



Applying the 2010 Nova Scotia HST Rate Increase – Services

This info sheet explains how the rate increase in the provincial part of the Nova Scotia harmonized sales tax (HST) applies to supplies of services that straddle the date the rate increase comes into effect.

Background information on the Nova Scotia HST rate increase

The Government of Nova Scotia announced that the rate of the provincial part of the HST increased from 8% to 10% on July 1, 2010. As a result, the combined HST rate increases from 13% to 15%, of which 5% represents the federal part and 10% the provincial part. Amendments to implement the rate increase have been published in the *Nova Scotia HST Regulations, 2010*.

Before determining whether HST at 13% or 15% applies to supplies of services during the period that includes July 1, 2010, suppliers must first determine if the service is supplied in Nova Scotia. For information, refer to GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province*.

For purposes of this info sheet, “Nova Scotia” includes the Nova Scotia offshore area.

The information provided in this info sheet does not apply to continuous supplies, supplies made under budget payment arrangements or supplies made under prepaid funeral or cemetery arrangements. For information, refer to the *Nova Scotia HST Regulations, 2010*.

Also, the information provided in this info sheet does not apply to certain supplies of services such as freight transportation services and passenger transportation services. For information, refer to GST/HST Info Sheet GI-111, *Applying the 2010 Nova Scotia HST Rate Increase – Transportation Services and Passes*.

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

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

In the examples in this info sheet, all supplies are taxable and made in Nova Scotia, and all suppliers are GST/HST registrants. “Taxable” means subject to the HST.

Services

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

- when the service is performed;
- when an amount for the service becomes due; and
- whether an amount for the service is paid without having become due.

The Appendix to this info sheet contains information on when an amount becomes due and whether an amount is paid without having become due.

When 90% or more of the service is performed before July 2010

Regardless of when an amount becomes due or is paid without having become due, HST at 13% applies to any amount for the supply of a service when 90% or more of the service is performed before July 2010.

Suppliers account for the tax in their GST/HST returns according to the normal rules. The purchaser, if a registrant, would be able to claim any eligible input tax credit (ITC) according to the normal rules.

Example 1

A couple hires a painter to paint their house. The service is performed from June 2 to June 25, 2010 and costs \$2,000. The painter invoices the total amount on July 2, 2010.

HST at 13% applies because all of the service is performed before July 2010. The painter accounts for the tax in its GST/HST return for the reporting period that includes July 2, 2010.

Example 2

A plumber is hired to perform a service from June 25 to July 2, 2010. He determines that 93% of the service is performed before July 2010. On July 3, 2010, he issues an invoice for \$800.

HST at 13% applies because 90% or more of the service is performed before July 2010. The plumber accounts for the tax in its GST/HST return for the reporting period that includes July 3, 2010.

When more than 10% of the service is performed on or after July 1, 2010

The following rules apply when more than 10% of a service is performed on or after July 1, 2010:

- Regardless of when the service is performed, HST at 13% applies to any amount that becomes due or is paid without having become due on or before April 6, 2010.
- Regardless of when the service is performed, HST at 13% applies to any amount that becomes due or is paid without having become due after April 6, 2010 and before May 2010. Certain purchasers have to self-assess the 2 percentage point increase in the provincial

part of the HST. For more details on self-assessing, see the information under the heading “Self-assessing the 2 percentage point increase in the provincial part of the Nova Scotia HST”.

- When an amount becomes due or is paid without having become due on or after May 1, 2010:
 - HST at 13% applies to any amount that relates to the portion of the service performed before July 2010; and
 - HST at 15% applies to any amount that relates to the portion of the service performed on or after July 1, 2010.

Suppliers account for the tax in their GST/HST returns according to the normal rules. The purchaser, if a registrant, would be able to claim any eligible ITC according to the normal rules.

Example 3

In April 2010 a consultant enters into an agreement with a non-profit organization for a service to be performed in August 2010 for the amount of \$10,000. The consultant issues two invoices: one dated April 10, 2010 for the amount of \$2,000 and one dated August 10, 2010 for the amount of \$8,000.

For the amount that becomes due on April 10, 2010, the consultant charges the HST at 13% and accounts for the tax in its GST/HST return for the reporting period that includes April 10, 2010. The organization may have to self-assess the 2 percentage point increase in the provincial part of the HST.

For the amount that becomes due on August 10, 2010, the consultant charges HST at 15% and accounts for the tax in its GST/HST return for the reporting period that includes August 10, 2010.

Example 4

On May 20, 2010, a business enters into an agreement with a software designer for the design and development of custom software. Under the terms of the agreement, the business is required to pay the total amount on May 30, 2010. The software designer agrees to begin designing and developing the custom software in June 2010, but 60% of the work will take place in July 2010. The software designer does not retain any rights to the custom software.

In this situation, the software designer is performing a service for GST/HST purposes because the designer is designing and developing custom software for the needs of a particular person and the designer does not retain any rights to the custom software.

HST at 13% applies to the amount that relates to the portion of the service performed in June (40%) and HST at 15% applies to the amount that relates to the portion of the service performed in July (60%). The software designer accounts for the total tax in its GST/HST return for the reporting period that includes May 30, 2010.

Example 5

A non-profit organization runs a week-long overnight children's camp from June 28, 2010 to July 4, 2010. The organization charges \$300 and the full amount becomes due on May 15, 2010.

HST at:

- 13% applies to the amount that relates to the portion of the service performed in June 2010 (3 days); and
- 15% applies to the amount that relates to the portion of the service performed in July 2010 (4 days).

Therefore, the non-profit organization charges the HST at 13% on \$128.57 ($\$300 \times 3/7$) and HST at 15% on \$171.43 ($\$300 \times 4/7$) and accounts for the total tax in its GST/HST return for the reporting period that includes May 15, 2010.

To determine whether children's camp fees are subject to GST/HST or are exempt, refer to GST/HST Info Sheet GI-037, *Children's Camps Operated by Public Sector Bodies*.

Combination of goods, property and/or services

The following rule applies to any combination of personal property, real property and/or services supplied together as a single supply where one of the items is a good that would not be subject to HST at 15% if it were supplied separately.

In this case, the good is considered to have been sold separately from the other items but only for the purposes of determining whether HST at 13% or 15% applies during the period that includes July 1, 2010.

For information on applying the 2010 Nova Scotia HST rate increase to personal property during the period that includes July 1, 2010, refer to GST/HST Info Sheet GI-108, *Applying the 2010 Nova Scotia HST Rate Increase – Personal Property*.

Example 6

In June 2010 a supplier sells restaurant equipment to a person. Installation of the equipment is part of the supply. The equipment is delivered to the client on June 30, 2010 and paid for at that time. The equipment is installed on July 2, 2010.

HST at 13% applies to the part of the amount attributable to the equipment because the amount is paid before July 2010. However, HST at 15% applies to the part of the amount attributable to the installation service since the service is performed on or after July 1, 2010.

Example 7

On June 26, 2010, a vendor sells an off-the-shelf computer software package. Training is provided to the client's employees in July 2010 as part of the supply. The invoice is issued to the client on June 26, 2010.

HST at 13% applies to the part of the amount attributable to the software package because the amount becomes due before July 2010. However, HST at 15% applies to the part of the amount attributable to the training service since the service is performed on or after July 1, 2010.

Self-assessing the 2 percentage point increase in the provincial part of the Nova Scotia HST

Certain purchasers that are non-consumers have to self-assess the 2 percentage point increase in the provincial part of the HST when:

- more than 10% of a service is performed on or after July 1, 2010; and
- an amount that relates to the portion of the service performed on or after July 1, 2010, becomes due or is paid without having become due after April 6, 2010 and before May 2010.

Consumer means an individual who acquires the service for the individual's personal consumption or use, or for the personal consumption or use of another individual.

This self-assessment rule applies to a person that is a sole proprietor, a business, an organization, a public service body, or any other entity.

A non-consumer that purchases a service must self-assess the 2 percentage point increase in the provincial part of the HST if the non-consumer:

- does not purchase the service for consumption, use, or supply exclusively (90% or more) in its commercial activity;
- is using a simplified accounting method to calculate its net tax;
- is purchasing a service that is subject to ITC recapture;

- is a charity that uses the net tax calculation method for charities; or
- is a registrant that is a selected listed financial institution.

The non-consumer accounts for the 2 percentage point increase in the provincial part of HST:

- if a registrant, on line 405 of its GST/HST return for the reporting period in which the amount became payable; or
- in any other case, by completing Form GST489, *Return for Self-Assessment for the Provincial Part of Harmonized Sales Tax (HST)* and paying that amount on or before the last day of the month following the calendar month in which the amount became payable.

Example 8

In April 2010 a consultant enters into an agreement with a non-profit organization for a service to be performed in August 2010 for the amount of \$10,000. The consultant issues

two invoices: one dated April 10, 2010 for the amount of \$2,000 and one dated August 10, 2010 for the amount of \$8,000. The organization is a GST/HST registrant. However, the service will not be used exclusively in its commercial activities.

HST at 13% applies to the amount that becomes due on April 10, 2010. Therefore, the consultant charges and accounts for HST at 13% in its GST/HST return for the reporting period that includes April 10, 2010. In addition, the non-profit organization has to self-assess the 2 percentage point increase in the provincial part of the HST on the amount of \$2,000 because:

- it is not a consumer;
- the service is performed on or after July 1, 2010;
- the amount is paid after April 6, 2010 and before May 2010; and
- the service is not used exclusively in the organization's commercial activities.

The consultant charges and accounts for HST at 15% on the amount of \$8,000 payable in August 2010.

This info sheet does not replace the law found in *the Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, explains how to obtain a ruling and lists the GST/HST rulings offices. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec by calling 1-800-567-4692. You may also visit their Web site at www.revenu.gouv.qc.ca to obtain general information.

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

Appendix – When an amount becomes due or is paid without having become due

The following rules explain when an amount becomes due and when an amount is paid without having become due. These rules apply to supplies of services, tangible personal property, and intangible personal property.

Amount becomes due

Generally, an amount for a supply becomes due on the earliest of the following days:

- the date of an invoice for that amount for the supply;
- the day the supplier first issues that invoice for the amount;
- if there is an undue delay in issuing that invoice, the day the supplier would have issued the invoice; and
- the day the client is required to pay that amount under a written agreement (other than a written agreement for the supply of property by way of lease, licence or similar arrangement).

An amount for a supply of property made by way of lease, licence or similar arrangement under a written agreement becomes due on the day the client is required to pay that amount under the written agreement.

For information on what is a written agreement for GST/HST purposes, refer to GST Memorandum 300-6-4, *Agreements in Writing*.

Example 1

A supplier enters into a written agreement with a client for a service. Under the agreement, the client is required to pay the total amount on April 30. The supplier issues the invoice dated April 15.

The amount becomes due on April 15 because it is the earliest of the date of the invoice, the day the invoice was issued, and the day the client is required to pay an amount under a written agreement.

Amount is paid without having become due

An amount is paid without having become due when a client pays an amount for a supply:

- before the date of an invoice or before a supplier issues, or would have issued, the invoice;
- before the client is required to pay the amount under a written agreement (other than a written agreement for the supply of property by way of lease, licence or similar arrangement) and no invoice has been issued; or
- before the client is required to pay the amount under a written agreement for the supply of property by way of lease, licence or similar arrangement.

Example 2

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

More than one invoice or payment

Sometimes, more than one amount becomes due or is paid without having become due. This could happen when, for example, a supplier issues more than one invoice or when the client is required to make more than one payment under a written agreement. In this case, for each amount, the supplier must determine whether HST at 13% or 15% applies to that amount based on the applicable transitional rules for the Nova Scotia HST rate increase.

Example 3

A supplier enters into a written agreement with a client for a service. Under the agreement, the client is required to make two payments. The supplier has to consider each payment separately to determine whether HST at 13% or 15% applies to the amount.
