



**DEPARTMENT OF FINANCE
Tax Policy Division**

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TAX INFORMATION BULLETIN

Cancellation of the Harmonized Sales Tax Rate Increase

On April 30, 2015, the Government of Newfoundland and Labrador announced its intention to increase the rate of the Newfoundland and Labrador component of the Harmonized Sales Tax (HST) to a rate of 10 per cent effective January 1, 2016, resulting in an HST rate of 15 per cent.

The Government of Newfoundland and Labrador has asked the Government of Canada to accommodate the cancellation of the proposed HST rate increase and the federal government has agreed to this request. As a result, the HST rate will remain at 13 per cent after December 31, 2015.

The words and expressions used in this bulletin generally have the same meaning as in Part IX of the federal *Excise Tax Act* (ETA).

Transitional Rules for HST Rate Increase

Transitional rules to determine which tax rate (the existing 13 per cent HST rate or the proposed HST rate of 15 per cent) would have applied in respect of transactions that straddle the previously announced implementation date of January 1, 2016, were announced by the Department of Finance on July 15, 2015. As a result of the cancellation of the HST rate increase, these rules are no longer applicable (except as they apply to the proposed new municipal rebate, which is described below).

Public Service Body Rebate for Municipalities

On April 29, 2015, the Government of Newfoundland and Labrador also announced its intention to provide municipalities with a 25 per cent rebate of the provincial component of the HST paid or payable on eligible purchases and expenses effective January 1, 2016, increasing to 57.14 per cent effective January 1, 2017.

The proposed new municipal rebate will not be impacted by the cancellation of the HST rate increase, and the transitional rules for the municipal rebate rate increase will continue to apply as announced on July 15, 2015. These rules are set out as follows:

- In general, the 25 per cent rebate rate would apply for the purpose of determining a rebate of a municipality for claim periods ending on or after January 1, 2016. It would not, however, apply for the purpose of determining a rebate of a municipality in respect of tax that became payable by the municipality before January 1, 2016, an amount that is deemed to have been paid or collected by the municipality before January 1, 2016, or an amount that is required to be added in determining the municipality's net tax as a result of a branch or division of the municipality becoming a small supplier division before January 1, 2016, or as a result of the municipality ceasing before January 1, 2016 to be a registrant.
- Likewise, the 57.14 per cent rebate rate would generally apply for the purpose of determining a rebate of a municipality for claim periods ending on or after January 1, 2017. However, it would not apply for the purpose of determining a rebate of a municipality in respect of tax that became payable by the municipality before January 1, 2017, an amount that is deemed to have been paid or collected by the municipality before January 1, 2017, or an amount that is required to be added in determining the municipality's net tax as a result of a branch or division of the municipality becoming a small supplier division before January 1, 2017, or as a result of the municipality ceasing before January 1, 2017 to be a registrant. Instead, the 25 per cent rebate rate would generally apply in these instances.

To facilitate an orderly transition to the new municipal rebate and to protect the integrity of the tax system, the proposed transitional rules will include an anti-avoidance rule that could limit, in certain specific cases, the availability of the new municipal rebate in respect of property disposed of by a municipality and subsequently reacquired by the municipality.

Streamlined Accounting Methods

Eligible public service bodies may use the Special Quick Method of Accounting to simplify compliance. This allows the public service body to remit an amount of tax that is a percentage (the "remittance rate") of its eligible GST (Goods and Services Tax)/HST-included sales. In general, this allows the entity to avoid having to keep track of the GST/HST collected on sales and paid on purchases.

Certain transactions are excluded from these rules (e.g., the sale or purchase of real property). In such cases, the tax must be accounted for separately under the normal GST/HST rules.

The remittance rates are set out in the federal *Streamlined Accounting (GST/HST) Regulations* under the ETA.

As a result of the implementation of the new municipal rebate of the provincial component of the HST, new remittance rates are required for the streamlined accounting methods affecting municipalities. The proposed new rates are as follows:

| Remittance Rates for Municipalities in Newfoundland and Labrador Using the Special Quick Method of Accounting after December 31, 2015 and before January 1, 2017 | | | |
|---|--|-----------------------------|--------------------|
| Supplies Made in | | | |
| Non-participating province | Ontario, New Brunswick or Newfoundland and Labrador | Prince Edward Island | Nova Scotia |
| 3.2% | 10.1% | 10.9% | 11.6% |

The above remittance rates apply for the purpose of determining the net tax of a municipality for reporting periods of the municipality that begin after December 31, 2015. For reporting periods that begin before January 1, 2016 and end after December 31, 2015, the remittance rates and rules that apply before the proposed changes come into effect continue to apply in respect of a supply for which consideration becomes due or is paid before January 1, 2016.

| Remittance Rates for Municipalities in Newfoundland and Labrador Using the Special Quick Method of Accounting after December 31, 2016 | | | |
|--|--|-----------------------------|--------------------|
| Supplies Made in | | | |
| Non-participating province | Ontario, New Brunswick or Newfoundland and Labrador | Prince Edward Island | Nova Scotia |
| 3.9% | 10.7% | 11.5% | 12.3% |

The above remittance rates apply for the purpose of determining the net tax of a municipality for reporting periods of the municipality that begin after December 31, 2016. For reporting periods that begin before January 1, 2017 and end after December 31, 2016, the remittance rates and rules that apply before the proposed changes come into effect continue to apply in respect of a supply for which consideration becomes due or is paid before January 1, 2017.

Administration and Enforcement of the HST

Administration and enforcement of the HST is the responsibility of the Canada Revenue Agency (CRA). This responsibility includes processing rebate applications and making rulings and interpretations on the application of HST. All individuals and businesses must deal directly with the CRA for any of these or other administrative and enforcement issues. For more information please contact the [Canada Revenue Agency](#) .

Disclaimer: This is intended to provide information respecting the Harmonized Sales Tax (HST) in the Province of Newfoundland and Labrador under the *Excise Tax Act* (Canada). This should not be regarded as a replacement of the laws, regulations or administrative documents to which it refers.