &= \$6,930 \end{aligned}$$

Note: the above amounts reflect the maximum rebate amount available for an owner-built home. The amount of the owner-built home rebate is dependent on the actual amount of tax paid and the fair market value of the home.

33. What effect will the GST/HST rate reduction have on the cooperative housing rebate?

The maximum amount of a cooperative housing rebate will be reduced to account for the reduction in the GST/HST rate. The thresholds for the total consideration will be reduced from \$477,000 to \$472,500 and the amount at which the phase-out begins to apply will be reduced from \$371,000 to \$367,500.

34. Will the GST/HST rate reduction have any effect on the GST/HST new residential rental property rebate?

As with the GST/HST new housing rebate, there will be a reduction of the maximum rebate amount from \$7,560 to \$6,300.

Leases

35. A person enters into a commercial lease with their landlord in March 2007. The lease payments are subject to tax and are due on the first of each month. What effect will the GST/HST rate reduction have on the monthly rental payments?

GST/HST becomes payable on a supply of real property made by way of lease, licence or similar arrangement on the earlier of when the payment is made and when the payment becomes due under the agreement for the supply. Therefore, where lease payments are due on the first of each month, 5% GST or 13% HST will apply to a lease payment due on or after January 1, 2008, unless the payment was made before January 1, 2008. The 6% GST or 14% HST rate will apply to lease payments that become due before January 1, 2008, or that are paid before January 1, 2008 without having become due.

36. In September 2007, a corporation makes pre-paid lease payments for their Halifax offices until the end of 2008. At what rate is HST applicable to the lease payments?

HST becomes payable on a supply of real property made by way of lease on the earlier of the day the payment is made and the day the payment becomes due under the agreement. Since the pre-payments for the lease were made before January 1, 2008, HST at the rate of 14% applies to these payments.

37. What rate of GST/HST will apply to lease payments due before January 1, 2008, which are paid after January 1, 2008?

Even if paid after January 1, 2008, 6% GST or 14% HST will apply to all lease payments that become due after June 30, 2006 and before January 1, 2008.

Services and real property

38. An individual purchases a parcel of land. In September 2007, the individual enters into an agreement for the construction of a house that is to be used as that individual's primary place of residence once it is completed. The individual makes progress payments to the company constructing the house. The house is completed in May 2008. What rate of tax applies to the progress payments? What effect will the change in the GST/HST rates have for payments made on or after January 1, 2008, in respect of services performed before that date?

For progress payments made under a construction contract, the tax is payable on the value of each payment on the earlier of the day on which the payment is made and the day on which the payment becomes due. All progress payments that become due on or after January 1, 2008, and that are not paid before January 1, 2008, are subject to 5% GST or 13% HST. Progress payments that are made or that become due before January 1, 2008 are subject to

6% GST or 14% HST. The rate of tax is dependent on when the payment becomes due or is made rather than when the services are performed.

39. In November 2007, a corporation enters into a long-term fixed-price contract with a registrant, including GST/HST, for the maintenance and renovation of several buildings owned by the corporation. What effect will the GST/HST rate change have on this contract?

All payments made or that become due before January 1, 2008 are subject to 6% GST or 14% HST, whereas all payments that become due on or after January 1, 2008, and that are not paid before January 1, 2008, are subject to 5% GST or 13% HST.

40. What rate of GST/HST applies to services, such as legal services, or sales commissions, that are in respect of supplies of real property?

The rate of tax in respect of a supply of a service in relation to real property is dependent on when the payment becomes due or is made. Where payments become due or are made without having become due, after June 30, 2006 and before January 1, 2008, 6% GST or 14% HST will apply. Where payments become due on or after January 1, 2008, and are not paid before January 1, 2008, 5% GST or 13% HST will apply.

41. An individual purchases a residential complex where both ownership and possession of the complex are transferred before January 1, 2008. The individual's lawyer issues an invoice to the individual for services rendered in relation to the purchase of the complex after January 1, 2008. What rate of tax applies to the legal services provided?

In the absence of any other factors (e.g., an undue delay in issuing the invoice), the payment for the legal services becomes due when the lawyer issues the invoice. Given that the invoice was issued on or after January 1, 2008, the tax applies at 5% GST or 13% HST, provided that the individual does not make the payment before January 1, 2008.

First Nations taxes

1. I am an Indian residing on an Indian reserve where I own and operate a gas station as a proprietor. I charge my customers the community improvement fee imposed by the Indian band, which is a First Nation Tax (FNT) that replaces the GST on sales of fuel on the reserve. Will the rate of tax that I charge to my customers be affected by the reduction of the GST rate?

Yes, since the rate of the FNT follows the GST rate, the rate of FNT on the three products to which it applies (fuel, alcoholic beverages and tobacco products) will be reduced to 5%. As a result, on or after January 1, 2008, you will charge 5% FNT to all of your customers purchasing fuel on reserve, and your suppliers who deliver fuel to you on reserve will charge you 5% FNT. You will continue to complete form GST499.

2. I am a First Nations individual residing on an Indian reserve where FNT is imposed by my Indian band on certain products. Will the reduction of the GST rate mean that the FNT rate we pay will be reduced as well?

Yes, the FNT rate will be reduced to 5%.

3. I am a First Nations person residing on settlement lands of a self-governing First Nation in the Yukon that imposes a First Nation Goods and Services Tax (FNGST) on supplies acquired on its lands. I own and operate a convenience store that is located on these lands. Will the rate of tax that I charge my customers be affected by the reduction of the GST rate?

Yes, the rate for the FNGST follows the GST rate. As a result, on January 1, 2008, the FNGST rate will be reduced to 5%. You will charge 5% FNGST to your customers, and your suppliers delivering to you on the settlement lands will charge you 5% FNGST.

4. I reside on the settlement lands of a self-governing First Nation in the Yukon that has imposed FNGST on its lands. Will the reduction of the GST rate mean that I will pay a reduced rate of FNGST?

Yes, on January 1, 2008, the FNGST rate will be reduced to 5% for everyone acquiring taxable property and services on the settlement lands.

5. I am the comptroller for a large automotive fuel refiner and supplier. We deliver fuel to gas stations on Indian reserves and to settlement lands of self-governing First Nations in the Yukon. FNT has been imposed on a number of the Indian reserves that we deliver fuel to. In the Yukon, there are gas stations that we deliver to that collect FNGST for the First Nation. Will the reduction of the GST rate affect our administration of the FNT and the FNGST?

Yes, since the rate of the FNT and FNGST follows the GST rate, both the FNT and FNGST will be reduced to 5% on January 1, 2008.

As a result, the only change will be that you will charge 5% FNT or FNGST to your clients as applicable on or after January 1, 2008.

Appendix – Transitional rules

The following tables illustrate the transitional rules for purchases of new or substantially renovated residential complexes from a builder.

Purchase and sale agreement entered into before May 3, 2006

Ownership transferred	Possession transferred	Rate of tax	2006 transitional rebate	2008 transitional rebate
Before July 1, 2006	Before July 1, 2006	7%	No	No
Before July 1, 2006	After June 30, 2006	7%	No	No
After June 30, 2006	Before July 1, 2006	7%	No	No
After June 30, 2006 and before January 1, 2008	After June 30, 2006 and before January 1, 2008	7%	Yes	No
After June 30, 2006 and before January 1, 2008	After December 31, 2007	7%	Yes	No
After December 31, 2007	After June 30, 2006 and before January 1, 2008	7%	Yes	No
After December 31, 2007	After December 31, 2007	7%	Yes	Yes

Purchase and sale agreement entered into after May 2, 2006 and before October 31, 2007

Ownership transferred	Possession transferred	Rate of tax	2006 transitional rebate	2008 transitional rebate
Before July 1, 2006	Before July 1, 2006	7%	No	No
Before July 1, 2006	After June 30, 2006	7%	No	No
After June 30, 2006	Before July 1, 2006	7%	No	No
After June 30, 2006 and before January 1, 2008	After June 30, 2006 and before January 1, 2008	6%	No	No
After June 30, 2006 and before January 1, 2008	After December 31, 2007	6%	No	No
After December 31, 2007	After June 30, 2006 and before January 1, 2008	6%	No	No
After December 31, 2007	After December 31, 2007	6%	No	Yes

Purchase and sale agreement entered into after October 30, 2007

Ownership transferred	Possession transferred	Rate of tax	2006 transitional rebate	2008 transitional rebate
Before January 1, 2008	Before January 1, 2008	6%	No	No
Before January 1, 2008	After December 31, 2007	6%	No	No
After December 31, 2007	Before January 1, 2008	6%	No	No
After December 31, 2007	After December 31, 2007	5%	No	No