



GST/HST Info Sheet

GI-055

June 2010

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

This info sheet replaces the version dated February 2010. It has been revised to reflect changes announced in the *New Harmonized Value-Added Tax System Regulations*.

The Government of Ontario and the Government of British Columbia are introducing a harmonized sales tax (HST) that will 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 HST rate in British Columbia will be 12% of which 5% will represent the federal part and 7% the provincial part.

This info sheet reflects the tax changes announced in the *New Harmonized Value-Added Tax System Regulations*.

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

Note: The information provided in this info sheet applies only to transportation passes. Information on transportation services or intangible personal property is available in the following GST/HST Info Sheets:

- *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 – Passenger Transportation Services* (GI-054);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Intangible Personal Property* (GI-059).

Information on services not listed above is available in GST/HST Info Sheet, *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Services* (GI-056).

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.

Introduction

The following rules apply to a transportation pass that entitles a person to receive transportation services without having to pay an additional amount each time that the person receives a transportation service because of the pass.

Note: The information in this info sheet does not apply to transportation passes that entitle passengers to exempt municipal transit services.

The transitional rules for transportation passes are based, in part, on the pass period. For the purposes of this info sheet, a pass period is the period throughout which the transportation pass entitles a person to transportation services. Generally, it begins and ends on the dates specified on the pass. If the transportation pass does not specify the beginning and end dates of the pass period, the period

- begins on the day the pass is delivered or made available to the purchaser; and
- ends on the day the pass expires (if there is no expiry date, the period ends on July 1, 2012).

Transportation pass sold during the period that includes July 1, 2010

To determine whether GST or HST applies to a sale of a transportation pass where the pass period includes July 1, 2010, suppliers must consider when the pass period begins and ends.

La version française du présent document est intitulée *Transition à la taxe de vente harmonisée de l'Ontario et de la Colombie-Britannique – Laissez-passer de transport de passagers*.



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Pass period begins before July 2010 and ends before August 2010

GST applies to a transportation pass if the pass period begins before July 2010 and ends before August 2010.

Example 1

On June 20, 2010, a bus company sells a pass that entitles the passenger to unlimited intercity travel on its buses in British Columbia from June 15, 2010, to July 15, 2010.

The bus company charges GST (and not the 12% HST) on the total amount charged for the pass because the pass covers a period that begins before July 2010 and ends before August 2010.

Pass period begins before July 2010 and ends after July 2010

The following rules apply when the pass period begins before July 2010 and ends after July 2010:

- Regardless of the pass period, GST applies to any amount that becomes due or is paid without having become due on or before October 14, 2009.
- Regardless of the pass period, 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”.
- When an amount becomes due or is paid without having become due on or after May 1, 2010:
 - GST applies to the portion of the transportation pass that covers the period before July 2010; and
 - HST applies to the portion of the transportation pass that covers the period on or after July 1, 2010.

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

For information on who accounts for the tax and when it should be accounted for, see the

information under the heading “Accounting for GST/HST charged on transportation passes”.

Example 2

On May 14, 2010, a bus company sells a transportation pass for \$200. The pass entitles the passenger to unlimited intercity travel on its buses in British Columbia from June 1, 2010, to September 30, 2010. The company determines that 25% of the service to which the pass relates will be performed before July 2010 (i.e., one of the four months included in the pass) and 75% on and after July 1, 2010 (i.e., three of the four months included in the pass). As a result, the company charges

- GST on \$50 (25% × \$200); and
- the 12% HST on \$150 (75% × \$200).

Pass period begins on or after July 1, 2010

HST applies to transportation passes if the pass period begins on or after July 1, 2010, and the amount becomes due or is paid without having become due on or after May 1, 2010.

Example 3

In June 2010, a bus company sells a pass that entitles the passenger to unlimited intercity travel on its buses in Ontario from July 1, 2010, to July 31, 2010.

The 13% HST applies to the transportation pass because the pass covers a period that begins on or after July 1, 2010, and the payment is due on or after May 1, 2010.

Accounting for GST/HST charged on transportation passes

The rules listed above explain whether GST or HST applies to a transportation pass. The following rules explain who accounts for the tax and when it should be accounted for.

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”.

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

When GST applies to a transportation pass or a portion of a pass, the supplier accounts for the tax in its GST/HST return according to the normal rules.

When HST applies to a transportation pass or a portion of a pass, 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 the HST in the GST/HST return for the reporting period that includes July 1, 2010. The purchaser, if a registrant, would be able to claim any eligible input tax credit in its GST/HST return for the reporting period that includes July 1, 2010.

Example 4

On June 15, 2010, a bus company sells a pass that entitles the passenger to unlimited intercity travel on its buses in Ontario from July 1, 2010, to September 30, 2010. The bus company charges HST because the pass period begins on or after July 1, 2010, and the payment is due on or after May 1, 2010.

The bus company accounts for the 5% federal part of the HST in its GST/HST return for the reporting period that includes June 15, 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 GST and/or the HST in its GST/HST return according to the normal rules.

Example 5

On July 2, 2010, a bus company sells a pass that entitles the passenger to unlimited intercity travel on its buses in British Columbia from July 5, 2010, to August 5, 2010. The bus company charges the 12% HST because the pass period begins on or after July 1, 2010. The bus company accounts for the tax in its GST/HST return for the reporting period that includes July 2, 2010.

Self-assessing the provincial part of the HST

When an amount for a transportation pass becomes due or is paid without having become due after October 14, 2009, and before May 2010, the supplier charges GST regardless of the pass period.

Certain non-consumers have to self-assess the provincial part of the HST on the portion of the pass that covers the period on or after July 1, 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 may apply to a person that is a sole proprietor, a business, an organization, a public service body, or any other entity.

A non-consumer must self-assess the provincial part of the HST if the non-consumer:

- does not purchase the transportation pass for consumption, use or supply exclusively in its commercial activity;
- is using a simplified accounting method to calculate its net tax;
- is purchasing the pass that is subject to input tax credit recapture; or
- is a selected listed financial institution.

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

- on line 405 of the GST/HST return for the reporting period that includes July 1, 2010, if the due date for this 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 6

On April 30, 2010, a train company sells a transportation pass to a registrant business that is using the Quick Method of Accounting. The pass entitles the company's employees to unlimited intercity travel in Ontario from July 1, 2010, to September 30, 2010, for business purposes.

The train company charges GST on the total amount. The registrant business has to self-assess the 8% provincial part of the HST on the total amount paid in April 2010 because:

- the registrant business is a non-consumer;
- the pass relates to a period that occurs on or after July 1, 2010;
- the amount is paid after October 14, 2009, and before May 2010; and
- the registrant business is using a simplified accounting method to calculate its net tax.

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 services and supplies of tangible 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 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 the 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 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 an 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 GST or HST applies to the amount paid.
