



Applying the 2010 Nova Scotia HST Rate Increase – Admissions and Memberships

This info sheet explains how the rate increase in the provincial part of the Nova Scotia harmonized sales tax (HST) applies to sales of admissions and memberships 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 increased 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 sales of admissions and memberships during the period that includes July 1, 2010, suppliers must first determine if the admission or membership 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, supplies made under prepaid funeral or cemetery arrangements, or supplies made by direct sellers. For information, refer to the *Nova Scotia HST Regulations, 2010*.

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;*
- *GST/HST Info Sheet GI-109, Applying the 2010 Nova Scotia HST Rate Increase – Services ; and*
- *GST/HST Info Sheet GI-111, Applying the 2010 Nova Scotia HST Rate Increase – Transportation Services and Passes.*

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.

Admissions

The following rules apply to sales of admissions to a place of amusement, a seminar, an event or an activity in Nova Scotia. In this info sheet, the term “event” means any of these places or activities.

To determine whether HST at 13% or 15% applies to sales of admissions to an event that takes place during the period that includes July 1, 2010, suppliers must consider:

- when the event to which the admission relates takes place;
- when an amount for the admission becomes due; and
- whether an amount for the admission 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 event takes place 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 sale of an admission when 90% or more of the event to which the admission relates takes place 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 business sells admissions to a group organizer for an event that takes place on June 20, 2010. The business invoices the group organizer on July 2, 2010 and the organizer pays the amount on July 15, 2010.

HST at 13% applies because all of the event takes place before July 2010. The business accounts for the tax in its GST/HST return for the reporting period that includes July 2, 2010.

Example 2

On June 15, 2010, a business sells admissions to a 10-day event that begins on June 22, 2010 and ends on July 1, 2010.

HST at 13% applies because 90% or more of the event takes place before July 2010. The business accounts for the tax in its GST/HST return for the reporting period that includes June 15, 2010.

When more than 10% of the event takes place on or after July 1, 2010

The following rules apply when more than 10% of the event to which the admission relates takes place on or after July 1, 2010:

- Regardless of when the event takes place, 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 event takes place, 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 event that takes place before July 2010; and
 - HST at 15% applies to any amount that relates to the portion of the event that takes place 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

On April 15, 2010, a business sells admissions to a rock concert that takes place on July 15, 2010. The business charges HST at 13% and accounts for the tax in its GST/HST return for the reporting period that includes April 15, 2010. The purchaser may have to self-assess the 2 percentage point increase in the provincial part of the HST.

Example 4

A business sells admissions to a five-day event that takes place from June 28, 2010 to July 2, 2010. Each ticket costs \$100 and the full amount becomes due on May 15, 2010.

HST at:

- 13% applies to the part of the amount that relates to the portion of the event that takes place in June 2010 (3 days); and
- 15% applies to the part of the amount that relates to the portion of the event that takes place in July 2010 (2 days).

Therefore, the business charges HST at 13% on \$60 ($\$100 \times 3/5$) and charges HST at 15% on \$40 ($\$100 \times 2/5$) and accounts for the total tax in its GST/HST return for the reporting period that includes May 15, 2010.

Memberships

A membership includes a right granted by a club, organization or association that entitles its members to services provided by the club, organization or association, or to the use of its facilities, that are not

available, or are not available to the same extent or for the same fee to other persons. It also includes a right that is conditional on the acquisition or ownership of a share, bond, debenture or other security.

This info sheet does not apply to a right to purchase a membership. Such rights are intangible personal property for GST/HST purposes. For more information on such rights, refer to GST/HST Info Sheet GI-108, *Applying the 2010 Nova Scotia HST Rate Increase – Personal Property*.

To determine whether HST at 13% or 15% applies to sales of memberships where the membership period includes July 1, 2010, suppliers must consider:

- the membership period;
- when an amount for the membership becomes due; and
- whether an amount for the membership 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.

For information on whether HST at 13% or 15% applies to lifetime memberships, see the information under the heading “Lifetime memberships”.

When 90% or more of the membership period is 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 sale of a membership when 90% or more of the membership period is 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 ITC according to the normal rules.

Example 5

On April 2, 2010, a fitness club sells a membership that entitles the member to use the club's facilities from April 5, 2010 to July 5, 2010. The membership fee is payable in full when the agreement is signed on April 2.

HST at 13% applies because 90% or more of the membership period is before July 2010. The fitness club accounts for the tax in its GST/HST return for the reporting period that includes April 2, 2010.

When more than 10% of the membership period is on or after July 1, 2010

The following rules apply when more than 10% of the membership period is on or after July 1, 2010:

- Regardless of the membership period, 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 the membership period, 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 membership period that is before July 2010; and
 - HST at 15% applies to any amount that relates to the portion of the membership period that is 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 6

A professional association issues invoices dated April 10, 2010, for the renewal of annual memberships. The membership fees are payable in full upon receipt of the invoice. The invoice specifies that the membership period runs from May 1, 2010 to April 30, 2011.

Because the membership fee becomes due after April 6, 2010 and before May 2010, the association charges HST at 13% on the full amount and accounts for the tax in its GST/HST return for the reporting period that includes April 10, 2010. Members may have to self-assess the 2 percentage point increase in the provincial part of

the HST for the ten-month portion of the membership that relates to the period of July 1, 2010 to April 30, 2011.

Example 7

An association issues invoices for \$600 dated May 8, 2010. This amount is for the renewal of annual memberships. The membership fees are payable in full upon receipt of the invoice. The annual membership period runs from June 1, 2010 to May 31, 2011.

The association charges HST at 13% on the amount that relates to the portion of the membership period before July 2010 and charges HST at 15% on the amount that relates to the portion of the membership period that is on or after July 1, 2010.

Therefore, the association charges HST at 13% on \$50 ($\$600 \times 1/12$) and charges HST at 15% on \$550 ($\$600 \times 11/12$). The association accounts for the total tax in its GST/HST return for the reporting period that includes May 8, 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 an amount that relates to the portion the event that takes place, or an amount that relates to the portion of the membership period that is, on or after July 1, 2010, becomes due or is paid without having become due after April 6, 2010 and before May 2010, and:

- more than 10% of an event takes place on or after July 1, 2010; or
- more than 10% of a membership period is on or after July 1, 2010.

Consumer means an individual who acquires property 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 an admission or a membership must self-assess the 2 percentage point increase in the provincial part of the HST if the non-consumer:

- does not purchase the admission or membership 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 an admission or membership 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 the 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

On April 15, 2010, a designer sells admissions to a fashion show that takes place on July 15, 2010. The purchaser of the admissions is a business that uses this event to entertain clients. The business is engaged exclusively in commercial activities and is subject to input tax credit recapture for entertainment.

HST at 13% applies to the amount that becomes due on April 15, 2010. The designer charges and accounts for the tax in its GST/HST return for the reporting period that includes April 15, 2010.

The business has to self-assess the 2 percentage point increase in the provincial part of the HST because:

- it is not a consumer;
- the admission relates to an event that takes place on or after July 1, 2010;
- the amount is paid after April 6, 2010 and before May 2010; and
- the business is subject to input tax credit recapture.

Example 9

A professional association issues invoices dated April 15, 2010, for the renewal of annual memberships. The membership fees are payable in full upon receipt of the invoice. The invoice specifies that the membership period runs from May 1, 2010 to April 30, 2011. A self-employed professional, who makes both exempt and taxable supplies, pays the membership fee in April 2010.

Because the membership fee becomes due after April 6, 2010 and before May 2010, the association charges HST at 13% on the full amount and accounts for the tax in its GST/HST return for the reporting period that includes April 15, 2010.

The self-employed professional has to self-assess the 2 percentage point increase in the provincial part of the HST for the portion of the membership that relates to the period of July 1, 2010 to April 30, 2011, because:

- the professional is not a consumer;
- the amount is paid after April 6, 2010 and before May 2010; and
- the professional does not purchase the membership for use exclusively in commercial activities.

Lifetime memberships

The Canada Revenue Agency considers a lifetime membership to be a membership that entitles a member to rights in a club, organization or association during the member's life.

Special rules apply to lifetime memberships in a club, organization or association when an amount becomes due or is paid without having become due after April 6, 2010 and before July 2010. In this case, HST at 15% applies to the amount that exceeds 25% of the total amount for the lifetime membership.

Where the HST applies at 15% to an amount that becomes due or is paid without having become due after April 6, 2010 and before July 2010:

- the club, organization or association accounts for HST at 13% on the amount in its GST/HST return according to the normal rules; and
- the purchaser accounts for the 2 percentage point increase in the provincial part of the HST on the amount that exceeds 25% of the total amount for the lifetime membership:
 - 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 and paying that amount on or before the last day of the month following the calendar month in which the amount became payable.

The purchaser, if a registrant, would be able to claim any eligible ITC according to the normal rules.

Example 10

An association sells lifetime memberships. The membership fees are payable in three instalments of \$1,000 each. A registrant buys a lifetime membership on April 10, 2010, and pays the first instalment at this time. The other payments are due December 1, 2010 and December 1, 2011.

The \$1,000 amount paid on April 10, 2010 exceeds 25% of the total amount for the membership ($25\% \times \$3,000 = \750). HST at 15% applies to the portion of the amount that exceeds \$750.

The association charges the HST at 13% on \$1,000 and accounts for the tax in its GST/HST return for the reporting period that includes April 10, 2010.

The registrant has to self-assess the 2 percentage point increase in the provincial part of the HST on \$250 ($\$1,000 - \$750 = \250). The registrant must account for the tax in its GST/HST return for the reporting period that includes April 10, 2010.

The association charges and accounts for the HST at 15% on the amounts payable in December 2010 and 2011.

Example 11

An association sells lifetime memberships. The membership fees are payable in five monthly instalments of \$1,000 each. A person buys a lifetime membership on June 1, 2010 and pays the first instalment at that time. The next instalment is due on July 1, 2010.

The \$1,000 amount paid in June 2010 does not exceed 25% of the total amount for the membership ($25\% \times \$5,000 = \$1,250$). Therefore, HST at 13% applies to this amount. HST at 15% applies to the four other amounts payable for the lifetime membership.

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.
