Transitional Rules for the Nova Scotia HST Rate Increase
for the fiscal year 2010–2011

As of April 15, 2010

This Notice provides general descriptions of transitional rules for the increase in the Harmonized Sales Tax (HST) rate to 15 per cent in Nova Scotia that will be proposed to be enacted in regulations pursuant to the federal Excise Tax Act (ETA).
# Transitional Rules for the Nova Scotia HST Rate Increase

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## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
<td>5</td>
</tr>
<tr>
<td>Implementation of the HST Rate Increase</td>
<td>6</td>
</tr>
<tr>
<td>Tangible Personal Property</td>
<td>6</td>
</tr>
<tr>
<td>Services</td>
<td>6</td>
</tr>
<tr>
<td>General Rules</td>
<td>6</td>
</tr>
<tr>
<td>Prepaid Funeral and Cemetery Services</td>
<td>7</td>
</tr>
<tr>
<td>Passenger Transportation Services</td>
<td>8</td>
</tr>
<tr>
<td>Freight Transportation Services</td>
<td>8</td>
</tr>
<tr>
<td>Leases and Licences</td>
<td>8</td>
</tr>
<tr>
<td>General Rules</td>
<td>8</td>
</tr>
<tr>
<td>Intangible Personal Property</td>
<td>10</td>
</tr>
<tr>
<td>General Rule</td>
<td>10</td>
</tr>
<tr>
<td>Memberships</td>
<td>10</td>
</tr>
<tr>
<td>Admissions</td>
<td>10</td>
</tr>
<tr>
<td>Passenger Transportation Passes</td>
<td>11</td>
</tr>
<tr>
<td>Sales of Real Property</td>
<td>11</td>
</tr>
<tr>
<td>Sales of New Homes</td>
<td>12</td>
</tr>
<tr>
<td>Rentals of New Homes</td>
<td>12</td>
</tr>
<tr>
<td>Grandparenting for Sales of New Homes</td>
<td>12</td>
</tr>
<tr>
<td>Nova Scotia New Housing Rebates</td>
<td>13</td>
</tr>
<tr>
<td>Builder Disclosure Requirements for Transitional Period</td>
<td>14</td>
</tr>
<tr>
<td>Other Transitional Rules</td>
<td>14</td>
</tr>
<tr>
<td>Direct Sellers</td>
<td>14</td>
</tr>
<tr>
<td>Continuous Supplies</td>
<td>15</td>
</tr>
<tr>
<td>Budget Payment Arrangements</td>
<td>15</td>
</tr>
<tr>
<td>Combined Supplies</td>
<td>16</td>
</tr>
<tr>
<td>Progress Payments / Holdbacks</td>
<td>16</td>
</tr>
<tr>
<td>Property or Services Brought or Imported into Nova Scotia</td>
<td>18</td>
</tr>
<tr>
<td>Returns and Exchanges</td>
<td>18</td>
</tr>
<tr>
<td>Anti-Avoidance</td>
<td>19</td>
</tr>
<tr>
<td>Additional Information</td>
<td>19</td>
</tr>
</tbody>
</table>
Overview

It is proposed that, effective July 1, 2010, the HST in Nova Scotia be increased to a rate of 15 per cent.

Transitional rules are required to determine which tax rate — the existing HST rate of 13 per cent or the new HST rate of 15 per cent — would apply to transactions that straddle the July 1, 2010 implementation date.

The transitional rules would operate on the basis of the following dates:

- **July 1, 2010** – Implementation date for the increase in the HST rate to 15 per cent. Suppliers would generally be required to charge the HST at the rate of 15 per cent on any consideration that becomes due, or is paid without having become due on or after July 1, 2010 for tangible personal property and intangible personal property supplied by way of sale.

- **May 1, 2010** – Suppliers would generally be required to charge the HST at the rate of 15 per cent on consideration that becomes due, or is paid without having become due on or after May 1, 2010 for services performed on or after July 1, 2010 and certain property provided by way of lease, licence or similar arrangement on or after July 1, 2010. The supplier would account for the HST in the GST/HST reporting period of the person in which the tax becomes payable.

The transactions described in this Notice are generally those that, for purposes of the ETA, would be considered to be taxable supplies made in Nova Scotia.

These transitional rules generally operate on the basis of the earlier of when consideration for a supply becomes due or is paid without having become due. Under the ETA, consideration for a supply generally 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 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.
Unless otherwise stated, or the circumstances otherwise require, the definitions and concepts in the ETA would apply to the transitional rules described in this Notice.

**Implementation of HST Rate Increase**

This part of the Notice describes the general transitional rules for the implementation of the HST rate increase in Nova Scotia.

**Tangible Personal Property**

This section describes the transitional rule for supplies of tangible personal property (i.e., goods) by way of sale, which includes subscriptions to periodical publications such as newspapers and magazines.

**Consideration due or paid on or after July 1, 2010**

The HST rate of 15 per cent would generally apply to any consideration that becomes due, or is paid without having become due, on or after July 1, 2010 for a supply of goods by way of sale.

**Consideration due or paid before July 2010**

The HST rate of 13 per cent would generally apply to consideration that becomes due, or is paid without having become due before July 2010 for a supply of goods by way of sale.

*Example 1: In June 2010, a person pays for furniture, but the furniture will not be delivered, and ownership will not be transferred, to the person until August 2010. The HST rate of 13 per cent would apply to the sale.*

*Example 2: In June 2010, a person pays for an annual subscription to a magazine. Editions of the magazine will be delivered each month for twelve months starting in July 2010. The HST rate of 13 per cent would apply to the payment for the subscription.*

**Services**

This section describes the general transitional rules for supplies of services, as well as specific transitional rules for funeral and cemetery services, passenger transportation services and freight transportation services.

**General Rules**

The HST rate of 15 per cent would generally apply to a supply of a service to the extent that the service is performed on or after July 1, 2010. The HST rate of 13 per cent would generally apply, however, to a supply of a service if all or substantially all (90 per cent or more) of the service is performed before July 2010.

**Consideration due or paid on or after May 1, 2010**

The HST rate of 15 per cent would generally apply to any consideration that becomes due, or is paid without having become due, on or after May 1, 2010 for a supply of a service to the extent that the consideration...
is for the part of the service that is performed on or after July 1, 2010.

Example 3: In May 2010, a person pays for a seasonal yard maintenance service, 50 per cent of which will be performed after June 2010. The HST rate of 15 per cent would apply to 50 per cent of the consideration for that service and the HST rate of 13 per cent would apply to the other 50 per cent of the consideration for that service. The supplier would account for the full HST (including the Nova Scotia component of the HST at the rate of 10 per cent) in the GST/HST reporting period of the supplier in which the tax becomes collectible.

Consideration due or paid after April 6, 2010 and before May 1, 2010

Persons who are not consumers — such as businesses and public service bodies — may be required to self-assess the Nova Scotia component of the HST at the rate of 2 per cent on any consideration that becomes due, or is paid without having become due, after April 6, 2010 and before May 1, 2010 for a supply of a service, to the extent that the consideration is for the part of the service that is performed on or after July 1, 2010.

The requirement to self-assess in these circumstances would generally apply only to:

- non-consumers acquiring the service for consumption, use or supply otherwise than exclusively in the course of their commercial activities (e.g., a business, such as a dental practice, that is acquiring the service to make GST/HST-exempt supplies);
- non-consumers acquiring the service for consumption, use or supply exclusively in the course of their commercial activities but in circumstances where the service would be subject to an input tax credit limitation (e.g., certain entertainment expenses subject to the 50 per cent input tax credit limitation rules in the ETA);
- non-consumers that use simplified procedures available under the ETA for calculating their net tax (e.g., certain charities, public service bodies, and small businesses); and
- selected listed financial institutions, which use a special attribution method in determining their net tax.

Example 4: On April 17, 2010, a company primarily making exempt supplies is invoiced for a supply of a janitorial service, part of which will be performed after June 2010. The company must self-assess the Nova Scotia component of the HST at the rate of 2 per cent on the consideration that is for the part of the service to be performed after June 2010.

Prepaid Funeral and Cemetery Services

Notwithstanding the general transitional rules for supplies of services, the HST rate of 13 per cent would apply to consideration
for the part of a prepaid funeral or cemetery service that is performed on or after July 1, 2010 if the service is supplied pursuant to an arrangement in writing that was entered into before July 2010.

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

This rule would also apply to a supply of property relating to the funeral, burial or cremation of an individual if the property is provided under a prepaid arrangement for the provision of a funeral or cemetery service that is relieved under this rule.

**Passenger Transportation Services**

Notwithstanding the general transitional rules for supplies of services, the HST rate of 13 per cent would apply to consideration for the part of a passenger transportation service that is performed on or after July 1, 2010 if the passenger transportation service is part of a continuous journey that begins before July 2010.

*Example 5: In June 2010, a person pays for round-trip air travel as part of a continuous journey from Halifax to Sydney on June 30, 2010, and from Sydney to Halifax on July 2, 2010. The HST rate of 13 per cent would apply to the payment for the round-trip air travel.*

For information about the transitional rules for passenger transportation passes, see the Intangible Personal Property section of this Notice.

**Freight Transportation Services**

Notwithstanding the general transitional rules for supplies of services, the HST rate of 13 per cent would apply to consideration for the part of a freight transportation service that is performed on or after July 1, 2010 if the service is part of a continuous freight movement of goods that begins before July 2010.

**Leases and Licences**

This section describes the general transitional rules for property — including goods, intangible personal property, and non-residential real property — that is supplied by way of lease, licence or similar arrangement, the consideration for which is rent, royalties or similar payments.

This section does not apply to supplies of intangible personal property where the payments do not vary with the amount of use or profits from the property (e.g., a lump sum payment for a supply of a copyright) — see the Intangible Personal Property section of this Notice.

**General Rules**

The HST rate of 15 per cent would generally apply to a supply of property by way of lease, licence or similar arrangement for the part of a lease interval that occurs on or after July 1,
2010. The HST rate of 13 per cent, however, would apply to a supply of property by way of lease, licence or similar arrangement if the lease interval begins before July 2010 and ends before July 31, 2010.

Example 6: A person makes a car lease payment for the lease interval from June 15 to July 14, 2010. The HST rate of 13 per cent would apply to the lease payment (regardless of when the payment was made).

Consideration due or paid on or after May 1, 2010

The HST rate of 15 per cent would generally apply to any consideration that becomes due, or is paid without having become due, on or after May 1, 2010 for a supply of property by way of lease, licence or similar arrangement, to the extent that the consideration is for the part of a lease interval that occurs on or after July 1, 2010.

Example 7: On May 1, 2010, a lease payment becomes due and is paid for a site in a recreational campground. The lease interval is six months (May through October 2010). The part of the payment for the months of May and June would be subject to the HST rate of 13 per cent but the part of the payment for the months of July, August, September and October would be subject to the HST rate of 15 per cent.

Consideration due or paid after April 6, 2010 and before May 1, 2010

Persons who are not consumers — such as businesses and public service bodies — may be required to self-assess the Nova Scotia component of the HST at the rate of 2 per cent on any consideration that becomes due, or is paid without having become due, after April 6, 2010 and before May 1, 2010 for a supply of property by way of lease, licence or similar arrangement, to the extent that the consideration is for the part of the lease interval that occurs on or after July 1, 2010.

The requirement to self-assess in these circumstances would generally apply only to:

- non-consumers acquiring the property for consumption, use or supply otherwise than exclusively in the course of their commercial activities (e.g., a business, such as a dental practice, that is acquiring the property to make GST/HST-exempt supplies);
- non-consumers acquiring the property for consumption, use or supply exclusively in the course of their commercial activities but in circumstances where the property would be subject to an input tax credit limitation (e.g., leased passenger vehicles where the monthly lease payment exceeds $800);
- non-consumers that use simplified procedures available under the ETA for calculating their net tax (e.g., certain charities, public service bodies, and small businesses); and
selected listed financial institutions, which use a special attribution method in determining their net tax.

**Intangible Personal Property**

This section describes the general transitional rule for supplies of intangible personal property (e.g., intellectual property or contractual rights) by way of sale, as well as specific transitional rules for memberships, admissions, and passenger transportation passes.

**General Rule**

The HST rate of 15 per cent would generally apply to any consideration that becomes due, or is paid without having become due, on or after July 1, 2010 for a supply of intangible personal property by way of sale.

**Memberships**

Notwithstanding the general transitional rule for intangible personal property, a supply of a membership in a club, organization or association would be deemed to be a supply of a service for purposes of the transitional rules. The general rules described in the Services section of this Notice, would apply, with appropriate modifications, to a supply of such a membership (i.e., to the extent that the membership period occurs on or after July 1, 2010).

*Example 8: In June 2010, a person purchases a four-month membership to a fitness club for the months of June through September 2010. The HST rate of 15 per cent would be payable in respect of three of the four months of the membership (i.e., on 75 per cent of the total consideration).

**Lifetime memberships**

If consideration for a lifetime membership in a club, organization or association becomes due, or is paid without having become due, after April 6, 2010 and before July 2010, and that consideration exceeds 25 per cent of the total consideration for the lifetime membership, the amount in excess of that 25 per cent portion would be subject to the HST rate of 15 per cent.

*Example 9: Sixty per cent of the consideration for a lifetime membership is paid on April 15, 2010 and 40 per cent is paid in January 2011. The January 2011 payment would be subject to the HST rate of 15 per cent. In addition, the portion of the April 15, 2010 payment that exceeds 25 per cent of the total consideration (i.e., 35 per cent) would also be subject to the HST rate of 15 per cent.

**Admissions**

Notwithstanding the general transitional rule for intangible personal property, a supply of an admission to a place of amusement, a seminar, an event or an activity would be deemed to be a supply of a service for the purposes of the transitional rules. The general rules described in the Services section of this Notice would apply,
Transitional Rules for the Nova Scotia HST Rate Increase

with appropriate modifications, to a supply of such an admission (i.e., to the extent that the event or activity to which the admission relates occurs on or after July 1, 2010).

Example 10: In May 2010, a vendor sells tickets to a concert in New Glasgow that will take place in October 2010. The HST rate of 15 per cent would apply to the sale.

Passenger Transportation Passes

Notwithstanding the general transitional rule for intangible personal property, the HST rate of 15 per cent would generally apply to any consideration that becomes due, or is paid without having become due, on or after May 1, 2010 for a supply of a passenger transportation pass that entitles an individual to passenger transportation services during a certain period (the pass period), to the extent that the consideration is for the part of the pass period that occurs on or after July 1, 2010. However, the HST rate of 13 per cent would apply to a supply of a transportation pass if the pass period begins before July 2010 and ends before August 2010.

Example 11: In May 2010, a vendor sells a bus pass that entitles the purchaser to unlimited access to commercial bus services between Halifax and Truro during a two-month pass period from June 1, 2010 to July 31, 2010. The HST rate of 13 per cent would apply to the consideration for the sale of the pass.

For information about transitional rules for passenger transportation services, see the section of this Notice on Services.

Sales of Real Property

The HST rate of 15 per cent would generally apply to a supply of real property by way of sale in Nova Scotia if both ownership and possession of the property are transferred to the purchaser on or after July 1, 2010.

Example 12: In January 2010, a land developer enters into an agreement to sell a small commercial mall to an individual. Ownership and possession of the mall will transfer to the individual in August 2010. The HST rate of 15 per cent would apply to the sale of the mall.

For deemed supplies of real property by way of sale the general rule is that HST at the rate of 15 per cent would apply if the deemed supply is made on or after July 1, 2010. However, this general rule may not apply for deemed supplies of housing where the builder makes a sale of new housing together with leased land. See the section of this Notice on Grandparenting for Sales of New Homes.

For information on transitional rules for commercial leases and non-residential real property (including transient accommodation), see the section of this Notice on Leases and Licences.
Sales of New Homes
Generally, sales of newly constructed or substantially renovated housing would be subject to the HST rate of 15 per cent if both ownership and possession are transferred on or after July 1, 2010. Where, under a written agreement of purchase and sale, ownership or possession of the home is transferred to the purchaser before July 2010 the HST rate of 13 per cent would apply. Grandparenting would be provided for certain contracts — see the Grandparenting section below.

Rentals of New Homes
Builders of newly constructed or substantially renovated single-unit homes or residential condominium units who rent out the new homes or condominium units — or, in the case of new traditional apartment buildings or additions to existing apartment buildings, the first unit in the building or addition — would generally be required to pay the HST rate of 15 per cent under the self-supply rules if the rental occurs on or after July 1, 2010. Grandparenting would be provided for certain contracts — see the Grandparenting section below.

Where the builder is required to self-assess HST under the self-supply rules prior to July 2010 the HST rate of 13 per cent would apply.

Grandparenting for Sales of New Homes
A builder’s sale of new or substantially renovated single-unit homes, duplexes, mobile homes, floating homes and residential condominium units would be grandfathered (i.e., not subject to the increased HST rate) where the written agreements of purchase and sale are entered into on or before April 6, 2010 and both ownership and possession are transferred under the agreement after June 2010. Grandparented sales of these homes would be subject to the HST rate of 13 per cent.

Grandparenting would generally not apply to deemed supplies of real property by way of sale, including builder-landlords that are required to self-assess HST under the self-supply rules on newly constructed or substantially renovated housing on or after July 1, 2010. However, where a builder is required to self-assess HST under subsection 191(1) of the ETA in respect of an exempt sale of the building part of a single unit residential complex or a residential condominium unit and a supply by way of lease, or an assignment of a lease, of the land part of the complex or unit, the rate of HST payable in respect of the deemed supply would be determined by the date the agreement for the purchase and sale of the building was entered into. Where the
agreement was entered into on or before April 6, 2010, HST at the rate of 13 per cent would apply to the deemed supply made by the builder even if the deemed supply is made on or after July 1, 2010. Where the agreement was entered into after April 6, 2010 the general rule for deemed supplies of real property by way of sale would apply — i.e., where the deemed supply made by the builder is made on or after July 1, 2010 HST at the rate of 15 per cent would apply.

**Nova Scotia New Housing Rebates**

Administration of the Nova Scotia new housing rebates in respect of the Nova Scotia component of the HST would transfer from the Canada Revenue Agency (CRA) to Service Nova Scotia and Municipal Relations.

Nova Scotia new housing rebate claims for sales of new housing together with land, sales of new housing together with leased land and houses acquired through the purchase of qualifying shares of a housing cooperative would continue to be submitted to CRA where the written agreement of purchase and sale for the housing or shares, as the case may be, is entered into after April 6, 2010 unless the ownership or the possession is transferred or given before July 1, 2010, as described above. Nova Scotia new housing rebates for owner-built homes would be submitted to Service Nova Scotia and Municipal Relations where the application for the rebate is filed on or after July 1, 2010.

In addition, for Nova Scotia rebates in respect of sales of new housing together with land, sales of new housing together with leased land and purchases of qualifying shares of a housing cooperative where the applicable rebate claims would be required to be submitted to Service Nova Scotia and Municipal Relations, the builder would no longer have the option of paying or crediting the applicable Nova Scotia new housing rebate to the purchaser at the time of purchase. However, builders would
continue to have the option of paying or crediting the applicable GST new housing rebate in respect of the federal component of the HST and therefore could continue to price their sales of new housing net of the applicable GST new housing rebate even where the applicable Nova Scotia new housing rebate claim would be required to be submitted to Service Nova Scotia and Municipal Relations.

Where the applicable Nova Scotia new housing rebate claim would be required to be submitted to the province of Nova Scotia, the purchaser would be required to submit their claim to Service Nova Scotia and Municipal Relations.

Nova Scotia new housing rebate factors for sales of new housing together with leased land and sales of qualifying shares of a housing cooperative would be adjusted to 1.31 per cent to reflect the increase in the HST to 15 per cent. Rebate forms and other administrative information will be provided in the coming months for Nova Scotia’s new housing rebates.

**Builder Disclosure Requirements for the Transitional Period**

If a written agreement of purchase and sale for a newly constructed or substantially renovated home is entered into after April 6, 2010 and before July 1, 2010, the builder would be required to disclose in the written agreement of purchase and sale whether the HST rate of 15 per cent would apply to the sale and, if so, whether the stated price in the agreement includes the HST rate of 15 per cent, net of the GST new housing rebate, if applicable.

If the transaction would be subject to the HST rate of 15 per cent and the builder does not make a disclosure as outlined above, the builder would be required to remit based on a 15 per cent rate of HST and the purchaser would not be liable to pay any additional amounts under the ETA. This proposed transitional measure would help provide certainty to both builders and purchasers with respect to the application of the HST rate increase under written agreements of purchase and sale for new or substantially renovated homes entered into during the transitional period.

**Other Transitional Rules**

**Direct Sellers**

If a direct seller (or a distributor of a direct seller) is using the alternative collection method on July 1, 2010 and independent sales contractors (ISCs) of the direct seller hold exclusive products in their inventory at the beginning of that day for which consideration to the direct seller became due, or was paid without having become due before July 2010 and the products are intended for sale in Nova Scotia, the direct seller would be deemed to have made a supply of those products to the ISCs on July 1, 2010.
In these circumstances, the direct seller would be required to account for the Nova Scotia component of the HST at the rate of 2 per cent on the suggested retail price of each of those products in the GST/HST reporting period of the direct seller that includes July 1, 2010.

A direct seller would also be required to account for the Nova Scotia component of the HST at the rate of 2 per cent on the suggested retail price of exclusive products supplied to an ISC for which consideration becomes due, or is paid without having become due before July 2010, to the extent that the products have not yet been delivered to the ISC as of July 1, 2010.

**Continuous Supplies**

The HST rate of 15 per cent would generally apply to any consideration for a supply of property or services that are delivered, performed or made available (as the case may be) on a continuous basis by means of a wire, pipeline or similar conduit or satellite or other telecommunications facility (e.g., natural gas, electricity, cable television, satellite 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 July 1, 2010.

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.

*Example 13:* A supplier of electricity issues an invoice to a person for the period from June 16, 2010 to July 15, 2010 (inclusive). A meter reading was not done on June 30, 2010. The HST rate of 15 per cent would apply to 50 per cent of the total amount payable, representing the 15 days out of the 30-day period that are on or after July 1, 2010.

**Budget Payment Arrangements**

If property or services are supplied under a budget payment arrangement (e.g., natural gas supplied under an equal payments billing plan) during a period that straddles the July 1, 2010 implementation date, and the reconciliation of payments for that period of the budget payment arrangement occurs prior to July 2011, the supplier would be required to make an adjustment at the time of the reconciliation to account for any difference between:

(a) the amount of the Nova Scotia component of the HST at the rate of 10 per cent that would have been payable for the property or services delivered, performed or made available on or after July 1, 2010 if the consideration for the property or services had become due on July 1, 2010 without having been paid before that date, and
(b) the amount of the Nova Scotia component of the HST at the rate of 10 per cent that was payable by the recipient of the supply for the property or services during the period.

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.

If a supply 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 satellite or other telecommunications facility is made under a budget payment arrangement, and the time at which the property is delivered or the services are performed cannot reasonably be determined because of the method of recording the delivery of the property or the performance of the services, then the supply would, for the purposes of calculating the amount of HST at the rate of 15 per cent that would be payable, be prorated in equal parts according to the number of days in the period to which the consideration is attributable.

**Combined Supplies**

If any combination of property and/or services is supplied together as a single supply and one of the items supplied is tangible personal property for which consideration becomes due or is paid without having become due before July 2010, and that would be subject to the HST rate of 13 per cent 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 for the purposes of the general transitional rules for the HST rate increase.

**Example 14:** A contractor agrees to supply and install a dishwasher in a restaurant for a single consideration that is due in May 2010. The dishwasher is installed in July 2010. The HST rate of 15 per cent would apply to the service of installing the dishwasher (as the service is performed on or after July 1, 2010), but the HST rate of 13 per cent would apply to the sale of the dishwasher (as consideration was paid before July 1, 2010).

**Progress Payments / Holdbacks**

The HST rate of 13 per cent would apply to progress payments on contracts to construct, renovate, alter or repair (hereafter referred to as “construct”) real property or ships or other marine vessels if the payment can reasonably be attributed to property delivered or services performed before July 2010. Holdbacks from progress payments would also be subject to the HST rate of 13 per cent to the extent that they are reasonably attributable to property delivered or services performed before July 2010, even if the holdbacks become due or are paid on or after July 1, 2010.
The HST rate of 15 per cent would generally apply to progress payments that become due on or after May 1, 2010 to the extent that the progress payment relates to property delivered, or services performed, on or after July 1, 2010.

Example 15: A contract to construct a small commercial mall with a value of $1,500,000 is entered into on January 15, 2010. The contract specifies progress payments as follows:

- Payment no. 1: $500,000 due March 15, 2010; 100 per cent attributable to property delivered and services performed before July 1, 2010;
- Payment no. 2: $500,000 due May 15, 2010; 100 per cent attributable to property delivered and services performed before July 1, 2010;
- Payment no. 3: $500,000 due August 15, 2010; 30 per cent attributable to property delivered and services performed before July 1, 2010 and 70 per cent attributable to property delivered and services performed on or after July 1, 2010;
- Holdback of $150,000 (i.e., 10 per cent of the entire consideration) is due September 15, 2010.

All three progress payments and the holdback are paid when they become due. With respect to the final progress payment, 70 per cent of the payment would be subject to HST at a rate of 15 per cent, representing the portion of the final progress payment attributable to property delivered and services performed on or after July 1, 2010. With respect to the holdback of $150,000, $50,000 would be considered to have been held back from each progress payment. As a result $100,000 of the holdback relates to the progress payment no. 1 and no. 2 and is therefore all attributable to property delivered or services performed before July 1, 2010. The remaining $50,000 portion of the holdback relates to progress payment no. 3 such that 70 per cent of the $50,000 is attributable to property delivered or services performed on or after July 1, 2010.

HST is therefore payable as follows:

1) March 15, 2010, HST of 13 per cent is payable on $450,000 (100 per cent x ($500,000 – $50,000));

2) May 15, 2010, HST of 13 per cent is payable on $450,000 (100 per cent x ($500,000 – $50,000));

3) August 15, 2010, HST of 13 per cent is payable on $135,000 (30 per cent x ($500,000 – $50,000)) and HST of 15 per cent is payable on $315,000 (70 per cent x ($500,000 – $50,000)), and

4) Sep 15, 2010, HST of 13 per cent is payable on $115,000 ($50,000 + $50,000 + (30 per cent x $50,000)) and HST of 15 per cent is payable on $35,000 (70 per cent x $50,000).

Assuming the contractor is a monthly filer for GST/HST purposes, the contractor would...
be required to report HST of $58,500 in each GST/HST return for March and May, $64,800 in the GST/HST return for August and $20,200 in the GST/HST return for September, 2010.

Property and services brought or imported into Nova Scotia

The Nova Scotia component of the HST at a rate of 10 per cent would generally apply to:

• tangible personal property brought into Nova Scotia on or after July 1, 2010;

• services acquired outside Nova Scotia for consumption use or supply in Nova Scotia to the extent the service will be performed on or after July 1, 2010;

• intangible personal property acquired outside Nova Scotia for consumption, use or supply in Nova Scotia on or after July 1, 2010;

• tangible personal property imported into Nova Scotia on or after July 1, 2010; and

• imported taxable supplies acquired for consumption, use, or supply in Nova Scotia on or after July 1, 2010.

For details regarding the rules for self-assessment in respect of property or services brought into a participating province, imported goods, and imported taxable supplies please see the Federal Department of Finance document entitled Place of Supply, Self-Assessment and Rebate Rules for the Harmonized Sales Tax.

Returns and Exchanges

The following rules would generally apply where a person purchases property before July 2010 that is subject to the HST rate of 13 per cent, but returns it on or after July 1, 2010:

• If the property is returned and a full refund is given, the HST rate of 13 per cent would be refunded;

• If an exchange is made resulting in neither a refund nor an additional payment, HST would neither be refundable nor payable;

• If an exchange is made resulting in a partial refund, the HST would generally not be payable on the replacement property and a refund of the HST at a rate of 13 per cent would be provided on the amount refunded; and

• If an exchange is made resulting in an additional payment, the HST rate of 15 per cent would apply to the additional payment.

Example 16: In July 2010, a person returns a sweater that was purchased in June 2010 for $40. The vendor exchanges the returned sweater for another sweater that costs $60. In this situation, the vendor would collect the HST at the rate of 15 per cent on $20.
Anti-Avoidance

Existing anti-avoidance rules in the ETA would apply to transactions subject to the transitional rules. Additional anti-avoidance rules may be implemented in order to maintain the integrity of the GST/HST during the period of transition to the increased HST rate for Nova Scotia.

Additional Information

For further information on the general transitional rules, please contact CRA's General Business enquiries line at 1-800-959-5525 (English service) or 1-800-959-7775 (French service). For further information on the transitional rules for sales of real property, please contact CRA's technical GST/HST enquiries line at 1-800-959-8287 (English service) or 1-800-959-8296 (French service).

For questions concerning the Nova Scotia New Housing Rebate, please contact Service Nova Scotia and Municipal Relations at 1-800-670-4357.