



GST/HST Info Sheet

GI-063

July 2010

Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia – Point-of-Sale Rebate on Children's Goods

NOTE: This GST/HST Info Sheet replaces the version dated May 2010.

The Government of Ontario and the Government of British Columbia have each introduced a harmonized sales tax (HST), which came into effect on July 1, 2010.

The HST rate in Ontario is 13% of which 5% represents the federal part and 8% the provincial part. The HST rate for British Columbia is 12% of which 5% represents the federal part and 7% the provincial part.

Also, effective July 1, 2010, the HST rate in Nova Scotia has increased to 15% of which 5% represents the federal part and 10% the provincial part.

This information sheet reflects tax changes included in Part 4 of the *Regulations Amending Various GST/HST Regulations* (SOR/2010-152).

The governments of Ontario, British Columbia and Nova Scotia each provide a point-of-sale rebate of the provincial part of the HST payable on qualifying children's goods. The Canada Revenue Agency (CRA) and the Canada Border Services Agency (CBSA) administer these rebates on behalf of the governments of Ontario, British Columbia and Nova Scotia.

Please refer to the following info sheets for information on point-of-sale rebates on other qualifying goods in Ontario, British Columbia or Nova Scotia:

- GI-060, *Harmonized Sales Tax for Ontario – Point-of-Sale Rebate on Newspapers*;
- GI-061, *Harmonized Sales Tax for British Columbia – Point-of-Sale Rebate on Motor Fuels*;
- GI-062, *Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia – Point-of-Sale Rebate on Feminine Hygiene Products*;
- GI-064, *Harmonized Sales Tax for Ontario – Point-of-Sale Rebate on Prepared Food and Beverages*;
- GI-065, *Harmonized Sales Tax for Ontario and British Columbia – Point-of-Sale Rebate on Books*.

In this publication:

“Consumer” means an individual who acquires or imports qualifying children's goods for the individual's personal consumption or use, or for the personal consumption or use of another individual.

“Provincial part of the HST” means the 8% Ontario part of the HST, the 7% British Columbia part of the HST or the 10% Nova Scotia part of the HST.

“Qualifying children's goods” means goods designated by the governments of Ontario, British Columbia and Nova Scotia as qualifying children's clothing, children's footwear, or children's diapers, and satisfying prescribed conditions. The governments of Ontario and British Columbia have also included children's car seats that satisfy prescribed conditions as “qualifying children's good”. More information is available under the heading “Goods qualifying for the rebate”.

“Rebate” means the point-of-sale rebate of the provincial part of the HST payable on qualifying children's goods, which is provided by the governments of Ontario, British Columbia and Nova Scotia.

“Recipient” of qualifying children's goods means the person who is liable to pay for the children's goods. When no amount is due, it means the person to whom the children's goods are delivered or made available. A recipient could be a wholesaler, retailer or consumer.

“Registrant” means a person who is registered, or is required to be registered, for GST/HST purposes.

La version française du présent document est intitulée *Taxe de vente harmonisée de l'Ontario, de la Colombie-Britannique et de la Nouvelle-Écosse – Remboursement au point de vente pour les produits pour enfants*.



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Who is eligible for the rebate

The rebate is available to all persons that:

- are recipients of qualifying children's goods sold in Ontario, British Columbia or Nova Scotia;
- are resident in Ontario, British Columbia or Nova Scotia and that import qualifying children's goods in circumstances where the provincial part of the HST is payable on the importation; and
- receive delivery or possession of qualifying children's goods in, or bring qualifying children's goods into, Ontario, British Columbia or Nova Scotia in circumstances where the provincial part of the HST is payable on the children's goods.

The rebate is available at any point in the distribution chain of the qualifying children's goods. For example, the rebate is available to persons that are wholesalers, retailers or consumers of qualifying children's goods.

If you are not sure whether you are eligible for a rebate, you may ask for a written ruling or interpretation or call a GST/HST rulings centre at 1-800-959-8287. See GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretation Service*, for more information.

Goods qualifying for the rebate

Children's clothing

The following goods are qualifying children's clothing for purposes of the rebate:

- garments designed for babies, including baby bibs, bunting blankets and receiving blankets;
- children's garments in sizes up to and including girls' Canada Standard Size 16 and boys' Canada Standard Size 20, or garments designed for girls or boys in sizes extra small, small, medium or large if the garment does not have a designed Canada Standard Size; and
- children's hosiery or stretchy socks, hats, ties, scarves, belts, suspenders, gloves, and mittens in sizes and styles designated for children or babies.

The following goods are **not** qualifying children's clothing for purposes of the rebate, and therefore, no rebate is available in respect of the provincial part of the HST payable on these goods:

- adult-sized garments even if acquired for a child;
- costumes;

- garments used exclusively in sports or recreational activities; and
- children's footwear and children's diapers (rebates are available on these goods if such goods qualify as children's footwear or children's diapers, respectively, for purposes of the rebate).

Children's footwear

The following goods are qualifying children's footwear for purposes of the rebate:

- footwear designed for babies;
- footwear designed for girls or boys that has an insole length of 24.25 centimetres or less.

The following goods are **not** qualifying children's footwear for purposes of the rebate, and therefore, no rebate is available in respect of the provincial part of the HST payable on these goods:

- adult-sized footwear (i.e., having an insole greater than 24.25 centimetres) even if acquired for a child;
- footwear that is used exclusively in sports or recreational activities such as cleats, skates, inline skates, ski boots, or similar footwear; and
- stockings, socks, or similar footwear (a rebate is available on these goods if such goods qualify as children's clothing for purposes of the rebate).

Footwear that is specially designed for use by an individual who has a crippled or deformed foot or other similar disability is zero-rated (i.e., subject to the GST/HST at the rate of 0%) when sold on the written order of a medical practitioner. See GST/HST Memorandum 4.2, *Medical and Assistive Devices*, for more information.

Children's diapers

Cloth or disposable diapers that are designed for babies or children are qualifying children's diapers for purposes of the rebate. Diapers designed for babies or children include diaper inserts and liners, rubber pants, and training pants.

The following goods are **not** qualifying children's diapers for purposes of the rebate, and therefore, no rebate is available in respect of the provincial part of the HST payable on these goods:

- adult-sized diapers even if acquired for a child; and

- children's diapers provided as part of a diaper service.

Incontinence products specially designed for use by individuals with a disability are zero-rated for GST/HST purposes (i.e., subject to GST/HST at the rate of 0%). See GST/HST Memorandum 4.2, *Medical and Assistive Devices*, for more information.

Children's car seats and car booster seats

The governments of Ontario and British Columbia also provide a point-of-sale rebate of the provincial part of the HST payable on qualifying children's car seats and car booster seats. The Government of Nova Scotia does not provide a point-of-sale rebate on these goods.

The following goods are qualifying children's car seats and car booster seats for purposes of the point-of-sale rebate to be provided by the governments of Ontario and British Columbia:

- restraint systems or booster cushions that conform with Transport Canada's safety requirements for Standards 213 (*Child Restraint Systems*), 213.1 (*Infant Restraint Systems*), 213.2 (*Booster Cushions*), 213.5 (*Restraint Systems for Infants with Special Needs*), as described under the federal *Motor Vehicle Safety Act*.

Transitional Provision

Until December 31, 2010, the children's car seats referred to in the *Deduction for Provincial Rebate (GST/HST) Regulations*, as amended by sections 9 to 11, may, instead of conforming to the requirements of the *Motor Vehicle Restraint Systems and Booster Seats Safety Regulations*, conform to the requirements of the *Motor Vehicle Restraint Systems and Booster Cushions Safety Regulations* as they read on May 11, 2010, and as they were modified in their application by the *Order Modifying the Operation of the Motor Vehicle Restraint Systems and Booster Cushions Safety Regulations and the Motor Vehicle Safety Regulations*, which came into effect on May 1, 2009 and was published in the *Canada Gazette*, Part I, May 9, 2009.

The following goods are **not** qualifying children's car seats and car booster seats for purposes of the rebate, and therefore, no rebate is available in respect of the provincial part of the HST payable on these goods:

- children's car seats and car booster seats that do not meet Transport Canada's safety standards; and
- travel systems that are combination stroller, carrier and car seat sold in a single package.

How to claim the rebate

Recipients of qualifying children's goods sold in Ontario, British Columbia or Nova Scotia receive their rebate by:

- being paid or credited the rebate amount by the registrant supplier (e.g., a producer, wholesaler or retailer) at the point of sale; or
- filing a rebate claim with the CRA.

Rebate amount paid or credited by registrant suppliers

Generally, recipients of qualifying children's goods sold in Ontario, British Columbia or Nova Scotia automatically have their rebate paid or credited to them at the point of sale by the registrant supplier that sold the children's goods to them.

The rebate amount that a registrant supplier pays or credits to the recipient is equal to the amount of the provincial part of the HST that is payable by the recipient on the sale of the qualifying children's goods.

A registrant supplier that pays or credits the rebate amount at the point of sale collects only the 5% federal part of the HST on the sale of the qualifying children's goods. Information on how a registrant supplier discloses the rebate amount paid or credited is available under the heading "How registrant suppliers show the rebate on their invoices".

Example 1

A retailer in Ontario sells a bunting blanket to a consumer.

Bunting blankets are qualifying children's goods for purposes of the rebate. As a result, the retailer collects only the 5% federal part of the HST and pay or credit the rebate of the 8% provincial part of the HST to the consumer at the point of sale.

Example 2

A retailer in British Columbia sells a Halloween costume to a consumer.

Costumes are not qualifying children's goods for purposes of the rebate. As a result, the retailer collects the 12% HST and does not pay or credit the 7% provincial part of the HST to the consumer.

Example 3

A wholesaler in Nova Scotia sells an order of disposable children's diapers to a retailer in Nova Scotia.

Disposable children's diapers are qualifying children's goods for purposes of the rebate. Because the rebate applies to sales at any point in the distribution chain, the wholesaler collects only the 5% federal part of the HST and pay or credit the rebate of the 10% provincial part of the HST to the retailer at the point of sale.

Example 4

A consumer in British Columbia purchases a children's car seat from a retailer. The seat conforms to Transport Canada's requirements for Standard 213, as described under the federal *Motor Vehicle Safety Act*.

As the car seat conforms to the requirements for Standard 213 as described under the federal *Motor Vehicle Safety Act*, it is a qualifying children's good for purposes of the rebate. As a result, the retailer collects only the 5% federal part of the HST and pays or credits the rebate of the 7% provincial part of the HST to the consumer at the point of sale.

Filing rebate claims with the CRA

If the registrant supplier does not pay or credit the rebate amount at the point of sale, then the recipient of the qualifying children's goods sold in Ontario, British Columbia or Nova Scotia can file a rebate claim with the CRA using Form GST189, *General Application for Rebate of GST/HST*. The rebate amount that the CRA pays to the recipient will be equal to the amount of the provincial part of the HST that the recipient paid on the sale of the qualifying children's goods. The recipient has to file Form GST189 within four years after the day the provincial part of the HST became payable.

If the registrant supplier does not pay or credit the rebate amount at the point of sale and the recipient of the qualifying children's goods sold in Ontario, British Columbia or Nova Scotia is a registrant acquiring the children's goods for use or supply in the course of a commercial activity, then the recipient can claim an input tax credit (ITC) to recover the 5% federal part of the HST paid. The recipient can also file a rebate claim with the CRA,

using Form GST189, to recover the provincial part of the HST paid. The recipient has to file this form within four years after the day the provincial part of the HST became payable.

Example 5

On December 15, 2010, a retailer in Nova Scotia sells a pair of girls' medium-sized mittens to a consumer. These mittens are qualifying children's goods for purposes of the rebate.

The retailer collects the 15% HST and does not pay or credit the rebate of the 10% provincial part of the HST at the point of sale. The consumer can file a rebate claim with the CRA for the 10% provincial part of the HST paid to the retailer. The consumer has until December 15, 2014 to file this rebate claim.

Example 6

On August 1, 2010, a wholesaler in British Columbia sells a pair of qualifying boys' shoes to a retailer in British Columbia. Both the wholesaler and retailer are registrants. These shoes would be qualifying children's goods for purposes of the rebate.

The wholesaler collects the 12% HST and does not pay or credit the rebate of the 7% provincial part of the HST at the point of sale. The retailer can claim an ITC to recover the 5% federal part of the HST paid to the wholesaler. The retailer can also file a rebate claim with the CRA for the 7% provincial part of the HST paid to the wholesaler. The retailer has until August 1, 2014 to file this rebate claim.

Residents importing qualifying children's goods

Generally, persons that are resident in Ontario, British Columbia or Nova Scotia and that import qualifying children's goods in circumstances where the provincial part of the HST is payable on the importation automatically have their rebate deducted by the CBSA from the HST payable.

The rebate amount that the CBSA will deduct is equal to the amount of the provincial part of the HST that is payable by the person on the imported qualifying children's goods. Therefore, the CBSA collects only the 5% federal part of the HST on the imported qualifying children's goods.

Similarly, where a non-resident supplier (e.g., a non-resident producer, wholesaler or retailer) that is not registered for GST/HST purposes sends qualifying children's goods by mail or courier to an address in Ontario, British Columbia or Nova Scotia, the CBSA automatically deducts the rebate amount

from the HST payable on the importation and collects only the 5% federal part of the HST.

Example 7

An internet-based company located in New York (USA) sells and ships a children's scarf to a consumer that is resident in Ontario. The company is not registered for GST/HST purposes. The scarf is a qualifying children's good for purposes of the rebate.

If the consumer is the importer of the scarf, the consumer has to pay the 5% federal part of the HST on the importation of the scarf. The CBSA automatically deducts the rebate of the 8% provincial part of the HST on the imported scarf.

Persons bringing qualifying children's goods into Ontario, British Columbia or Nova Scotia

In certain circumstances, a person that brings qualifying children's goods into Ontario, British Columbia or Nova Scotia has to self-assess the provincial part of the HST on these children's goods. Generally, the person is eligible for a rebate equal to the amount of the provincial part of the HST that is payable by the person on the qualifying children's goods.

Rebate for registrants

If the person is a registrant, the person accounts for the provincial part of the HST self-assessed on the qualifying children's goods brought into Ontario, British Columbia or Nova Scotia on its regular GST/HST return for the reporting period in which the tax became payable.

The person will receive the rebate by claiming a deduction for the rebate amount on the return for the reporting period in which the tax became payable.

Rebate for non-registrants

If the person is not a registrant, the person normally accounts for the provincial part of the HST self-assessed on the qualifying children's goods brought into Ontario, British Columbia or Nova Scotia on Form GST489, *Return for Self-Assessment of the Provincial Portion of the Harmonized Sales Tax (HST)*, no later than the last day of the month after the calendar month in which the tax became payable.

However, the person receives the rebate by deducting the rebate amount from the self-assessed

provincial part of the HST. The person does not have to file Form GST489 where the resulting amount is nil.

How registrant suppliers show the rebate on their invoices

When disclosing the HST on an invoice or receipt issued in respect of the sale of qualifying children's goods to which the registrant supplier has paid or credited the rebate amount at the point of sale, the registrant supplier may show:

- the total amount of the HST payable (or the total HST rate) with the rebate amount paid or credited shown separately;
- the total HST payable as an amount net of the rebate amount paid or credited; or
- the total price of the qualifying children's goods that includes HST at a net rate of 5%.

Example 8

A retailer in British Columbia sells qualifying babies' footwear for \$40.00 and pays or credits the rebate amount of \$2.80 ($\$40.00 \times 7\% = \2.80) at the point of sale. The retailer has the following three options for disclosing the total HST payable and the rebate amount paid or credited:

Price of footwear	\$40.00
HST @ 12%	<u>\$4.80</u>
Subtotal	\$44.80
Rebate @ 7%	<u>\$2.80</u>
Amount due	\$42.00

or

Price of footwear	\$40.00
HST	<u>\$2.00</u>
Amount due	\$42.00

or

Price of footwear 5% HST included	\$42.00
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If the recipient in the above example were a registrant that would be eligible to claim an ITC to recover the tax paid or payable on the purchase of the footwear, the maximum ITC available would be \$2.00 (i.e., the 5% federal part of the HST). This amount appears only on the second invoice. In the case of the first and third invoices, the recipient would have to calculate 5% of \$40.00 ($\$40.00 \times 5\% = \2.00), or 5/105 of \$42.00

$(\$42.00 \times 5/105 = \$2.00)$, respectively, to determine the amount that may be claimed as an ITC.

For information on invoicing requirements for registrants, see Guide RC4022, *General Information for GST/HST Registrants*.

How registrant suppliers account for the rebate on their GST/HST returns

A registrant supplier that pays or credits the rebate amount at the point of sale has two options for accounting for the rebate amount on its GST/HST return.

First, the registrant may account for the total HST collected or collectible (i.e., 13% for Ontario, 12% for British Columbia and 15% for Nova Scotia) on line 103 of the return, and claim an adjustment for the rebate amount paid or credited on line 107.

Second, the registrant supplier may show the net amount as the HST collected or collectible (i.e., 5%) on line 103, and not claim an adjustment for the rebate amount paid or credited on line 107.

Example 9

A retailer in Ontario sells qualifying children's clothing for \$45.00 and credits the rebate amount of \$3.60 ($\$45.00 \times 8\% = \3.60) at the point of sale. The retailer collects the 5% federal part of the HST of \$2.25 ($\$45.00 \times 5\% = \2.25) payable on the sale.

With respect to accounting for this particular sale on its GST/HST return, the retailer may show the 13% HST collectible of \$5.85 ($\$45.00 \times 13\% = \5.85) on line 103, and claim an adjustment for the rebate amount credited (\$3.60) on line 107, as follows:

Sales and other revenue (line 101):	\$45.00	
GST/HST collected or collectible (line 103)	\$5.85	
Adjustments (line 104)	0	
Total GST/HST/adjustments (line 105)		\$5.85
ITCs (line 106)	0	
Adjustment (line 107)	\$3.60	
Total ITCs /adjustments (line 108)		\$3.60
Net tax (line 109)		\$2.25

Or, the retailer may show the net amount collectible ($\$5.85 - \$3.60 = \$2.25$) on line 103, and not claim an adjustment for the rebate amount credited on line 107, as follows:

Sales and other revenue (line 101):	\$45.00	
GST/HST collected or collectible (line 103)	\$2.25	
Adjustments (line 104)	0	
Total GST/HST/adjustments (line 105)		\$2.25
ITCs (line 106)	0	
Adjustment (line 107)	0	
Total ITCs /adjustments (line 108)		0
Net tax (line 109)		\$2.25

For information on completing a GST/HST return, see Guide RC4022, *General Information for GST/HST Registrants*.

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/gsthsttech.