



Harmonized Sales Tax for Prince Edward Island – Questions and Answers on General Transitional Rules for Personal Property and Services

The 2012 Prince Edward Island (P.E.I.) Budget proposed a harmonized sales tax (HST) that would come into effect on April 1, 2013. The HST in P.E.I. would be administered by the Canada Revenue Agency (CRA).

This publication provides questions and answers that reflect the proposed tax changes as announced in the 2012 P.E.I. Budget, and in the Revenue Tax Guide RTG:185, *Implementation of the Harmonized Sales Tax in Prince Edward Island* released by the Government of Prince Edward Island on November 8, 2012.

Any commentary in this document should not be taken as a statement by the CRA that these proposed amendments will be enacted in their current form. Further information will be published in the coming months.

This document is provided to assist businesses and consumers in understanding how the transitional rules for the proposed HST would apply to transactions made by GST/HST registrants that straddle the April 1, 2013 implementation date. Unless otherwise noted, these transitional rules would apply to taxable transactions that would be subject to the HST in P.E.I. (other than zero-rated supplies), including taxable supplies of personal property and services made in P.E.I., taxable personal property and services brought into P.E.I. from another province, and taxable importations of personal property into P.E.I. The definitions and concepts in the *Excise Tax Act* (the ETA) would apply to the transitional rules outlined in this document.

These transitional rules would generally operate on the basis of the earlier of when consideration for a supply becomes due and when consideration is paid without having become due. Under the ETA, consideration for a supply becomes due on the earliest of:

- the day the supplier first issues an invoice in respect of the supply;
- the date of the invoice;
- the day the supplier would have, but for an undue delay, issued an invoice in respect of the supply; and
- the day the recipient of the supply is required to pay the consideration pursuant to a written agreement.

In P.E.I., the 5% goods and services tax (GST) will continue to apply according to the usual rules, either as GST or, where the HST would apply, as the federal part of the HST. The HST in P.E.I. would be 14%, consisting of the 5% federal part and a 9% P.E.I. part.

For information on the transitional rules for real property in P.E.I., refer to GST/HST NOTICE279, *Harmonized Sales Tax for Prince Edward Island (P.E.I.) – Questions and Answers on Transitional Rules for Housing and Other Real Property Situated in P.E.I.*

For more information on the proposed transitional rules for the HST, call 1-800-959-5525.

For general information on the introduction of the HST in P.E.I., call toll free 1-800-236-5196 (Monday to Friday from 8:00 a.m. to 5:30 p.m.) or 902-368-4000. Alternately, questions can be emailed to hst@gov.pe.ca.

La version française de la présente publication est intitulée *Taxe de vente harmonisée de l'Île-du-Prince-Édouard – Questions et réponses sur les règles transitoires générales visant les biens meubles et les services*.



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General transitional rules

Tangible personal property

Sales

The HST would generally apply to any consideration that becomes due, or is paid without having become due, on or after February 1, 2013, for a supply made by way of sale of tangible personal property (i.e., goods) to the extent that the consideration is for tangible personal property that is delivered, **and** for which ownership is transferred, to the recipient of the supply on or after April 1, 2013.

The HST would not apply to a supply made by way of sale of tangible personal property if the tangible personal property is delivered, **or** ownership of the tangible personal property is transferred, to the recipient of the supply before April 2013, regardless of when the consideration for the supply becomes due or is paid without having become due. In this case, the GST at 5% will apply.

Exchanges

Exchanges made on or after April 1, 2013, and before August 2013, of goods that were originally purchased before April 2013, and that were subject to the provincial sales tax for P.E.I., would generally be treated as follows:

- if the consideration payable for the new good exceeds that paid for the original good, then the HST at 14% would apply to the difference; and
- if the consideration payable for the new good is less than or equal to that paid for the original good, then the provincial part of the HST would not apply. However, if at the time of the exchange, an amount is refunded to the purchaser in respect of the original good, the purchaser may be entitled to a corresponding refund of the GST paid at the time the original good was purchased.

If provincial sales tax did not apply to the purchase of the original good and the good is exchanged on or after April 1, 2013, then the HST of 14% would apply to the total consideration payable for the replacement good. However, the purchaser may be entitled to a refund of the GST paid on the purchase of the original good.

For any exchange made after July 2013, the HST would apply to the total consideration payable for a new item, and the purchaser may be entitled to a refund of the GST/HST paid on the original item.

Subscriptions

The HST would generally not apply to any consideration that is paid before April 2013 for a subscription to a newspaper, magazine or other publication published periodically. In this case, the GST at 5% will apply. The rules for budget payment arrangements set out later in this document would not apply to sales of subscriptions to newspapers, magazines or other periodicals.

Leases and licences of personal property

The following transitional rules are for tangible personal property and intangible personal property supplied by way of lease, licence, or similar arrangement for which the consideration is rent, royalties, or similar payments. For supplies of intangible personal property where the payments do not vary with the amount of use or profits from the property, such as lump sums paid for copyrights, refer to the rules in the *Intangible personal property* section of this document.

The HST would generally apply to any consideration that becomes due, or is paid without having become due, on or after February 1, 2013, for a supply of property made by way of lease, licence, or similar arrangement to the extent that the consideration is attributable to that part of a lease or licence period (a lease interval) that begins on or after April 1, 2013.

However, the HST would not apply to any consideration payable for a supply of property made by way of lease, licence, or similar arrangement if the consideration is attributable to a lease interval that begins before April 2013 and ends before May 2013. In this case, the GST at 5% will apply.

These rules would also apply to real property. For information on these rules as they would apply to real property in P.E.I., refer to GST/HST NOTICE279, *Harmonized Sales Tax for Prince Edward Island (P.E.I.) – Questions and Answers on Transitional Rules for Housing and Other Real Property Situated in P.E.I.*

Services

The HST would generally apply to any consideration that becomes due, or is paid without having become due, on or after February 1, 2013, for a supply of a service, to the extent that the consideration relates to the portion of the service performed on or after April 1, 2013. However, if 90% or more of the service is performed before April 2013, the HST would not apply to the consideration payable for the service. In this case, the GST at 5% will apply.

There are special transitional rules for passenger transportation services, freight transportation services, and prepaid funeral and cemetery services.

Passenger transportation services

The HST would not apply to any consideration payable for the part of a passenger transportation service that is performed on or after April 1, 2013, if the service is part of a continuous journey that begins before April 2013. In this case, the GST at 5% will apply. Transportation passes, which are intangible personal property (rights to transportation), have special rules that are found later in the *Intangible personal property* section of this document.

Freight transportation services

The HST would not apply to any consideration payable for the part of a freight transportation service that is performed on or after April 1, 2013, if the service is part of a continuous freight movement of goods that begins before April 2013. In this case, the GST at 5% will apply.

Prepaid funeral and cemetery arrangements

The HST would not apply to any consideration payable for the portion of a funeral or cemetery service that is performed on or after April 1, 2013, if the service is supplied pursuant to a written arrangement entered into before April 2013. In this case, the GST at 5% will apply.

This rule would only apply if it was reasonable, at the time that the arrangement was entered into, to expect that all or a part of the consideration for the service would be paid (or put into a trust) before the service is performed.

This rule would also apply to property relating to the funeral, burial, or cremation of an individual if the property is provided under an arrangement for the provision of funeral or cemetery services that is relieved under this rule. In addition, this rule would apply to an interment right (i.e., a real property right relating to the interment of human remains in a cemetery, mausoleum, columbarium or any similar place used for the interment of human remains) supplied under a written agreement that is entered into before April 2013.

Intangible personal property

A supply made by way of sale of intangible personal property (e.g., contractual rights, patents) would generally be subject to the HST if the consideration for the supply becomes due, or is paid without having become due, on or after April 1, 2013. Passenger transportation passes, memberships, and admissions have special transitional rules.

This rule would also apply to intangible personal property supplied by way of lease, licence, or similar arrangement if the payments do not vary with the amount of use or profits from the property (e.g., a lump-sum payment for a copyright). However, where the consideration is rent, royalties, or similar payments (i.e., the payments vary with the amount of use or profits from the property), the rules explained in the *Leases and licences of personal property* section of this document would apply.

Passenger transportation passes

The HST would generally apply to any consideration that becomes due, or is paid without having become due, on or after February 1, 2013, for a transportation pass that entitles an individual to passenger transportation services during a certain period (the “pass period”) to the extent that either the pass period begins on or after April 1, 2013, or:

- the pass period begins before April 2013 and ends after April 2013, and
- the consideration is attributable to any part of the pass period that occurs on or after April 1, 2013.

The HST would not apply if the pass period begins before April 2013 and ends before May 2013. In this case, the GST at 5% will apply.

Memberships

The HST would generally apply to any consideration that becomes due, or is paid without having become due, on or after February 1, 2013, for a supply of a membership in a club, organization or association to the extent that the consideration relates to any part of a membership period that occurs on or after April 1, 2013. However, the HST would not apply if 90% or more of the membership period is before April 2013. In this case, the GST at 5% will apply.

If any consideration for a lifetime membership in a club, organization or association becomes due, or is paid without having become due, during the period after November 8, 2012 and before April 2013, and that consideration exceeds 25% of the total consideration payable for the lifetime membership, the

amount in excess of that 25% portion would be treated as having become due on April 1, 2013, and would be subject to the HST.

If the supply is a right to acquire a membership in a club, organization or association, then the general transitional rules for intangible personal property would apply to the supply of that right.

Admissions

The HST would generally apply to any consideration payable for a supply of an admission to a place of amusement, a seminar, an event or an activity (hereafter referred to as an event or activity) that becomes due, or is paid without having become due, on or after February 1, 2013, to the extent that the consideration relates to the part of the event or activity that occurs on or after April 1, 2013. However, the HST would not apply to the consideration payable for a supply of an admission if 90% or more of the event or activity to which the admission relates occurs before April 2013. In this case, the GST at 5% will apply.

Consideration that becomes due, or is paid without having become due, on or after February 1, 2013 and before April 2013

If, under the transitional rules outlined above, the HST would apply to consideration that becomes due, or is paid without having become due, on or after February 1, 2013 and before April 2013, in respect of a supply of a property or service, then the following rules would apply.

- The consideration would be deemed, for purposes of the provincial part of the HST, to become due on, and not to have been paid before, April 1, 2013. The supplier would be required to collect the provincial part of the HST from the purchaser at that time and account for that tax in the GST/HST reporting period of the supplier that includes April 1, 2013. The supplier will be required to account for the GST at 5% in the reporting period in which the consideration for the supply actually became due, or was paid without having become due.
- The purchaser would be able to claim any available input tax credit (ITC) for the provincial part of the HST in respect of the supply in the GST/HST reporting period of the purchaser that includes April 1, 2013. The purchaser will be able to claim any available ITC for the GST at 5% in the reporting period in which the GST becomes payable, or is paid without having become payable.

Consideration that becomes due, or is paid without having become due, after November 8, 2012 and before February 2013 by non-consumers

Certain persons who are not consumers (non-consumers) would generally be required to self-assess the provincial part of the HST on any consideration that becomes due, or is paid without having become due, after November 8, 2012 and before February 2013, for:

- a supply of a good made by way of sale to the extent that the good is delivered, and ownership is transferred, to the recipient of the supply on or after April 1, 2013;
- a supply of property made by way of lease, licence or similar arrangement to the extent that the consideration is attributable to that part of a lease or licence interval that occurs on or after April 1, 2013 (unless the lease interval begins before April 2013 and ends before May 2013);
- a supply of a service, to the extent that the consideration relates to the part of the service that is performed on or after April 1, 2013 (unless 90% or more of the service is performed before April 2013);
- a supply of membership in a club, organization, or association to the extent that the consideration is attributable to the part of the membership period that occurs on or after April 1, 2013 (unless 90% of the membership period occurs before April 2013);

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- a supply of an admission to an event or activity to the extent that the consideration is for the part of the event or activity that occurs on or after April 1, 2013 (unless 90% or more of the event or activity occurs before April 2013); or
 - a supply of a passenger transportation pass to the extent that the consideration is for part of the pass period that occurs on or after April 1, 2013 (unless the pass period begins before April 2013 and ends before May 2013).

The requirement to self-assess the provincial part of the HST in these situations would only apply to persons who are non-consumers. However, the requirement to self-assess does **not** apply if the person:

- acquires the supply for consumption, use or supply exclusively in the course of the person's commercial activities;
- would be entitled to claim an ITC for the total of the provincial part of the HST payable in respect of the supply and would not be required to add an amount in calculating the person's net tax in respect of that ITC (e.g., meal and entertainment expenses and the recapture of ITCs as explained in P.E.I.'s Revenue Tax Guide RTG:186, *Temporary Recapture of Certain Provincial Input Tax Credits*);
- does not use simplified procedures available under the ETA for calculating the person's net tax (such as those methods used by certain charities, public service bodies, and small businesses); and
- is not a registrant that is a selected listed financial institution.

Persons required to self-assess the provincial part of the HST would account for that tax by the due date of their GST/HST return for the reporting period that includes April 1, 2013, if that return is due before August 2013. In any other case, the person would account for the provincial part of the HST in Form GST489, *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)* and file that return along with any amount owing before August 2013.

Property and services brought into P.E.I. from another province, imported goods and imported taxable supplies

In the case of property and services brought into P.E.I. from another province, imported goods and imported taxable supplies, a person may be required to self-assess the provincial part of the HST. The transitional rules that would apply in these cases are described below. Generally, where a person would be required to self-assess the provincial part of the HST, the person would account for that tax by the due date of their GST/HST return for the reporting period that includes April 1, 2013, if that return is due before August 2013. In any other case, the person would account for the provincial part of the HST in Form GST489, *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)* and file that return along with any amount owing before August 2013.

Personal property and services brought into P.E.I. from another province

The provincial part of the HST would generally apply to tangible personal property, mobile homes that are not affixed to land, and floating homes, that are brought into P.E.I. from another province on or after April 1, 2013, and to such property that is brought into P.E.I. from another province before April 2013 by a carrier where the property is delivered in P.E.I. to a consignee on or after April 1, 2013.

The provincial part of the HST would generally apply to consideration that becomes due, or is paid without having become due, after November 8, 2012, for the part of a service performed on or after April 1, 2013 (unless 90% or more of the service is performed before April 2013) if the service is supplied in a province other than P.E.I. to a resident of P.E.I. to the extent that the resident acquires the service for consumption, use or supply in P.E.I. Consideration that becomes due, or is paid without

having become due, after November 8, 2012 and before April 2013 for a supply of such a service would be deemed to become due on, and not to have been paid before, April 1, 2013.

The provincial part of the HST would generally apply to consideration that becomes due, or is paid without having become due, on or after April 1, 2013, for intangible personal property that is supplied by way of sale in a province other than P.E.I. to a resident of P.E.I. to the extent that the resident acquires the property for consumption, use or supply in P.E.I.

The provincial part of the HST would generally apply to consideration that becomes due, or is paid without having become due, after November 8, 2012, for the part of a lease interval that occurs on or after April 1, 2013 (unless the lease interval begins before April 2013 and ends before May 2013) if the lease interval is in respect of intangible personal property supplied by way of lease, licence or similar arrangement in a province other than P.E.I. to a resident of P.E.I. to the extent the resident acquires the property for consumption, use or supply in P.E.I. Consideration that becomes due, or is paid without having become due, after November 8, 2012 and before April 2013 for a supply of such a property would be deemed to become due on, and not to have been paid before, April 1, 2013.

Persons liable to pay the provincial part of the HST in these circumstances would be required to self-assess the tax. For consideration that becomes due, or is paid without having become due, after November 8, 2012 and before February 2013, the transitional rules for services and intangible personal property, and the requirement to self-assess the provincial part of the HST, would only apply to persons who are not consumers. However, the requirement to self-assess does **not** apply if the person:

- acquires the supply for consumption, use or supply exclusively in the course of the person's commercial activities;
- would be entitled to claim an ITC for the total of the provincial part of the HST payable in respect of the supply and would not be required to add an amount in calculating the person's net tax in respect of that ITC (e.g., meal and entertainment expenses and the recapture of ITCs as explained in P.E.I.'s Revenue Tax Guide RTG:186, *Temporary Recapture of Certain Provincial Input Tax Credits*);
- does not use simplified procedures available under the ETA for calculating the person's net tax (such as those methods used by certain charities, public service bodies, and small businesses); and
- is not a registrant that is a selected listed financial institution.

Imported goods

The provincial part of the HST would generally apply to non-commercial goods that are imported by a resident of P.E.I. on or after April 1, 2013, and to such goods imported by a resident of P.E.I. before that date that are accounted for under the relevant provisions of the federal *Customs Act* on or after April 1, 2013.

The provincial part of the HST would also generally apply to a specified motor vehicle or commercial goods brought into P.E.I. from a place outside Canada on or after April 1, 2013. This rule would generally not apply, however, to commercial goods that are brought into P.E.I. by a GST/HST registrant for consumption, use or supply exclusively in the course of commercial activities of the registrant. Persons liable to pay the provincial part of the HST in these circumstances would generally be required to self-assess the tax.

Imported taxable supplies

The provincial part of the HST would generally apply to consideration that becomes due, or is paid without having become due, on or after November 8, 2012, for:

- an imported taxable supply of goods made to a resident of P.E.I., or to a GST/HST registrant to whom the goods are delivered or made available, or physical possession of the goods is transferred in P.E.I., to the extent that the consideration is for goods that are delivered or made available, or physical possession is transferred, on or after April 1, 2013;
- an imported taxable supply of a service made to a resident of P.E.I. to the extent that the resident acquires the service for consumption, use, or supply in P.E.I. and to the extent that the consideration is for the part of the service that is performed on or after April 1, 2013 (unless 90% or more of the service is performed before April 2013); and
- an imported taxable supply of intangible personal property that is made by way of lease, licence, or similar arrangement to a resident of P.E.I. to the extent that the resident acquires the property for consumption, use, or supply in P.E.I. and to the extent that the consideration is for the portion of the lease interval that occurs on or after April 1, 2013 (unless the lease interval begins before April 2013 and ends before May 2013).

Persons liable to pay the provincial part of the HST in these circumstances would generally be required to self-assess the tax as if the consideration became payable on April 1, 2013, and was not paid before that date. For consideration that becomes due, or is paid without having become due, after November 8, 2012 and before February 2013, the transitional rules, and the requirement to self-assess the provincial part of the HST, would only apply to persons who are not consumers. However, the requirement to self-assess does **not** apply if the person:

- acquires the supply for consumption, use or supply exclusively in the course of the person's commercial activities;
- would be entitled to claim an ITC for the total of the provincial part of the HST payable in respect of the supply and would not be required to add an amount in calculating the person's net tax in respect of that ITC (e.g., meal and entertainment expenses and the recapture of ITCs as explained in Revenue Tax Guide RTG:186, *Temporary Recapture of Certain Provincial Input Tax Credits*);
- does not use simplified procedures available under the ETA for calculating the person's net tax (such as those methods used by certain charities, public service bodies, and small businesses); and
- is not a registrant that is a selected listed financial institution.

Other transitional rules

Continuous supplies

The HST would generally apply to any consideration that becomes due, or is paid without having become due, for supplies of property or services delivered, performed or made available (as the case may be) on a continuous basis by means of a wire, pipeline, or similar conduit, or by satellite or other telecommunications facility (e.g., natural gas, electricity, cable television or cellular telephone services) to the extent that the consideration is for property or services that are delivered, performed or made available to the recipient of the supply on or after April 1, 2013.

If the supplier cannot reasonably determine when the property or services are delivered, performed or made available, the consideration for the supply would be prorated in equal parts according to the number of days in the period to which the consideration is attributable.

Budget payment arrangements

If property or services are supplied under a budget payment arrangement (e.g., electricity supplied to a consumer under an equal payments billing plan) during a period that includes the April 1, 2013 implementation date, and the reconciliation of payments for that period of the budget payment arrangement occurs prior to April 2014, the supplier would be required to make an adjustment in respect of the provincial part of the HST at the time of the reconciliation to account for any difference between:

- (a) the amount of the provincial part of the HST that would have been payable for the property or services delivered, performed or made available on or after April 1, 2013, if the consideration for the property or services had become payable on April 1, 2013, without having been paid before that date; and
- (b) the amount of the provincial part of the HST that was payable by the recipient of the supply on the equal billing payments for the period of the budget payment arrangement.

If the amount described in (b) is greater than the amount described in (a), the supplier would be required to refund or credit the difference to the recipient. If the amount described in (a) is greater than the amount described in (b), the supplier would be required to collect the difference from the recipient.

However, these rules would not apply to newspapers, magazines or other periodicals when sold by subscription. Instead, refer to the *Subscriptions* section of this document.

Special prorating rules may apply to supplies of property or services delivered, performed or made available (as the case may be) on a continuous basis by means of a wire, pipeline, or similar conduit, or by satellite or other telecommunications facility made under a budget payment arrangement. If the time the property or service is delivered, performed, or made available cannot reasonably be determined because of the method of recording the supply, then, for the purposes of calculating the amount of the provincial part of the HST that would be payable, the supply would be prorated according to the number of days in the period for which the consideration is attributable.

Combined supplies

A special rule would apply where any combination of property or services is supplied together as a single supply. If one of the items supplied is property, of which ownership or possession has been transferred to the recipient of the supply before April 2013, and that property would not be subject to the HST under these general transitional rules if it were supplied separately, then the supply of that property would be deemed to be a separate supply from the other items. This rule would not apply to sales of newly constructed or substantially renovated housing. For more information, refer to GST/HST NOTICE279, *Harmonized Sales Tax for Prince Edward Island (P.E.I.) – Questions and Answers on Transitional Rules for Housing and Other Real Property Situated in P.E.I.*

Direct sellers

If a direct seller (or an approved distributor) is using the Alternate Collection Method on April 1, 2013, and independent sales contractors (ISCs) of the direct seller hold exclusive products in their inventory at the beginning of the day that were purchased from the direct seller (or approved distributor) and that are intended for sale in P.E.I., the direct seller (or approved distributor) would be deemed to have made a supply of those products to the ISCs on April 1, 2013. The direct seller (or approved distributor) would be required to account for any applicable provincial part of the HST on the suggested retail price of each of those products in its GST/HST return for the reporting period that includes April 1, 2013.

A direct seller would also be required to account for the provincial part of the HST on the suggested retail price of exclusive products supplied to ISCs for which consideration becomes due, or is paid without having become due, after November 8, 2012 and before April 2013, to the extent that the products have not been delivered to the ISCs as of April 1, 2013.

Anti-avoidance

Existing anti-avoidance rules in the ETA would apply to transactions to which the above-mentioned transitional rules apply.

Information for businesses

General

1. What is the HST for P.E.I.?

The HST for P.E.I. is the proposed harmonized sales tax of 14%, which would be composed of a federal part of 5% (the GST) and a provincial part of 9%.

2. What does the HST for P.E.I. apply to?

Generally, the HST of 14% would apply to supplies made in P.E.I. that are currently subject to the GST at 5% (i.e., taxable supplies that are not zero-rated). This would include supplies of goods, real property, intangible personal property such as contractual rights and patents, and services.

3. What does the HST for P.E.I. not apply to?

Generally, the 14% HST for P.E.I. would not apply to supplies that are exempt, zero-rated, or not subject to tax for GST/HST purposes, or to supplies made outside P.E.I.

4. When do suppliers begin charging the HST on supplies made in P.E.I.?

Generally, suppliers would begin charging the HST on supplies made in P.E.I. on or after April 1, 2013.

However, there may be situations where suppliers charge the HST on supplies made in P.E.I. where the consideration for the supplies becomes due, or is paid without having become due, on or after February 1, 2013 and before April 2013, and some or all of the property or services are provided on or after April 1, 2013. In this case, the supplier would be required to account for:

- the 5% federal part of the HST in the GST/HST return for its reporting period under the normal rules; and
- the 9% provincial part of the HST in the GST/HST return for its reporting period that includes April 1, 2013.

Refer to the questions and answers under the various headings in this notice for information on how the HST would apply to transactions that straddle the April 1, 2013 implementation date.

5. When does consideration for a taxable supply become due?

Consideration for a taxable supply becomes due on the earliest of the following:

- the earlier of the day the supplier first issues an invoice for the consideration, and the date of the invoice;
- if there is an undue delay in issuing an invoice, the day when the supplier would have (but for the undue delay) issued the invoice for the consideration; and
- the day the recipient of the supply is required to pay the consideration under a written agreement.

6. When does consideration for a supply of property made by way of lease, licence or similar arrangement become due when there is a written agreement for the supply?

For a supply of property made by way of lease, licence or similar arrangement under a written agreement, the consideration becomes due on the day the recipient of the supply is required to pay the consideration under the agreement.

7. When is consideration paid without having become due?

Consideration is paid without having become due when a recipient pays all or part of the consideration for a supply before the amount becomes due in accordance with the rules for when consideration for a supply becomes due, as explained in questions 5 and 6.

8. I paid the consideration for a supply on April 2, 2013. The invoice was issued March 31, 2013, but I had until April 29 to pay without any interest. Was the consideration that I paid early an amount that was paid without having become due?

No. The amount became due on March 31, 2013, the day the invoice was issued. Once that invoice is issued, any amount paid with respect to that invoice is not an amount that was paid without having become due.

9. I paid the consideration for a supply on April 2, 2013. Under the written agreement for the supply, I did not have to pay the amount until April 15, 2013. No invoice had been issued. Is this an amount that was paid without having become due?

Yes, since no invoice had been issued and you made the payment before the consideration became due under the written agreement for the supply.

10. The consideration for a taxable supply of a service that will be performed in April 2013 is due February 15, 2013. If the consideration for the supply is paid, without having become due, on January 15, 2013, it appears that both the transitional rule for consideration that becomes due or is paid without having become due after November 8, 2012 and before February 2013 and the transitional rule for consideration that becomes due or is paid without having become due on or after February 1, 2013 and before April 2013 apply. Which rule applies to this situation?

The transitional rules generally operate on the basis of the earlier of when consideration for a supply becomes due and when consideration is paid without having become due. In this situation, the earlier of these dates is the day the consideration is paid, January 15, 2013. Consequently, the transitional rule for consideration that becomes due or is paid without having become due after November 8, 2012 and before February 2013 would apply in this situation.

Tangible personal property

Sales

Does the HST apply to the following sales and purchases made by businesses?

11. When does the HST apply to a supply made by way of sale of tangible personal property?

Generally, the HST would apply to a supply made by way of sale of tangible personal property when the property is delivered, and ownership of the property is transferred, to the recipient of the supply on or after April 1, 2013.

12. On February 3, 2013, I sell a refrigerator and deliver it to my customer on February 11, 2013. The customer does not pay for the refrigerator until April 15, 2013.

As the refrigerator is delivered to the customer before April 2013, the HST would not apply to this sale. The GST will apply at 5%.

13. In February 2013, I sell a washer and dryer. Under the written agreement for the sale, the customer has to make six equal monthly payments that become due in each of the months from February 2013 to July 2013. Ownership of the washer and dryer will be transferred to the customer after the final payment is made in July 2013, and the washer and dryer will be delivered to the customer at that same time.

The washer and dryer are delivered, and ownership of the washer and dryer is transferred, to the customer on or after April 1, 2013. Therefore, HST would apply to the total consideration for the washer and dryer including the two payments made in February 2013 and March 2013. However, the provincial part of the HST for the February and March payments would be deemed to become due on April 1, 2013. Refer to the answer to question 22 for information on how to account for the tax.

14. I sell equipment under a written agreement where the equipment is delivered to the customer on March 1, 2013. Ownership of the equipment transfers to the customer after the full consideration is paid. The customer has agreed to make 12 monthly payments for the equipment starting on March 1, 2013.

As the equipment is delivered to the customer before April 2013, the HST would not apply to any of the payments. The GST will apply at 5%.

15. I accept a deposit of \$100 in February 2013 for a sale of goods that I make on April 5, 2013. The goods are delivered and ownership is transferred to the customer on April 5, 2013. I invoice the customer for the sale and credit the deposit against the consideration for the sale on April 5, 2013.

A deposit is not a payment for a supply until the supplier applies it against the consideration for the supply. In this example, the deposit made in February 2013 is applied as a payment against the total consideration payable for the supply of the goods on April 5, 2013. Since the goods are delivered and ownership is transferred on April 5, 2013, the HST would apply to the total consideration payable for the supply, including the \$100 deposit.

16. I sell a magazine subscription covering the period from April 2013 to April 2014. The subscriber pays the subscription in full on March 31, 2013. The magazines are made available to the subscriber on or after April 1, 2013.

The HST would not apply to this subscription as it is paid in full before April 2013. The GST will apply at 5%.

17. I sell a subscription to a monthly newsletter. The consideration for this subscription is due on March 31, 2013, but the subscriber does not pay until April 6, 2013.

The HST would apply to the full amount of the subscription because the payment was made on or after April 1, 2013.

18. I sell goods through a vending machine. I charge tax on these goods. I restock the machine and collect the accumulated money from the machine on the 10th day of each month.

You are considered to have made the supply, received the consideration for the supply, and collected any tax payable in respect of the supply at the time you remove the consideration from a vending machine. Consequently, when you remove the consideration from the vending machine on April 10, 2013, you are deemed to have made the supply of the goods sold through the vending machine on April 10, 2013. You

would also be deemed to have collected the HST on the consideration paid for those goods on April 10, 2013.

19. On December 15, 2012, my business prepays an amount for the purchase of computer equipment. I receive ownership, and take delivery of the equipment in May 2013. The business will not be using this computer equipment exclusively in commercial activities.

Since both transfer of ownership and delivery of the computer equipment occur in May 2013, the sale of the computer would be subject to the HST. As the prepayment is made before February 2013, the supplier would not charge the provincial part of the HST on the prepaid amount. However, persons other than consumers who, after November 8, 2012 and before February 2013, prepay the consideration for goods that are delivered, and ownership transferred, on or after April 1, 2013, may be required to self-assess the provincial part of the HST. Since you are a non-consumer, and the computer equipment will not be used exclusively in commercial activities, your business would be required to self-assess the provincial part of the HST on the prepayment amount.

Your business would be required to account for the provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013, if that return is due before August 2013. Otherwise, your business would account for the provincial part of the HST in Form GST489, *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)* and file that return along with any amount owing before August 2013.

20. On January 28, 2013, my business prepays for a motor vehicle. The business will receive ownership and delivery of the vehicle on April 7, 2013. My business will be subject to the recapture of the ITC for the provincial part of the HST paid on this type of motor vehicle. My business is engaged exclusively in commercial activities.

The sale of the motor vehicle would be subject to the HST since ownership and delivery of the vehicle occurs in April 2013. However, the supplier would not be required to collect the provincial part of the HST on any prepayments made before February 2013. Persons, other than consumers, who, after November 8, 2012 and before February 2013, prepay the consideration for a taxable supply made on or after April 1, 2013, may be required to self-assess the provincial part of the HST. Persons acquiring the property in situations where the property would be subject to a recapture of ITCs would be required to self-assess the provincial part of the HST on the prepayment amount (i.e., even if they acquire the property for consumption, use or supply exclusively in the course of their commercial activities). Accordingly, your business would be required to self-assess the provincial part of the HST on your purchase of the motor vehicle.

Your business would be required to account for the provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013, if that return is due before August 2013. Otherwise, your business would account for the provincial part of the HST in Form GST489, *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)* and file that return along with any amount owing before August 2013.

21. My business purchases, and is invoiced for, a transport truck before November 8, 2012. It receives ownership, and takes delivery, of the truck in May 2013.

The HST would not apply on the amount invoiced for the truck, because the consideration for the sale of the transport truck becomes due before November 8, 2012. In addition, your business would not be required to self-assess the provincial part of the HST. The GST will apply at 5%.

22. On December 3, 2012, my business enters into an agreement to custom build a sailboat for a customer. The sailboat will not be delivered, and ownership will not be transferred, to my customer until May 2013. The consideration payable for the sailboat becomes due and is paid by my customer on March 18, 2013.

The HST would apply to the sale of the sailboat since ownership and delivery of the sailboat occurs on or after April 1, 2013, and the consideration becomes due on or after February 1, 2013, (and is not paid before that date). The HST would apply to the consideration that becomes due and is paid on March 18, 2013. However, for purposes of the provincial part of the HST, the consideration would be deemed to have become due on April 1, 2013, and not to have been paid before that date.

As a result, your business would be required to account for:

- the 5% federal part of the HST in the GST/HST return for its reporting period that includes March 18, 2013; and
- the 9% provincial part of the HST in the GST/HST return for its reporting period that includes April 1, 2013.

Leases and licences

Does the HST apply to the following lease and licence payments made to businesses?

23. I have existing recreational vehicle and boat leases with customers that were in effect before November 8, 2012. Payment is due on the first of the month for that month's lease (i.e., the lease interval is monthly). These leases are still in effect on April 1, 2013, and as a result, lease payments are made on or after April 1, 2013, for the month of April.

The HST would apply to lease intervals beginning on or after April 1, 2013, including lease intervals for leases that were in effect before November 8, 2012. Therefore, you would charge the HST on payments for lease intervals that begin on or after April 1, 2013.

24. I lease passenger vehicles to customers. One lease payment, due March 1, 2013, is for a lease interval from March 1, 2013 to March 31, 2013. The customer pays for it on April 7, 2013.

Since the lease interval is before April 2013, the HST would not apply to the lease payment.

25. I lease office equipment to other businesses. One of the lease payments becomes due on March 25, 2013. The lease interval begins March 25, 2013 and ends April 24, 2013.

Since the lease interval begins before April 2013, and ends before May 2013, the HST would not apply to the lease payment. The GST at 5% will apply.

26. On March 1, 2013, I prepay the lease of my office equipment for the lease interval of April 1, 2013 to April 30, 2013.

Since the lease interval begins on April 1, 2013, the HST would apply to the March 1, 2013 prepayment. The consideration would be deemed to become due on April 1, 2013, and therefore, the provincial part of the HST would become payable on that day.

27. I license someone to manufacture widgets and receive royalty payments in respect of the licence that vary depending on the sale of widgets. A royalty payment becomes due to me on March 1, 2013, based on sales of widgets in the previous three months, but it is not paid to me until on or after April 1, 2013.

Since the royalty payment relates to a licence interval that begins before April 2013 and ends before May 2013, the HST would not apply to the payment, even though the payment is made on or after April 1, 2013. The GST at 5% will apply.

28. A business makes a prepayment on December 1, 2012, for a lease of computer equipment for the interval of March 1, 2013, to June 30, 2013. The business will not be using the computer equipment exclusively in commercial activities.

Since the prepayment is made after November 8, 2012 and before February 2013, and the computer equipment is not used exclusively in commercial activities, the business would be required to self-assess the provincial part of the HST on the portion of the prepayment that applies to that part of the lease interval that covers the period of April 1, 2013 to June 30, 2013.

The business would be required to account for the provincial part of the HST in the GST/HST return for the reporting period that includes April 1, 2013, if that return is due before August 2013. In any other case, the business would account for the provincial part of the HST in Form GST489, *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)* and file that return along with any amount owing before August 2013.

Returns and exchanges

Does the HST apply to the following returns and exchanges?

29. I sell a stereo in March 2013. The sale of the stereo was subject to the provincial sales tax but not subject to HST. In April 2013, the customer returns the stereo and I give the customer a refund for the stereo.

As the HST would not have applied to the sale of the stereo, the HST would not be refunded to the customer. However, the customer would be eligible for a refund of the GST paid on the purchase of the stereo.

30. I sell a men's shirt in March 2013. The provincial sales tax applied to the sale of the shirt but the HST did not apply. In April 2013, the customer returns the shirt and exchanges it for a men's shirt of equal value.

As the original shirt is returned before August 2013, and the consideration for the new shirt is equal to the consideration the customer pays for the original shirt, the HST would not apply.

31. I sell a microwave on February 28, 2013, for \$100. The provincial sales tax applied to the sale of the microwave but the HST did not apply. In April 2013, the customer returns the microwave and exchanges it for a microwave costing \$140.

As the original microwave is returned before August 2013, and the consideration for the new microwave exceeds that paid for the original microwave, the HST would apply to the \$40 price difference.

32. I sell a ladies' coat in March 2013 for \$300. The provincial sales tax applied to the sale of the coat but the HST did not apply. In September 2013, the customer returns the coat and exchanges it for another one of equal value.

Since the original coat is not exchanged before August 2013, the HST would apply to the total consideration payable (i.e., \$300) for the new coat even though the original coat is returned. However, the customer would be eligible for a refund of the GST paid on the purchase of the original coat.

33. I sell a bicycle on February 28, 2013, that is not subject to provincial sales tax. Payment is made in February 2013. In April 2013, the customer returns the bicycle and exchanges it for a bicycle costing \$1,200.

As the original bicycle was not subject to the provincial sales tax, the HST would apply to the total consideration payable for the new bicycle (i.e., \$1,200). However, the customer would be eligible for a refund of the GST paid on the purchase of the original bicycle.

Direct sellers

Does the HST apply to the following sales made by direct sellers?

34. I am a direct seller who uses the alternate collection method to account for tax on sales of exclusive products to independent sales contractors (ISCs). An ISC prepays me before April 2013 for the sale of an exclusive product, but the consideration for the sale becomes due on April 8, 2013, when the product is delivered to the ISC. The products are not zero-rated products.

You would have to account for the provincial part of the HST on the suggested retail price of the exclusive product since the consideration for the product was paid without having become due after November 8, 2012 and before April 2013 and the product was not delivered before April 2013. The amount of the provincial part of the HST would have to be included in your net tax calculation for your reporting period that includes April 1, 2013.

35. I am a direct seller who uses the alternate collection method to account for tax on sales of exclusive products to independent sales contractors (ISCs). Before April 2013, I sell exclusive products to ISCs who hold these products in inventory as of April 1, 2013. Some, but not all, of the products are zero-rated products.

You would have to account for the provincial part of the HST on the suggested retail price of the exclusive products (other than the zero-rated exclusive products) that your ISCs hold as inventory as of April 1, 2013. The amount would have to be included in your net tax calculation for your reporting period that includes April 1, 2013.

36. I am a distributor of a direct seller. The direct seller and I have made a joint application to use the alternate collection method to account for tax on sales of exclusive products to independent sales contractors (ISCs). Before April 2013, I sell exclusive products to ISCs who hold these products as inventory as of April 1, 2013.

You would have to account for the provincial part of the HST on the suggested retail price of the exclusive products (other than any zero-rated exclusive products) that the ISCs hold as inventory as of April 1, 2013. The amount would have to be included in your net tax calculation for your reporting period that includes April 1, 2013.

Services

Does the HST apply to the following services performed by businesses?

37. I provide an accounting service from October 2012 to March 2013, and issue an invoice for my service in June 2013. The client pays me after receiving the invoice.

Since all of the service is performed before April 2013, the HST would not apply to the consideration for this service. The GST at 5% will apply.

38. I provide a decorating service in March and April 2013. Sixty per cent of the service is performed in March 2013. I issue an invoice for my service in May 2013. The client pays me after receiving the invoice.

The HST would apply to the portion of the consideration payable for the service that relates to the 40% of the service that is performed on or after April 1, 2013.

The HST would not apply to the portion of the consideration that relates to the 60% of the service that is performed before April 2013. The GST at 5% will apply to this portion of the consideration.

39. I accept a partial payment of \$100 on February 10, 2013, for a service that I perform in May 2013. The total consideration payable for the service is \$500. I issue the invoice for this service in June 2013. The client pays me the remaining \$400 after receiving the invoice.

The HST would apply to both the partial payment of \$100 made in February 2013 and the remaining \$400 of consideration payable for the service as the service is performed on or after April 1, 2013. However, for purposes of the provincial part of the HST, the partial payment would be deemed to have become due on April 1, 2013, and not to have been paid before that date.

As a result, your business would be required to account for:

- the 5% federal part of the HST in the GST/HST return for its reporting period that includes February 10, 2013; and
- the 9% provincial part of the HST in the GST/HST return for its reporting period that includes April 1, 2013.

40. In October 2010, I entered into a long-term fixed-price contract to provide a photocopier maintenance service. The consideration payable under this contract consists of a fixed monthly payment. The payments are due in advance on the last business day of the previous month for the month of service. The monthly payment for the service performed in April 2013 becomes due, and is paid, at the end of March 2013.

The payment due on March 31, 2013, is consideration payable for a service performed on or after April 1, 2013. This payment, and all payments that are made under this contract on or after April 1, 2013, for services performed on or after April 1, 2013, would be subject to the HST. Refer to answer to question 39 for information on how to account for the provincial part of the HST payable in respect of the March 31, 2013 payment.

41. I provide a service from February 1, 2013 to April 10, 2013, and issue an invoice to my client on April 10, 2013. Seven per cent of the service is performed from April 1, 2013 to April 10, 2013. The client pays me after receiving the invoice.

The HST would not apply to any of the consideration payable for this service since 90% or more of the service is performed before April 2013. The GST at 5% will apply.

42. I provide a service from March 15 to May 31, 2013, and invoice for that service on June 1, 2013. Six per cent of the service is performed from March 15, 2013 to March 31, 2013. The client pays me after receiving the invoice.

Ninety-four per cent of the service is performed on or after April 1, 2013. Therefore, the HST would apply to 94% of the consideration payable for the service.

Passenger transportation services

Does the HST apply to the following passenger transportation services performed by businesses?

43. I sell a ticket in February 2013 for one-way travel between two places in the province on May 1, 2013. The client is invoiced, and pays for the ticket, at the time of sale.

The HST would apply to the consideration payable for the passenger transportation service since the service is performed on or after April 1, 2013.

44. I provide a bus tour that takes place on March 31, 2013. In accordance with the written agreement with the group organizer, I issue the invoice for the tour on April 2, 2013. The group organizer pays for the tour on April 6, 2013.

The HST would not apply to the consideration payable for the passenger transportation services since the tour is provided before April 2013. The GST at 5% will apply.

45. I sell bus tickets to passengers for travel from Charlottetown to Toronto in March 2013. The clients are invoiced and pay for their tickets at the time of sale. The bus leaves Charlottetown on March 31, 2013, and arrives in Toronto on April 2, 2013.

The HST would not apply to the consideration payable for the passenger transportation services since the bus travel starts before April 2013. The GST at 5% will apply.

46. I sell a continuous journey in February 2013 that consists of a flight from Charlottetown to Halifax, a connecting flight from Halifax to Montréal, and a return flight from Montréal to Charlottetown. The flight from Charlottetown leaves on March 30, 2013, and the return flight leaves Montréal on April 3, 2013.

The HST would not apply to the consideration payable for any of the passenger transportation services in the continuous journey since the continuous journey starts before April 2013. The GST at 5% will apply.

47. I sell a one-way ticket for travel between two places in the province on March 18, 2013. On March 20, 2013, the same customer purchases a second ticket from me for travel back to the customer's place of origin on April 10, 2013.

The two passenger transportation services in this scenario are not a continuous journey. The HST would not apply to the consideration for the first passenger transportation service since the service is performed before April 2013. The GST at 5% will apply.

However, the HST would apply to the consideration for the second passenger transportation service since the service is performed on or after April 1, 2013. Refer to the answer to question 39 for information on how to account for the provincial part of the HST payable in respect of the second passenger transportation service.

Freight transportation services

Does the HST apply to the following freight transportation services provided by businesses?

48. I provide a freight transportation service in April 2013. I am the only carrier of the property. I receive a prepayment for the service in February 2013.

The HST would apply to the prepayment, even if the amount has not become due, since the freight transportation service is performed on or after April 1, 2013. Refer to the answer to question 39 for

information on how to account for the provincial part of the HST payable in respect of the prepayment for the service.

49. I provide a freight transportation service that starts on March 29, 2013, and ends on April 3, 2013. I am the only carrier of the property and I invoice my client for the service on April 15, 2013.

The HST would not apply to the consideration for the freight transportation service since it is a continuous freight movement that begins before April 2013. GST at 5% will apply.

50. A shipper transfers possession of property to the first carrier of a continuous freight movement of the property in March 2013. That carrier provides a freight transportation service that ends after April 1, 2013, when the property is transferred to a second carrier that also provides a freight transportation service. The first carrier charges the consideration for the freight movement to the shipper and the consideration becomes due and is paid after April 1, 2013.

Since the continuous freight movement begins before April 2013, the consideration for the freight movement would not be subject to the HST. The GST at 5% will apply.

The first carrier would not charge the HST to the shipper on the consideration for the freight movement. The supply between the carriers remains zero-rated under the interlining provisions.

Prepaid funeral and cemetery arrangements

Does the HST apply to the following prepaid funeral and cemetery arrangements?

51. I operate a funeral home and enter into a prepaid funeral arrangement with an individual on January 12, 2013, to provide funeral products and services in P.E.I. upon the individual's death. Under the arrangement, the individual makes monthly contributions from April 2013 to March 2014. I hold the contributions in trust, and the funeral services are provided in 2015.

Since the arrangement is entered into before April 2013, and the contributions are held in trust, the HST would not apply to amounts withdrawn from the trust in 2015 to pay for the funeral products and services provided under the arrangement. The GST at 5% will apply.

52. I am a cemetery operator. On January 5, 2013, I enter into a prepaid cemetery arrangement with an individual to provide cemetery products and services in P.E.I. upon the individual's death. Under the arrangement, the individual makes quarterly contributions from January 2013 to January 2015. I hold the contributions in trust, and the cemetery products and services are provided in June 2018.

Since the arrangement is entered into before April 2013, and the contributions are held in trust, the HST would not apply to amounts withdrawn from the trust in June 2018 to pay for the cemetery products and services provided under the arrangement. The GST at 5% will apply.

53. I am a cemetery operator. On March 24, 2013, I enter into a written agreement to provide an interment right in P.E.I. to an individual. Under the agreement, the individual makes three monthly payments on March 24, 2013, April 24, 2013, and May 24, 2013. I issue a document indicating that the individual is the holder of the interment right as of May 24, 2013.

Since the agreement is entered into before April 2013, the HST would not apply to the amounts paid for the interment right provided under the agreement. The GST at 5% will apply.

Continuous supplies of property and/or services

Does the HST apply to the following property sold, and/or services performed, by businesses?

54. In October 2012, I enter into a long-term fixed-price contract to provide a land-line telephone service on a continuous basis. The monthly fee is due in advance on the last business day of the previous month. I also separately charge a system access fee and a fee for 911 services. Any long distance calls during the month are not part of the monthly fee for the telephone service. They are separately charged on a per call basis. Any such long distance calls are billed at the end of the month in which they occur. I invoice for the monthly fees for April 2013 at the end of March 2013. On the same invoice, I also invoice for three long distance calls that occurred in March 2013.

The payment due on March 31, 2013, for the land-line telephone service (which includes the system access fee and the 911 fee) is consideration for a service performed on or after April 1, 2013. This payment, and all payments that are made under this contract on or after April 1, 2013, for a service performed on or after April 1, 2013, would be subject to the HST.

The long distance charges on the March 31, 2013, invoice are consideration for calls made in the month of March 2013. These calls are not part of a continuous supply; they are separate supplies. The HST would not apply to the consideration for these calls since the services were provided before April 2013. The GST at 5% will apply.

55. I provide local telephone services. I issue an invoice dated April 22, 2013, for the period from March 16, 2013 to April 15, 2013. The invoice to my customer only indicates a monthly charge for the telephone service.

Since the service is provided on a continuous basis during the billing period, the consideration for the service is prorated according to the number of days in the billing period.

The HST would not apply to the consideration for the portion attributable to the period before April 2013. The GST at 5% will apply.

The HST would apply to the consideration for the portion attributable to the period on or after April 1, 2013.

56. I provide electricity during the period from March 21, 2013 to April 20, 2013, and issue an invoice dated April 27, 2013. The invoice does not indicate when the electricity is delivered. The electricity is not sold under an equal billing plan. The invoice identifies a service charge, a demand charge, and an energy charge with varying rates for electricity depending on the amount of electricity used during the month.

As it cannot be determined when the electricity is delivered during the billing period, the consideration for the electricity is prorated based on the number of days in the billing period.

The HST would not apply to the consideration for the portion attributable to the period before April 2013 (i.e., 11 days). The GST at 5% will apply.

The HST would apply to the consideration for the portion attributable to the period on or after April 1, 2013, (i.e., 20 days).

In this case, the service charge, the demand charge and the energy charge are parts of the total consideration payable for the electricity which is prorated as described above.

Budget payment arrangements

57. A person has an equal billing plan set up for electricity that covers the period June 2012 to May 2013. Does the HST apply to the payments made under the plan?

The supplier would collect the HST on payments made under the equal billing plan, where the period for which the payment relates begins on or after April 1, 2013. Where the period includes April 1, 2013, the supplier would prorate the payment for that period based on the number of days in the period and collect the HST on the portion of the payment that is attributable to that part of the period that is on or after April 1, 2013.

The GST at 5% will apply to the portion of the payment that is attributable to that part of the period that is before April 2013. The GST at 5% will also apply to the payments that relate to periods that begin and end before April 2013.

In addition, if there is a reconciliation of payments before April 2014, the supplier may be required to collect an additional amount, or refund or credit an amount, in respect of the provincial part of the HST.

Intangible personal property

Does the HST apply to the following supplies of intangible personal property provided by businesses?

58. I sold a patent to manufacture widgets and receive fixed annual royalty payments in respect of the sale. A royalty payment becomes due to me on March 20, 2013, but it is not paid to me until on or after April 1, 2013.

Since the fixed annual royalty payment becomes due before April 2013, the HST would not apply to the royalty payment, even though the payment is made on or after April 1, 2013. The GST at 5% will apply.

59. I operate a Web site that makes supplies of the right to use digital intangible personal property. I make a supply to a customer on March 29, 2013, but I do not issue an invoice for the supply until April 2, 2013.

The HST would apply to the sale of the right to use the digital intangible personal property since the consideration becomes due on or after April 1, 2013, and it is not paid without having become due before April 2013.

60. I operate a Web site that sells the right to use digital picture files. Before a customer can download a file the customer must pay for the right. On March 25, 2013, a customer pays for that right, and then downloads a digital picture file on April 2, 2013.

The HST would not apply to the sale of the right to use the digital picture file since the consideration for the sale is paid before April 2013. The GST at 5% will apply.

61. I sell annual subscriptions to a Web site. Subscribers pay for the subscription by making three payments. A customer purchases a subscription on March 1, 2013. The subscription payments become due on March 1, 2013, April 1, 2013, and May 1, 2013, and are not paid without having become due.

The HST would not apply to the first payment since it becomes due before April 2013. The GST at 5% will apply.

The HST would apply to the second and third payments since those payments become due on or after April 1, 2013, and are not paid without having become due before April 2013.

Transportation passes

Does the HST apply to the following transportation passes provided by businesses?

62. I sell municipal transit tickets and municipal transit passes.

Municipal transit tickets and municipal transit passes are exempt supplies, and would not be subject to the HST.

63. I operate a commercial bus service in the province. I sell bus passes that provide my customers with unlimited travel in the province for 30 days. I sell a pass on March 10, 2013, for use from March 15, 2013 to April 14, 2013.

The HST would not apply since the pass covers a period that starts before April 2013 and ends before May 2013. The GST at 5% will apply.

64. I operate a commercial bus service in the province. I sell bus passes that provide my customers with unlimited travel in the province for four months. I sell a pass on February 20, 2013, for use from March 1, 2013 to June 30, 2013.

Since the pass covers a period that starts before April 2013 and that ends on or after May 1, 2013, the HST would apply to the portion of the consideration for the pass that covers the period on or after April 1, 2013 (i.e., for three of the four months, or 75%). Refer to the answer to question 39 for information on how to account for the provincial part of the HST payable in respect of the pass sold on February 20, 2013.

65. I operate a commercial bus service in the province. I sell bus passes that provide my customers with unlimited travel in the province from April 1, 2013 to April 30, 2013. I sell a pass on March 28, 2013.

The HST would apply to the consideration for the pass since the pass covers a period that starts on or after April 1, 2013.

66. I operate a commercial bus service in the province. I sell bus passes that provide my customers with 20 one-way trips between two places in either direction. The pass is valid for six months from the date of sale. I sell a bus pass on February 1, 2013, which will be valid from February 1, 2013 to August 1, 2013.

Since the pass is valid for a period that starts before April 2013 and ends on or after May 1, 2013, the HST would apply to the portion of the consideration for the pass that covers the period on or after April 1, 2013 (i.e., for four of the six months, or 67%).

Memberships

Does the HST apply to the following memberships?

67. I operate a club and sell year-long memberships. The full membership fee becomes due at the time of sale. On January 2, 2013, I sell a membership which expires on December 31, 2013.

The HST would not apply to the sale of the membership since the membership fee becomes due before February 2013. The GST at 5% will apply. Self-assessment of the provincial part of the HST may be required by persons who are not consumers since the amount became due after November 8, 2012 and before February 2013.

68. I operate a club and sell year-long memberships. The full membership fee becomes due at the time of sale. On February 2, 2013, I sell a membership which expires on January 31, 2014.

Since less than 90% of the membership period is before April 2013, the membership fee would be prorated for purposes of charging the HST. The HST would not apply to the portion of the membership fee relating to the period before April 2013. The GST at 5% will apply.

However, the HST would apply to the portion of the membership fee relating to the period on or after April 1, 2013 (i.e., 10 of the 12 months). Refer to the answer to question 39 for information on how to account for the provincial part of the HST payable in respect of the membership sold on February 2, 2013.

69. I operate a club and sell year-long memberships to individuals. I sell a membership on December 4, 2012. Under the terms of the membership agreement, the member makes a monthly membership payment on the first day of each month. On March 15, 2013, a member pre-pays his monthly membership fees for the portion of the membership period covering April 1, 2013 to November 30, 2013.

The HST would not apply to the membership fees relating to the portion of the membership period before April 2013. The GST at 5% will apply.

However, the HST would apply to the membership fees relating to the portion of the membership period on or after April 1, 2013, including any prepayments made on or after February 1, 2013 and before April 2013 that relate to the portion of the membership period on or after April 1, 2013.

70. A professional association issues invoices on February 8, 2013, for the renewal of annual memberships in the association. The membership fees are payable in full upon receipt of the invoice. The annual membership period is March 1, 2013 to February 28, 2014.

Since the consideration for the membership becomes due on or after February 1, 2013, the HST would apply to the 11-month portion of the membership period from April 1, 2013 to February 28, 2014, even though the membership fees become due before April 2013.

71. A professional association issues electronic invoices on February 10, 2013, for the renewal of annual memberships in the association. The membership amount is due in full 15 days after the invoice date. The membership period is April 1, 2013 to March 31, 2014.

Since the consideration for the membership becomes due on or after February 1, 2013, the HST would apply to the membership fee for the entire membership period from April 1, 2013 to March 31, 2014.

72. An association sells lifetime memberships. The membership fees are payable in three instalments of \$1,000 each. A person buys a lifetime membership on December 1, 2012, and pays the first instalment at that time. The other payments are due December 1, 2013, and December 1, 2014.

Where the total of all consideration that becomes due, or is paid without having become due, after November 8, 2012 and before April 2013, for a lifetime membership exceeds 25% of the total consideration for the membership, the HST would apply to the portion of the amount that exceeds 25% of the total consideration for the membership. Since the amount that becomes due on December 1, 2012 (i.e., \$1,000) exceeds 25% of the total consideration for the membership (i.e., $25\% \times \$3,000 = \750), the HST would apply to \$250 ($\$1,000 - \$750 = \250) of the amount due on December 1, 2012. The supplier would be required to account for this tax in the reporting period of the supplier that includes April 1, 2013. The HST would also apply to the two remaining payments (i.e., \$2,000).

73. 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 March 1, 2013, and pays the first monthly instalment at that time.

Since the payment made on March 1, 2013, (i.e., \$1,000) does not exceed 25% of the total consideration for the lifetime membership (i.e., $25\% \times \$5,000 = \$1,250$), the HST would not apply to any portion of that amount. The GST at 5% will apply.

The HST would apply to the portion that is paid or becomes due on or after April 1, 2013 (i.e., \$4,000).

Admissions

Does the HST apply to the following supplies of admissions?

74. I sell admissions in February 2013 to a 10-day event that begins on March 23, 2013, and ends on April 1, 2013.

The HST would not apply to the consideration for the admissions since 90% or more of the event occurs before April 2013. The GST at 5% will apply.

75. I sell admissions in February and March 2013 to a five-day event that begins on March 29, 2013, and ends on April 2, 2013.

Since less than 90% of the event occurs before April 2013, some of the consideration payable for the admission would be subject to the HST. The HST would not apply to the portion of the consideration for the portion of the event that occurs before April 2013 (e.g., three of the five days, or 60%). The GST will apply.

However, the HST would apply to the portion of the consideration relating to the portion of the event that occurs on or after April 1, 2013 (e.g., two of the five days, or 40%).

76. On January 15, 2013, my business prepays an amount for admissions to an event that will take place in May 2013. My business will use this event to entertain clients. The business is engaged exclusively in commercial activities and is not subject to the recapture of ITCs for large business.

Since the event occurs in May 2013, the admissions to the event would be subject to the HST. However, because the amount is prepaid before February 2013, the supplier would not be required to collect the provincial part of the HST on this amount.

Persons other than consumers who, after November 8, 2012 and before February 2013, prepay the consideration for a taxable supply made on or after April 1, 2013, may be required to self-assess the provincial part of the HST (e.g., persons acquiring the property or service where the property or service would be subject to a recapture of ITCs under the ETA would be required to self-assess the provincial part of the HST, even if they acquire it for consumption, use or supply exclusively in the course of their commercial activities).

Since the tax paid on the entertainment expense is subject to the 50% recapture for meals and entertainment under section 236 of the ETA, your business would be required to account for the provincial part of the HST in its GST/HST return for the reporting period that includes April 1, 2013, if that return is due before August 2013. Otherwise, your business would account for the provincial part of the HST in Form GST489, *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)* and file that return along with any amount owing before August 2013.

Combined supplies

Does the HST apply to the following combined supplies provided by businesses?

77. I sell home theatre equipment to a customer on March 26, 2013. Installation of the equipment in the customer's home is part of the supply. The equipment is delivered to the customer on March 31, 2013, and installed on April 2, 2013.

The HST would not apply to the portion of the consideration attributable to the home theatre equipment since the equipment is delivered to the customer before April 2013. The GST at 5% will apply.

The HST would apply to the portion of the consideration attributable to the installation service since the service is performed on or after April 1, 2013.

78. I sell (i.e., ownership transfers) an off-the-shelf computer software package to a customer on March 15, 2013. Also, as an element of that supply, I agree to provide training to the customer's employees in April 2013.

The HST would not apply to the supply of the computer software package since ownership of the software is transferred to the customer before April 2013. The GST at 5% will apply.

The HST would apply to the consideration for the training service since the service is performed on or after April 1, 2013.

How to account for, and claim ITCs for, the provincial part of the HST?

79. I am required to charge the HST on my taxable supplies. How do I account for the HST on my GST/HST return?

The HST that you would charge would be reported on the same line of your GST/HST return as you report the GST at 5%.

80. I have to charge the HST on some prepayments made on or after February 1, 2013, but before April 2013. When is the HST collectible on these prepayments?

For the purposes of the provincial part of the HST, these prepayments would be deemed to have become due on April 1, 2013. They would also be deemed not to have been paid before that date. The provincial part of the HST would become collectible on April 1, 2013, and would be included in the supplier's net tax for its reporting period that includes April 1, 2013.

The GST at 5% is accounted for in the reporting period in which the prepayments were actually made.

81. I have to pay the HST on some prepayments made on or after February 1, 2013, but before April 2013. When can I claim ITCs for the provincial part of the HST on these prepayments?

For the purposes of the provincial part of the HST, these prepayments would be deemed to have become due on April 1, 2013. They would also be deemed not to have been paid before that date. You would be entitled to claim any available ITCs in respect of the provincial part of the HST in your return for the GST/HST reporting period that includes April 1, 2013.

82. How do I report the provincial part of the HST that I am required to self-assess on a prepayment made before February 2013?

If you are a GST/HST registrant, you would report the provincial part of the HST on line 405 of your GST/HST return for the reporting period that includes April 1, 2013, provided the return is due before August 1, 2013. In any other case, you would report that amount in Form GST489, *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)* and file that return along with any amount owing before August 2013 and would pay that amount to the Receiver General.

83. How do I claim ITCs for the provincial part of the HST that I pay?

You would claim ITCs for the provincial part of the HST you would pay on the same line of the GST/HST return that you claim ITCs for the GST at 5%.

Imports

84. Does the HST apply when my business imports goods for use in its commercial activities?

The provincial part of the HST would not apply to imports of commercial goods.

Property and services brought into P.E.I. from another province

85. Does the provincial part of the HST apply when I bring property into P.E.I. from another province?

The provincial part of the HST would generally apply to property that is brought into P.E.I. from another province on or after April 1, 2013. The provincial part of the HST would generally not apply to property that is brought into P.E.I. if the property is acquired by a GST/HST registrant for consumption, use or supply exclusively in the course of commercial activities of the registrant.

Persons who would be liable to pay the provincial part of the HST in these circumstances would be required to self-assess the tax.

86. Does the provincial part of the HST apply to intangible personal property acquired in another province for consumption, use or supply in P.E.I.?

The provincial part of the HST would generally apply to any consideration that becomes due or is paid without having become due, on or after April 1, 2013, for intangible personal property that is supplied by way of sale in a province other than P.E.I. to a resident of P.E.I. to the extent that the resident acquires the property for consumption, use or supply in P.E.I.

The provincial part of the HST would generally not apply to the intangible personal property if it is acquired by a GST/HST registrant for consumption, use or supply exclusively in the course of commercial activities of the registrant.

Persons who would be liable to pay the provincial part of the HST in these circumstances would be required to self-assess the tax.

87. Does the provincial part of the HST apply when tangible personal property is brought into P.E.I. by a carrier?

The provincial part of the HST would generally apply to tangible personal property brought into P.E.I. before April 2013 by a carrier where the property is delivered in P.E.I. to a consignee on or after April 1, 2013.

Information for consumers

General

88. What is the HST for P.E.I.?

The HST for P.E.I. is the proposed harmonized sales tax of 14%, which would be composed of a federal part of 5% (the GST) and a provincial part of 9%.

89. What does the HST for P.E.I. apply to?

Generally, the HST of 14% would apply to transactions made in P.E.I. that are currently subject to the GST at 5%. This would include most goods, real property and services, as well as certain rights.

90. What does the HST for P.E.I. not apply to?

Generally, the HST for P.E.I. would not apply to transactions that consumers currently do not pay GST on.

91. When do businesses begin charging the HST on transactions in P.E.I.?

Generally, businesses would begin charging the HST on transactions in P.E.I. on or after April 1, 2013.

However, there may be situations where businesses charge the HST on transactions made in P.E.I. where the payment for the transaction is paid or becomes due on or after February 1, 2013 and before April 2013, but some or all of the transaction is completed on or after April 1, 2013. Refer to the questions and answers under the various headings in this notice for information on how the provincial part of the HST would apply to transactions that occur before and after April 1, 2013.

92. When does payment for a transaction become due?

For the purposes of the HST, payment for a transaction becomes due on the earliest of the following:

- the earlier of the day the business first issues an invoice for the payment, and date of the invoice;
- if there is an undue delay in issuing an invoice, the day when the business would have (but for the undue delay) issued the invoice for the payment; and
- the day the consumer is required to make the payment under a written agreement.

93. When does payment for a lease become due for the purposes of the HST if you have a written agreement?

For leases where there is a written agreement, the payment becomes due on the day the consumer is required to make the payment under the agreement.

Goods

Purchases

Does the HST apply to the following purchases of goods by consumers?

94. When does the HST apply to a sale of goods?

Generally, the HST would apply to a sale of goods when the goods are delivered, and ownership of the goods is transferred, to the purchaser of the goods on or after April 1, 2013.

95. I purchase a computer on March 31, 2013, and take it home with me at that time. I receive an invoice for the sale at that time. I pay the invoice after April 1, 2013.

Since you receive delivery of the computer before April 2013, the HST would not apply to this purchase. The GST will apply at 5%.

96. In February 2013, I purchase a washer and dryer. Under the written agreement for the purchase, I have to make six equal monthly payments that become due in each of the months from February 2013 to July 2013. I get ownership of the washer and dryer when they are delivered to me after the final payment is made in July 2013.

As the property is delivered to you, and ownership transfers to you, on or after April 1, 2013, the HST would apply to all six monthly payments for the washer and dryer including the payments made in February 2013 and March 2013.

97. I purchase goods under a written agreement and the supplier delivers them to me on March 1, 2013. I do not actually own the goods until the full amount is paid. I have to make 12 monthly payments for the goods starting on March 1, 2013.

As the goods are delivered to you before April 2013, the HST would not apply. The GST will apply at 5%.

98. I make a deposit of \$100 in February 2013 for goods that I purchase on April 5, 2013. I receive ownership and delivery of the goods on April 5, 2013. The seller invoices me for the purchase and credits the deposit against the full amount payable for the goods on April 5, 2013.

A deposit is not a payment for a transaction until the seller applies it against the total amount owing for the transaction. In this example, the \$100 deposit made in February 2013 becomes a partial payment for the goods on April 5, 2013. Since the goods are delivered, and ownership transferred, on April 5, 2013, the HST would apply to the total amount payable for the goods, including the \$100 deposit.

99. I purchase a magazine subscription in February 2013 and the publisher invoices me on March 1, 2013. I pay the invoice on March 8, 2013. However, the magazines are not sent until on or after April 1, 2013.

Since the subscription is paid before April 2013, the HST would not apply even though the magazines are sent on or after April 1, 2013. The GST will apply at 5%.

100. I purchase a subscription to a monthly newsletter. Payment for the subscription is due on March 31, 2013, but I do not pay until April 8, 2013.

The HST would apply to the full amount of the subscription as it is not paid before April 2013.

Leases

Does the HST apply to the following lease payments made by consumers?

101. I lease goods for my personal use. I have a lease payment that becomes due on March 25, 2013, for the lease payment period beginning April 1, 2013, and ending April 30, 2013.

Since the lease payment period begins on April 1, 2013, the HST would apply to the March 25th lease payment.

102. How does the introduction of the HST affect my existing lease for a vehicle?

Generally, the HST would apply to lease periods (i.e., lease intervals) beginning on or after April 1, 2013, regardless of when you entered into the lease. For your vehicle, you would pay the HST on payments for lease intervals that begin on or after April 1, 2013. Where a lease interval starts before April 1, 2013 and ends on or after May 1, 2013, you would only have to pay the HST on the portion of the lease payment that relates to the period that is on or after April 1, 2013.

103. I lease a car for my personal use. I have a lease period (i.e., lease interval) that begins on March 15, 2013, and ends on April 15, 2013. Does the HST apply to this lease payment if I pay it on or after April 1, 2013?

No. Since the lease interval begins before April 2013, and ends before May 2013, the HST would not apply to the lease payment, even if it is paid on or after April 1, 2013. The GST at 5% will apply.

Returns and exchanges

Does the HST apply to the following returns and exchanges by consumers?

104. I purchase a stereo in March 2013. The purchase of the stereo was subject to the provincial sales tax but not the HST. In April 2013, I return the stereo and receive a refund for the stereo.

As the HST would not have been paid on the purchase of the stereo, the HST would not be refunded to you. However, you would be entitled to a refund of the GST that you paid on your purchase of the stereo.

105. I purchase a men's shirt in March 2013. The provincial sales tax applied to the purchase of the shirt but the HST did not apply. In April 2013, I return the shirt and exchange it for a men's shirt of equal value.

As the original shirt is returned before August 2013, and the price for the new shirt is equal to the amount you paid for the original shirt, the HST would not apply.

106. I purchase a microwave on February 28, 2013, for \$100. The provincial sales tax applied to the purchase of the microwave but the HST did not apply. In April 2013, I return the microwave and exchange it for a more expensive microwave that costs \$140.

As the original microwave is exchanged before August 2013 and the price of the new microwave is more than that paid for the original microwave, the HST would apply to the \$40 price difference.

107. I purchase a ladies' coat in March 2013 for \$300. The provincial sales tax applied to the purchase of the coat but the HST did not apply. In September 2013, I return the coat and exchange it for another one of equal value.

Since the original coat is exchanged after July 2013, the HST would apply to the total amount payable (i.e., \$300) for the new coat even though the original coat is returned. However, you would be eligible for a refund of the GST that you paid on your purchase of the original coat.

108. I purchase a bicycle on February 28, 2013. I did not pay any provincial sales tax on the purchase. In April 2013, I return the bicycle and exchange it for a more expensive bicycle.

As the provincial sales tax was not payable on the purchase of the original bicycle, the HST would apply to the total amount payable for the new bicycle. However, you would be eligible for a refund of the GST paid on your purchase of the original bicycle.

Services

Does the HST apply to the following services acquired by consumers?

109. I acquire an accounting service from October 2012 to March 2013. The accountant issues an invoice for this service in June 2013. I pay the amount due after receiving the invoice.

Since all of the service is performed before April 2013, the HST would not apply to the payment for this service. The GST at 5% will apply.

110. I acquire a decorating service in March 2013 and April 2013. Sixty per cent of the service is performed in March 2013. The decorator issues an invoice for this service in May 2013. I pay the amount due after receiving the invoice.

The HST would apply to the part of the payment that relates to the 40% of the service that is performed on or after April 1, 2013.

The HST would not apply to the part of the payment that relates to the 60% of the service that is performed before April 2013. The GST at 5% will apply to this part of the payment.

111. I prepaid \$100 in February 2013 as a partial payment for a service performed in May 2013. The total amount payable for the service is \$500. The service provider issued the invoice for this service in June 2013. I pay the remaining \$400 after receiving the invoice.

The HST would apply to both the partial payment of \$100 made in February 2013 and the remaining \$400 payable for this service as the service is performed on or after April 1, 2013.

112. In 2010, I entered into a long-term fixed-price contract to acquire services. I pay monthly for these services. In accordance with the contract, the monthly payment is due and paid on the 15th day of the month for that month of service.

The monthly payment is paid in the same month the service is performed. The HST would not be payable on payments made under this contract before April 2013. The GST at 5% will apply to these payments. However, the HST would be payable on payments made on or after April 1, 2013.

113. In October 2012, I enter into a long-term fixed-price contract to acquire a service. I pay monthly for this service. In accordance with the contract, the monthly payment is due in advance on the last business day of the previous month. I pay for April's service on March 31, 2013.

The payment made on March 31, 2013, is payment for a service performed on or after April 1, 2013. The HST would be payable on this payment, and on all payments that are made under this contract on or after April 1, 2013, for services performed on or after April 1, 2013.

114. I acquire a service that is performed from February 1, 2013 to April 10, 2013. The service provider issues an invoice on April 10, 2013 for the entire service. Seven per cent of the total service is performed from April 1, 2013 to April 10, 2013. I pay the amount due after receiving the invoice.

The HST would not apply to any of the payment for this service since 90% or more of the service was performed before April 2013. The GST at 5% will apply.

Passenger transportation services

Does the HST apply to the following passenger transportation services acquired by consumers?

115. I purchase a ticket in February 2013 for one-way travel between two places in the province on May 1, 2013.

The HST would apply to the payment for the passenger transportation service since the service is performed on or after April 1, 2013.

116. I organize a group bus tour that takes place on March 31, 2013. As per the written agreement with the tour company, I am invoiced for the full amount of the tour for the group after the tour takes place. The tour company issues the invoice for the bus tour on April 2, 2013. I pay for the tour on April 6, 2013.

The HST would not apply to the payment for the passenger transportation service since the tour is provided before April 2013. The GST at 5% will apply.

117. I purchase a bus ticket for travel from Charlottetown to Toronto in March 2013. The bus leaves Charlottetown on March 31, 2013, and arrives in Toronto on April 2, 2013.

The HST would not apply to the payment for the passenger transportation service since the bus travel starts before April 2013. The GST at 5% will apply.

118. I purchase a continuous journey in February 2013 that consists of a flight from Charlottetown to Halifax, a connecting flight from Halifax to Montréal, and a return flight from Montréal to Charlottetown. The first flight leaves Charlottetown on March 30, 2013 and the return flight leaves Montréal on April 3, 2013.

The HST would not apply to the payment for any of the passenger transportation services in the continuous journey since the continuous journey starts before April 2013. The GST at 5% will apply.

119. I purchase a ticket for travel between two places in the province on March 18, 2013. I had intended to return home by car, but my plans changed. Once at my destination I purchase a second ticket for a return trip on April 10, 2013.

The HST would not apply to the payment for the first passenger transportation service since the service is performed before April 2013. The GST at 5% will apply. However, the HST would apply to the payment for the second passenger transportation service since the service is performed on or after April 1, 2013, and the two passenger transportation services are not part of a single continuous journey.

Freight transportation services

Does the HST apply to the following freight transportation services acquired by consumers?

120. I ship some household goods between two places in the province in April 2013. I make a prepayment for the shipping service in February 2013.

As the prepayment relates to a shipping service performed on or after April 1, 2013, the HST would apply to the full payment for shipping the goods, including the prepayment.

121. I ship a package from our home to my daughter who is working in another part of the province. The shipment is picked up on March 30, 2013 and delivered on April 1, 2013. The carrier invoices me on April 15, 2013.

The HST would not apply to the payment for the freight transportation service since the shipping service is a continuous freight movement that begins before April 2013. The GST at 5% will apply.

Prepaid funeral and cemetery arrangements

Does the HST apply to the following prepaid funeral and cemetery arrangements acquired by consumers?

122. I enter into a prepaid funeral arrangement with a funeral home on March 12, 2013, for funeral products and services to be provided when my parents die. Under the arrangement, I make monthly contributions from April 2013 to March 2014. The funeral home holds the contributions in trust. The funeral services are provided in 2015.

Since the arrangement is entered into before April 2013, and the contributions are held in trust, the HST would not apply to the amounts withdrawn from the trust in 2015, to pay for the funeral products and services provided under the arrangement. The GST at 5% will apply.

123. I enter into a prepaid arrangement with a cemetery operator on January 5, 2013, to acquire cemetery products and services for my parents when they die. Under the arrangement, I make quarterly contributions from January 2013 to January 2015. The cemetery operator holds the contributions in trust. The cemetery products and services are provided in June 2018.

Since the arrangement is entered into before April 2013, and the contributions are held in trust, the HST would not apply to the amounts withdrawn from the trust in June 2018, to pay for the cemetery products and services provided under the arrangement. The GST at 5% will apply.

124. I enter into a written agreement with a cemetery operator on March 24, 2013, to acquire an interment right in P.E.I. Under the agreement, I make three monthly payments on March 24, April 24, and May 24, 2013. I receive a document indicating that I am the holder of the interment right as of May 24, 2013.

Since the agreement is entered into before April 2013, the HST would not apply to the amount paid for the interment right provided under the agreement. The GST at 5% will apply.

Continuous supplies of property and/or services

Does the HST apply to the following property and/or services acquired by consumers?

125. In October 2012, I enter into a long-term fixed-price contract for a land-line telephone service on a continuous basis. The monthly amount is due in advance on the last business day of the previous month. Any long distance calls are billed at the end of the month in which they occur.

The payment due on March 31, 2013, for the land-line telephone service is payment for a service performed on or after April 1, 2013. The HST would apply to this payment, and all payments that are made under this contract on or after April 1, 2013, for a service performed on or after April 1, 2013.

The long distance calls charged on the March 31, 2013, invoice relate to calls made in the month of March 2013, and are not part of the continuous supply of a land-line telephone service. The HST would not apply to the payment for these calls since the services were provided before April 1, 2013. The GST at 5% will apply.

126. I receive a satellite television service on a continuous basis. The service provider issues an invoice dated April 22, 2013, for the period from March 16, 2013 to April 15, 2013. The invoice does not indicate when the satellite television service is provided.

Since the satellite television service is provided on a continuous basis during the billing period, the consideration for the service is prorated into equal parts according to the number of days in the billing period.

The HST would not apply to the amount payable for the part of the period before April 2013. The GST at 5% will apply.

However, the HST would apply to the amount payable for the part of the period on or after April 1, 2013.

127. I purchase electricity for the period from March 21, 2013 to April 20, 2013, and the utility issues an invoice dated April 27, 2013. The invoice does not indicate when the electricity is delivered. The electricity is not purchased under an equal billing plan.

Since the electricity is delivered on a continuous basis during the billing period, the consideration for the electricity will be prorated into equal parts according to the number of days in the billing period.

The HST would not apply to the amount payable for the part for the period before April 2013 (i.e., 11 days). The GST at 5% will apply.

However, the HST would apply to the amount payable for the part of the period on or after April 1, 2013 (i.e., 20 days).

Budget payment arrangements

128. I have an equal billing plan set up for electricity which covers the period June 2012 to May 2013. Does the HST apply to the payments I make under the plan?

The utility would collect the HST on the payments made under the equal billing plan, where the period for which the payment relates begins on or after April 1, 2013. Where the period includes April 1, 2013, the utility would prorate the payment for that period based on the number of days in the period and collect the HST on the portion of the payment that is attributable to that part of the period that is on or after April 1, 2013.

The GST at 5% will apply to the portion of the payment that is attributable to that part of the period that is before April 2013. The GST at 5% will also apply to the payments that relate to periods that begin and end before April 2013.

In addition, if there is a reconciliation of payments before April 2014, the utility may be required to collect an additional amount, or refund or credit an amount, in respect of the provincial part of the HST.

Intangible personal property

Does the HST apply to the following supplies of intangible personal property acquired by consumers?

129. I purchase the right to use digital music files from the operator of a Web site. I download a digital music file on March 29, 2013, but the operator does not issue an invoice for the download until April 2, 2013.

The HST would apply to this purchase since the payment becomes due on or after April 1, 2013.

130. On March 25, 2013, I purchase the right to use digital picture files from the operator of a Web site. I download the digital picture file on April 2, 2013.

The HST would not apply to this purchase since the payment for the purchase is made before April 2013. The GST at 5% will apply.

131. I purchase an annual subscription to a Web site on March 1, 2013. I pay for the subscription by making three monthly payments. The subscription payments become due on March 1, 2013, April 1, 2013, and May 1, 2013.

The HST would not apply to the first payment since it becomes due before April 2013. The GST at 5% will apply.

The HST would apply to the second and third payments since those payments become due on or after April 1, 2013.

Transportation passes

Does the HST apply to the following transportation passes acquired by consumers?

132. I purchase municipal transit tickets.

The HST would not apply to municipal transit tickets since municipal transit tickets would be HST-exempt.

133. I purchase municipal transit passes.

The HST would not apply to municipal transit passes since municipal transit passes would be HST-exempt.

134. I purchase a bus pass that gives me unlimited travel in the province for 30 days. I purchase the pass on March 10, 2013, for use from March 15, 2013 to April 14, 2013.

The HST would not apply since the pass covers a period that starts before April 2013 and ends before May 2013. The GST at 5% will apply.

135. I purchase a bus pass that gives me unlimited travel in the province for four months. I purchase the pass on February 20, 2013, for use from March 1, 2013 to June 30, 2013.

Since the pass covers a period that starts before April 2013 and ends on or after May 1, 2013, the HST would apply to the part of the payment for the pass that covers the period on or after April 1, 2013 (i.e., for three of the four months, or 75%).

136. On March 28, 2013, I purchase a bus pass that gives me unlimited travel in the province from April 1, 2013 to April 30, 2013.

The HST would apply to the payment for the pass since the pass covers a period that starts on or after April 1, 2013.

137. I purchase a bus pass that provides me with 20 one-way trips between two places in the province in either direction. The pass is valid for six months from the date of purchase. I purchase a bus pass on February 1, 2013, which will be valid from February 1, 2013 to August 1, 2013.

Since the pass is valid for a period that starts before April 2013, and ends after on or after May 1, 2013, the HST would apply to the part of the payment for the pass that covers the period on or after April 1, 2013 (i.e., for four of the six months or 67%).

Memberships

Does the HST apply to the following memberships acquired by consumers?

138. I purchase a membership from an operator of a club on January 2, 2013. The full membership fee is due at the time of purchase and the membership expires on December 31, 2013.

The HST would not apply to the purchase of the membership since the membership fee becomes due before February 2013. The GST at 5% will apply.

139. I purchase a membership from an operator of a club on February 2, 2013. The full membership fee is due at the time of purchase and the membership expires on January 31, 2014.

Since less than 90% of the membership period is before April 2013, the membership fee is prorated for HST purposes. The HST would not apply to the portion of the membership fee relating to the period before April 2013. The GST at 5% will apply.

However, the HST would apply to the portion of the membership fee relating to the period on or after April 1, 2013 (i.e., 10 of the 12 months).

140. I purchase a membership from the operator of a club on December 4, 2012. Under the terms of the membership agreement, I pay monthly membership fees on the first day of each month. On March 15, 2013, I prepay my membership fees for the portion of the membership period from April 1, 2013 to November 30, 2013.

The HST would not apply to the membership fees relating to the part of the membership period before April 2013. The GST at 5% will apply.

However, the HST would apply to the membership fees relating to the period on or after April 1, 2013. This would include any prepayments made on or after February 1, 2013 and before April 2013 that relate to the part of the membership period on or after April 1, 2013.

141. I belong to a professional association. In February 2013, I receive an invoice to renew my annual membership. The annual membership period is March 1, 2013 to February 28, 2014.

Since the payment for the membership becomes due on or after February 1, 2013, the HST would apply to the 11-month part of the membership period from April 1, 2013 to February 28, 2014, even though the membership fee becomes due before April 2013.

142. I belong to a professional association. In February 2013, I receive an electronic invoice for the renewal of my annual membership in the association. The annual membership period is April 1, 2013 to March 31, 2014.

Since the payment for the membership becomes due on or after February 1, 2013, the HST would apply to the membership fee for the entire membership period from April 1, 2013 to March 31, 2014.

143. I purchase a lifetime membership from an association on December 1, 2012. The membership fee is payable in three annual instalments of \$1,000 each. I pay the first annual instalment on December 1, 2012.

Where the total of all amounts that become due, or are paid without having become due after November 8, 2012 and before April 2013 for a lifetime membership is more than 25% of the total amount for the membership, the HST would apply to the part of the amount that is more than 25% of the total amount for the membership. Since the amount that becomes due on December 1, 2012 (i.e., \$1,000), is more than 25% of the total amount for the membership (i.e., $25\% \times \$3,000 = \750), the HST would apply to \$250 (i.e., $\$1,000 - \$750 = \$250$) of the amount due on December 1, 2012. In addition, HST would apply on the full amount of the remaining two annual instalments.

144. I purchase a lifetime membership from an association on March 1, 2013. The membership fees are payable in five monthly instalments of \$1,000 each. I pay the first monthly instalment on March 1, 2013.

Since the payment made on March 1, 2013, (i.e., \$1,000) does not exceed 25% of the total amount payable for the lifetime membership (i.e., $25\% \times \$5,000 = \$1,250$), the HST would not apply to any part of that March payment. The GST at 5% will apply.

The HST would apply to the other instalments that are paid or become due on or after April 1, 2013 (i.e., \$4,000).

Admissions

Does the HST apply to the following admissions acquired by consumers?

145. I purchase an admission on February 11, 2013, to a 10-day event that begins on March 23, 2013 and ends on April 1, 2013.

The HST would not apply to the purchase of the admission since 90% or more of the event occurs before April 2013. The GST at 5% will apply.

146. I purchase an admission on March 5, 2013, to a five-day event that begins on March 29, 2013 and ends on April 2, 2013.

Since less than 90% of the event occurs before April 2013, the admission is prorated for purposes of charging the HST. The HST would not apply to the part of the admission fee for the portion of the event that occurs before April 2013 (e.g., three of the five days, or 60%). The GST at 5% will apply.

However, the HST would apply to the part of the admission fee relating to the portion of the event that occurs on or after April 1, 2013 (e.g., two of the five days, or 40%).

Combined supplies

Does the HST apply to the following combined supplies acquired by consumers?

147. I purchase home theatre equipment on March 26, 2013. The purchase includes the installation of the equipment in my home. The equipment is delivered to me on March 31, 2013, and installed on April 2, 2013.

The HST would not apply to the portion of the total price that is attributable to the home theatre equipment since the equipment is delivered to you before April 2013. The GST at 5% will apply.

The HST would apply to the portion of the total price that is attributable to the installation service since the service is performed on or after April 1, 2013.

Enquiries by telephone

Technical enquiries on the GST/HST:	1-800-959-8287
General enquiries on the GST/HST:	1-800-959-5525 (Business Enquiries)
If you are located in Quebec:	1-800-567-4692 (Revenu Québec)

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