



Ontario and British Columbia: Transition to the Harmonized Sales Tax – Passenger Transportation Services

The Government of Ontario and the Government of British Columbia have each proposed a harmonized sales tax (HST) that would come into effect on July 1, 2010.

The HST rate in Ontario will be 13% of which 5% will represent the federal part and 8% the provincial part.

The Government of British Columbia has proposed that the HST rate would be 12% of which 5% would represent the federal part and 7% the provincial part.

This info sheet reflects proposed tax changes announced in:

- the 2009 Ontario Budget and the Information Notice No. 3, *General Transitional Rules for Ontario HST*, released by the Government of Ontario on October 14, 2009; and in
- the News Release issued by the Government of British Columbia on July 23, 2009, and the Tax Information Notice – HST Notice #1, *General Transitional Rules for British Columbia HST*, released by the Government of British Columbia on October 14, 2009.

Any commentary in this info sheet should not be taken as a statement by the Canada Revenue Agency (CRA) that the proposed transitional rules will be enacted in their current form.

This info sheet explains whether the goods and services tax (GST) or the HST applies to a passenger transportation service performed during the period that includes the July 1, 2010 implementation date of the HST in Ontario and British Columbia.

In this info sheet, all suppliers referred to in the examples are GST/HST registrants and the supplies are taxable. “Taxable” means subject to the 5% GST or to the HST rate in effect in a particular province. “Zero-rated” means subject to the GST/HST at 0%.

The information provided in this info sheet applies only to passenger transportation services. Refer to the following publications for information on transportation passes or other types of services or intangible personal property:

- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Freight Transportation Services* (GI-053);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Transportation Passes* (GI-055);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services* (GI-056);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Intangible Personal Property* (GI-059).

Meaning of significant terms used in this info sheet

Before explaining the rules that determine whether GST or HST applies to a passenger transportation service that is part of a continuous journey, it is important to understand the meaning of “continuous journey”.

“Continuous journey” means the set of all passenger transportation services provided to an individual as part of the same journey.

When a single ticket or voucher is issued for one or more passenger transportation services, all of the passenger transportation services on this ticket or voucher are treated as part of one continuous journey.

When more than one passenger transportation service is provided and separate tickets or vouchers are issued for the different legs of the journey, all of the legs are part of one continuous journey if all of the following conditions are met:

- all of the tickets or vouchers are issued by a single supplier, or by an agent acting on behalf of all the suppliers;
- all of the tickets or vouchers are for the same individual;
- there is no stopover between any legs of the journey for which separate tickets or vouchers are issued; and
- the supplier or agent can show the CRA that it has met all the above conditions.

“Stopover” means any place at which an individual embarks or disembarks a conveyance for any reason other than for transferring to another conveyance or to allow for servicing or refuelling of the conveyance.

A stop between two legs of a journey that is 24 hours or less is not considered to be a stopover. However, a stop of more than 24 hours between two legs of a journey will generally be considered a stopover where two or more tickets or vouchers are issued for the legs of the journey.

These rules for a continuous journey also apply to a group of individuals.

For more information on a continuous journey, refer to Guide RC4036, *GST/HST Information for the Travel and Convention Industry*.

Introduction

A passenger transportation service may be subject to the 5% GST or to the HST rate in effect in a particular province. A passenger transportation service may also be zero-rated. In that case, neither GST nor HST is charged to the purchaser. If a passenger transportation service is zero-rated under the GST, it continues to be zero-rated under the HST. The rules explained in this info sheet apply only when a passenger transportation service is not zero-rated.

Passenger transportation service performed during the period that includes July 1, 2010
To determine whether GST or HST applies to a passenger transportation service that is part of a continuous journey supplied 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 is paid without having become due.

Appendix A to this info sheet has a chart that illustrates the transitional rules for passenger transportation services performed during the period that includes July 1, 2010.

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

Passenger transportation service begins before July 2010

GST applies to a passenger transportation service that is part of a continuous journey that begins before July 2010. The supplier accounts for the tax in its GST/HST return according to the normal rules.

Example 1

On May 15, 2010, an airline sells a single return ticket for travel from Vancouver to Edmonton. The passenger leaves Vancouver on June 29, 2010, and returns on July 3, 2010.

GST applies to the total amount paid by the traveller because the passenger transportation service is part of a continuous journey that begins before July 2010. The airline accounts for the tax in its GST/HST return for the reporting period that includes May 15, 2010.

Example 2

A train company sells a ticket for travel from Vancouver to Winnipeg. The train leaves Vancouver on June 30, 2010, and arrives in Winnipeg on July 2, 2010.

GST applies to the amount paid by the traveller because the passenger transportation service begins before July 2010.

Example 3

In May 2009, an agent sells a continuous journey that consists of a flight from Toronto to Halifax, a cruise around the Maritimes and up the St. Lawrence River to Montréal, and a flight from Montréal to Toronto. The flight from Toronto leaves on June 26, 2010, and the return flight departs Montréal on July 3, 2010.

GST applies to the total amount paid by the traveller because the passenger transportation service is part of a continuous journey that begins before July 2010.

Passenger transportation service begins on or after July 1, 2010

The following rules apply to a passenger transportation service that begins on or after July 1, 2010:

- GST applies to any amount that becomes due or is paid without having become due on or before October 14, 2009.
- GST applies to any amount that becomes due or is paid without having become due after October 14, 2009, and before May 2010. Certain purchasers have to self-assess the provincial part of the HST. For more details on self-assessment, see the information under the heading “Self-assessing the provincial part of the HST”.
- HST applies to any amount that becomes due or is paid without having become due on or after May 1, 2010.

Accounting for GST/HST when the service begins on or after July 1, 2010

The rules listed above explain whether GST or HST applies to a passenger transportation service. The following rules explain who accounts for the tax and when it should be accounted for when the service begins on or after July 1, 2010.

When an amount becomes due or is paid after October 14, 2009, and before May 2010

When an amount becomes due or is paid without having become due after October 14, 2009, and before May 2010, the supplier charges the purchaser GST and accounts for the tax in its GST/HST return according to the normal rules. Certain purchasers have to self-assess the provincial part of the HST. For more details on self-assessment, see the information under the heading “Self-assessing the provincial part of the HST”.

Example 4

On April 20, 2010, an airline sells a single ticket for travel from Vancouver to Edmonton on July 3, 2010.

The airline charges GST because the amount for the passenger transportation service becomes due before May 2010. The airline accounts for the tax in its GST/HST return for the reporting period that includes April 20, 2010. The purchaser may have to self-assess the 7% provincial part of the HST.

When an amount becomes due or is paid on or after May 1, 2010, and before July 2010

When an amount becomes due or is paid without having become due on or after May 1, 2010, and before July 2010 for a passenger transportation service that begins on or after July 1, 2010, the supplier accounts for:

- the 5% federal part of the HST in its GST/HST return according to the normal rules; and
- the provincial part of HST in its GST/HST return for the reporting period that includes July 1, 2010. The purchaser, if a registrant, will be able to claim any eligible input tax credit in its GST/HST return for the reporting period that includes July 1, 2010.

Example 5

On June 4, 2010, an airline sells a ticket for travel from Toronto to Regina on August 1, 2010.

HST applies because the passenger transportation service begins on or after July 1, 2010. The airline accounts for the 5% federal part of the HST in its GST/HST return for the reporting period that includes June 4, 2010. It accounts for the 8% provincial part of the HST in its GST/HST return for the reporting period that includes July 1, 2010.

When an amount becomes due or is paid on or after July 1, 2010

When an amount becomes due or is paid without having become due on or after July 1, 2010, the supplier accounts for the HST in its GST/HST return according to the normal rules.

Example 6

On July 4, 2010, a train company sells a ticket for travel from Toronto to Regina on August 1, 2010.

HST applies because the passenger transportation service begins on or after July 1, 2010. The train company accounts for the 13% HST in its GST/HST return for the reporting period that includes July 4, 2010.

Self-assessing the provincial part of the HST
Certain non-consumers have to self-assess the provincial part of the HST when they purchase a passenger transportation service to be performed on or after July 1, 2010, and an amount for the service becomes due or is paid without having become due after October 14, 2009, and before May 2010.

Note: Consumer means an individual who acquires property or services 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 passenger transportation service must self-assess the provincial part of the HST if the non-consumer:

- does not purchase the service for consumption, use or supply exclusively in its commercial activity;
- is using a simplified accounting method to calculate its net tax;
- is purchasing a service that is subject to input tax credit recapture of the provincial part of the HST;
- is a charity that uses the net tax calculation for charities; or
- is a selected listed financial institution.

The non-consumer accounts for the provincial part of HST either:

- on line 405 of its GST/HST return for the reporting period that includes July 1, 2010, if the due date for that return is before November 2010; 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 before November 2010.

Example 7

On April 20, 2010, an airline sells a single ticket for travel from Vancouver to Victoria on July 3, 2010, to a consultant who uses the Quick Method of Accounting. On May 2, 2010, the consultant purchases a second airline ticket from the same airline company for a flight back to Vancouver on July 10, 2010.

The two flights are not a continuous journey. Therefore, each ticket has to be considered separately to determine whether GST or HST applies.

For the ticket sold on April 20, 2010, for travel in July 2010, only GST applies because the amount for the passenger transportation service becomes due before May 2010. The airline accounts for the tax in its GST/HST return for the reporting period that includes April 20, 2010. The consultant has to self-assess the 7% provincial part of the HST because:

- it is not a consumer;
- the service is performed on or after July 1, 2010;
- the amount is paid after October 14, 2009, and before May 2010; and
- the consultant uses a simplified accounting method.

For the ticket sold on May 2, 2010, for travel in July 2010, the 12% HST applies because the amount for the passenger transportation service becomes due on or after May 1, 2010. The airline accounts for:

- the 5% federal part of the HST in its GST/HST return for the reporting period that includes May 2, 2010; and
- the 7% provincial part of the HST in its GST/HST return for the reporting period that includes July 1, 2010.

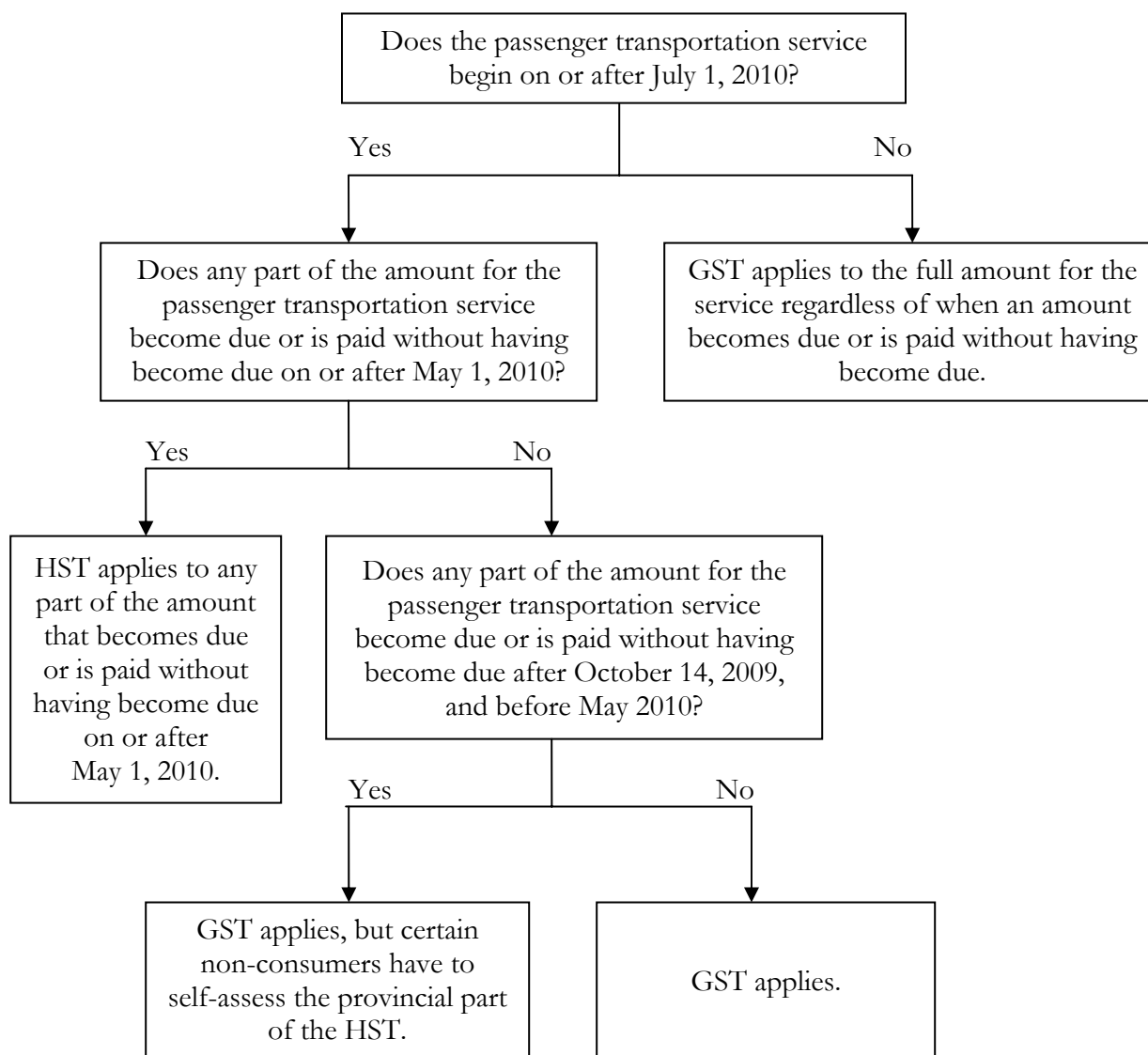
This info sheet does not replace the law found in *the Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for 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 A – Transitional rules for passenger transportation services

The following illustrates the transitional rules for passenger transportation services performed during the period that includes July 1, 2010.



Appendix B – 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 services and supplies of tangible and intangible personal property.

Amount becomes due

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.

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. Under the agreement, the client is required to pay the total amount on April 30. The supplier issues an 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; or
- before the client is required to pay the amount under a written agreement and no invoice has been issued.

Example 2

A supplier enters into a written agreement with a client. 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 GST or HST applies. The supplier cannot, for example, just apply the HST on the final amount or on the total amount payable for the supply.

Example 3

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