



Harmonized Sales Tax for Ontario and British Columbia – Questions and Answers on General Transitional Rules for Personal Property and Services

The 2009 Ontario Budget proposed a harmonized sales tax (HST), which would come into effect on July 1, 2010. In addition, on July 23, 2009, the British Columbia (B.C.) Ministry of Finance issued a News Release proposing an HST which would also come into effect on July 1, 2010. The HST in Ontario and B.C. will be administered by the Canada Revenue Agency (CRA).

This publication provides questions and answers that reflect the proposed tax changes as announced in:

- the 2009 Ontario Budget and the HST Information Notice No. 3, *General Transitional Rules for Ontario HST* released by the Government of Ontario on October 14, 2009; and
- the News Release of July 23, 2009 and the Tax Information Notice, HST Notice #1, *General Transitional Rules for British Columbia HST* released by the Government of B.C. on October 14, 2009.

Any commentary in this publication 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.

The following information and questions and answers are 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 July 1, 2010 implementation date. **Unless otherwise noted, these transitional rules would apply to taxable supplies of personal property and services made in Ontario or B.C., whichever is applicable, and to importations of personal property into Ontario or B.C.** definitions and concepts in the *Excise Tax Act* (the ETA) apply to the transitional rules outlined in this document.

These 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. 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 Ontario and B.C., 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 Ontario would be 13%, consisting of the 5% federal part and an 8% Ontario part. In B.C., the HST would be 12%, consisting of the 5% federal part and a 7% B.C. part.

This document uses the term “provincial part” to describe the 8% Ontario part or the 7% B.C. part of the HST, whichever is applicable.

La version française du présent document est intitulée *Taxe de vente harmonisée de l'Ontario et de la Colombie-Britannique – Questions et réponses sur les règles transitoires générales visant les biens meubles et les services.*



FOR MORE INFORMATION

For information on the transitional rules for real property in Ontario, please refer to GST/HST Notice 244, *Harmonized Sales Tax – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario*.

For information on the transitional rules for non-residential real property in B.C., please refer to GST/HST Notice 246, *Harmonized Sales Tax for British Columbia – Questions and Answers on Transitional Rules for Non-Residential Real Property Situated in British Columbia*.

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

For general information on the introduction of the HST in Ontario, please contact the Government of Ontario's Budget hotline at 1-800-337-7222.

For general information on the introduction of the HST in B.C., please call 604-660-4524 (Vancouver) or toll-free elsewhere in B.C. at 1-877-388-4440. Alternately, questions can be emailed to CTBTaxQuestions@gov.bc.ca.

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General Transitional Rules

Tangible personal property (goods)

SALES

The HST 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 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 July 1, 2010.

The HST would not apply to a supply 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 July 2010, regardless of when the consideration for the supply becomes due or is paid without having become due.

EXCHANGES

Exchanges on or after July 1, 2010, and before November 2010, of goods that were originally purchased before July 2010, and that were subject to the provincial sales tax for Ontario or B.C., would generally be treated as follows:

- if the consideration for the exchanged good exceeds that paid for the original good, then the HST would apply to the difference; and
- if the consideration for the exchanged good is less than or equal to that paid for the original good, then the HST would not apply.

The above rules would apply even if the exchange occurs because the original good was defective.

If provincial sales tax did not apply to the good purchased before July 2010, and the good is exchanged on or after July 1, 2010, then the provincial part of the HST would apply to the full consideration for the replacement good.

The HST would apply to the full consideration for a new item for any exchange on or after November 1, 2010.

SUBSCRIPTIONS

The HST would generally not apply to any consideration that is paid before July 2010 for a subscription to a newspaper, magazine or other periodical publication. The rules for budget payment arrangements set out later in this document would not apply to sales of newspapers, magazines or other periodicals by way of subscription.

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, please 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 May 1, 2010 for a supply of property 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 July 1, 2010.

However, the HST would not apply to any consideration for a supply of property by way of lease, licence, or similar arrangement if the consideration is attributable to a lease interval that begins before July 2010 and ends before July 31, 2010.

The above rules also apply to real property. For information on these rules as they apply Ontario and British Columbia, please see, respectively, GST/HST Notice 244, *Harmonized Sales Tax – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario* and GST/HST Notice 246, *Harmonized Sales Tax for British Columbia – Questions and Answers on Transitional Rules for Non-Residential Real Property Situated in British Columbia*.

Services

The HST 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 relates to the portion of the service performed on or after July 1, 2010. However, if 90% or more of the service is performed before July 2010, no HST would be payable on the consideration for the service.

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 for the part of a passenger transportation service that is performed on or after July 1, 2010, if the service is part of a continuous journey that begins before July 2010. 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 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 that begins before July 2010.

PREPAID FUNERAL AND CEMETERY ARRANGEMENTS

The HST would not apply to any consideration for the portion of a funeral or cemetery service that is performed on or after July 1, 2010, if the service is supplied according to an arrangement in writing that was entered into before July 2010.

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.

Intangible personal property

A supply 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 July 1, 2010. Passenger transportation passes, memberships, and admissions have special transitional rules.

PASSENGER TRANSPORTATION PASSES

The HST would generally apply to any consideration that becomes due, or is paid without having become due, on or after May 1, 2010, for a transportation pass that entitles an individual to passenger transportation services during a certain period (hereafter the “pass period”) to the extent that either the pass period begins on or after July 1, 2010 or:

- the pass period begins before July 2010 and ends after July 2010, and
- the consideration is attributable to any part of the pass period on or after July 1, 2010.

The HST would not apply if the pass period begins before July 2010 and ends before August 2010.

MEMBERSHIPS

The HST 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 membership in a club, organization or association to the extent that the consideration relates to any part of a membership period on or after July 1, 2010. However, the HST would not apply if 90% or more of the membership period is before July 2010.

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 October 14, 2009 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 treated as having become due on July 1, 2010 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 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 May 1, 2010 to the extent that the consideration relates to the part of the event or activity that occurs on or after July 1, 2010. However, the HST would not apply to the consideration for a supply of an admission if 90% or more of the event or activity to which the admission relates occurs before July 2010.

Property and services brought into Ontario or British Columbia (B.C.), imported goods and imported taxable supplies

PERSONAL PROPERTY AND SERVICES BROUGHT INTO ONTARIO OR B.C.

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 Ontario or B.C. on or after July 1, 2010, and to such property that is brought into Ontario or B.C. before July 2010 by a carrier where the property is delivered in Ontario or B.C. to a consignee on or after July 1, 2010.

The provincial part of the HST will also generally apply to consideration that becomes due, or is paid without having become due, after October 14, 2009 for the part of a service performed on or after July 1, 2010 (unless 90% or more of the service is performed before July 2010), if the service is supplied in a non-participating province to a resident of Ontario or B.C. who acquires the service for consumption, use or supply primarily in the participating provinces. Consideration that becomes due, or is paid without having become due, after October 14, 2009 and before July 2010 for a supply of such a service would be deemed to become due on, and not to have been paid before, July 1, 2010.

The provincial part of the HST will also generally apply to consideration that becomes due, or is paid without having become due, on or after July 1, 2010 for intangible personal property that is supplied by way of sale in a non-participating province to a resident of Ontario or B.C. who acquires the property for consumption, use or supply primarily in the participating provinces.

The provincial part of the HST will generally apply to consideration that becomes due, or is paid without having become due, after October 14, 2009 for the part of a lease interval that occurs on or after July 1, 2010 (unless the lease interval begins before July 2010 and ends before July 31, 2010), if the lease interval is in respect of intangible personal property supplied by way of lease, license or similar arrangement in a non-participating province to a resident of Ontario or B.C. who acquires the property for consumption, use or supply primarily in the participating provinces. Consideration that becomes due, or is paid without having become due, after October 14, 2009 and before July 2010 for a supply of such a property will be deemed to become due on, and not to have been paid before, July 1, 2010.

The provincial part of the HST will generally not apply to property and services that are brought into Ontario or B.C. from a non-participating (non-HST) province if they are acquired 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 be required to self-assess the tax.

IMPORTED GOODS

The provincial part of the HST would generally apply to non-commercial goods that are imported by a resident of Ontario or B.C. on or after July 1, 2010, and to such goods imported by a resident of Ontario or B.C. before that date that are accounted for under the relevant provisions of the federal *Customs Act* on or after July 1, 2010.

The provincial part of the HST would also generally apply to a specified motor vehicle or commercial goods brought into Ontario or B.C. from a place outside Canada on or after July 1, 2010. This rule would generally not apply, however, to commercial goods that are brought into Ontario or B.C. 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 May 1, 2010, for:

- an imported taxable supply of goods made to a resident of Ontario or B.C., or to a GST/HST registrant to whom the goods are delivered or made available, or physical possession of the goods is transferred in Ontario or B.C., to the extent that consideration is for goods that are delivered or made available, or transferred on or after July 1, 2010;
- an imported taxable supply of a service made to a resident of Ontario or B.C. who acquires the service for consumption, use, or supply primarily in the participating provinces to the extent that the consideration is for the part of the service that is performed on or after July 1, 2010; and
- an imported taxable supply of intangible personal property that is made by way of lease, licence, or similar arrangement to a resident of Ontario or B.C. who acquires the property for consumption, use, or supply primarily in the participating provinces, to the extent that the consideration is for the portion of the lease interval that occurs on or after July 1, 2010.

Consideration for imported taxable supplies would, with appropriate modifications, generally be subject to the transitional rules described in the Tangible Personal Property, Leases and Licences of Personal Property and Services sections (as the case may be) of this Notice.

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

Consideration that becomes due, or is paid without having become due, on or after May 1, 2010 and before July 2010

If, under the transitional rules outlined in this notice, the HST would apply to consideration that becomes due, or is paid without having become due, on or after May 1, 2010 and before July 2010 in respect of a supply of a property or service, then the following rules would apply.

- The consideration will be deemed, for purposes of the provincial part of the HST, to become due on, and not to have been paid before, July 1, 2010. 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 July 1, 2010. The supplier would be required to account for the GST, the 5% federal part of the HST, 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 for the provincial part of the HST in respect of the supply in the GST/HST reporting period of the purchaser that includes July 1, 2010. The purchaser would be able to claim any available input tax credits for the GST, the 5% federal part of the HST, in the reporting period in which the GST is paid or payable.

If the provincial part of the HST applies to consideration that becomes due, or is paid without having become due, on or after May 1, 2010 and before July 2010 in respect of an imported taxable supply, the recipient of that imported taxable supply would be required to self-assess the provincial part of the HST as if it became payable on July 1, 2010.

If the provincial part of the HST applies to tangible personal property brought into Ontario or B.C. on or after July 1, 2010, the recipient may be required to self-assess for the provincial part of the HST as if it became payable on July 1, 2010.

Consideration that becomes due, or is paid without having become due, after October 14, 2009 and before May 2010 by non-consumers

Certain persons who are not consumers (non-consumers) would 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 October 14, 2009 and before May 2010 for:

- a supply of goods made by way of sale to the extent that the goods are delivered, and ownership is transferred, to the recipient of the supply on or after July 1, 2010;
- a supply of property 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 July 1, 2010 (unless the lease interval begins before July 2010 and ends before July 31, 2010);
- a supply of a service, to the extent that the consideration relates to the part of the service that is performed on or after July 1, 2010 (unless 90% or more of the service is performed before July 2010);
- 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 July 1, 2010 (unless 90% of the membership period occurs before July 2010);
- 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 July 1, 2010 (unless 90% or more of the event or activity occurs before July 2010);
- 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 July 1, 2010, and ends on or after August 1, 2010; or
- an imported taxable supply to the extent that the consideration is for goods supplied by way of sale that are delivered, made available or transferred on or after July 1, 2010, for services performed on or after July 1, 2010, or for the part of the lease interval of intangible personal property that occurs on or after July 1, 2010.

The requirement to self-assess the provincial part of the HST in these situations would only apply to persons who are not consumers:

- who acquire these supplies for consumption, use or supply otherwise than exclusively in the course of their commercial activities (for example, a business making GST/HST-exempt supplies);
- who use simplified procedures available under the ETA for calculating their net tax (such as certain charities, public service bodies, and small businesses);
- to the extent that they acquire property or services that are subject to input tax credit restrictions as proposed in the 2009 Ontario Budget and in the July 23, 2009 B.C. News Release;
- to the extent that they acquire property or services that are subject to net tax adjustments under the ETA; or
- who are selected listed financial institutions that use a special attribution method to determine their net tax.

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 July 1, 2010, if that return is due before November 2010. In all other cases, the provincial part of the HST would be required to be self-assessed in prescribed form before November 2010. More information on the prescribed form will be available in the coming months.

Other transitional rules

CONTINUOUS SUPPLIES

The HST would generally apply to any consideration that becomes due, or is paid without having become due, for 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 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 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.

BUDGET PAYMENT ARRANGEMENTS

If property or services are supplied under a budget payment arrangement (e.g., natural gas supplied to a consumer under an equal payments billing plan) during a period that includes 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 provincial part of the HST 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 payable on July 1, 2010, 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 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.

However, these rules would not apply to newspapers, magazines or other periodicals when sold by subscription. Instead, see 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 arrangement plan. If the time at which 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 that would be payable, the supply would be prorated according to the number of days in the supply period.

COMBINED SUPPLIES

A special rule applies 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 July 2010, 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.

DIRECT SELLERS

If a direct seller (or an approved distributor) is using the Alternate 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 the day that were purchased from the direct seller (or approved distributor) and that are intended for sale in Ontario or B.C., the direct seller (or approved distributor) would be deemed to have made a supply of those products to the ISCs on July 1, 2010. The direct seller (or approved distributor) would be required to account for any applicable HST on the suggested retail price of each of those products in its GST/HST return for the reporting period that includes July 1, 2010.

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 October 14, 2009 and before July 2010, to the extent that the products have not been delivered to the ISCs as of July 1, 2010.

ANTI-AVOIDANCE

Existing anti-avoidance rules in the ETA would apply to transactions to which the above-mentioned rules apply. Further anti-avoidance rules may be implemented to maintain the integrity of the GST/HST and the Ontario and B.C. sales tax systems throughout the transition period.

Information for Businesses

General

1.1 What is the HST for Ontario?

The HST for Ontario is the harmonized sales tax of 13%, which is composed of a federal part of 5% (the GST) and an Ontario part of 8%.

1.2 What does the HST for Ontario apply to?

Generally, the HST applies to supplies made in Ontario that are currently subject to the GST (i.e., taxable supplies). This includes supplies of goods, real property, intangible property such as contractual rights and patents, and services.

1.3 What does the HST for Ontario not apply to?

Generally, the HST for Ontario does not apply to supplies that are exempt or not subject to tax for GST/HST purposes, or to supplies made outside Ontario.

1.4 What is the HST for B.C.?

The HST for B.C. is the harmonized sales tax of 12%, which is composed of a federal part of 5% (the GST) and a B.C. part of 7%.

1.5 What does the HST for B.C. apply to?

Generally, the HST applies to supplies made in B.C. that are currently subject to the GST (i.e., taxable supplies). This includes supplies of goods, real property, intangible property such as contractual rights and patents, and services.

1.6 What does the HST for B.C. not apply to?

Generally, the HST for B.C. does not apply to supplies that are exempt or not subject to tax for GST/HST purposes, or to supplies made outside B.C.

1.7 When do suppliers begin charging the HST on supplies made in Ontario or B.C.?

Generally, suppliers begin charging the HST on supplies made in Ontario or B.C. on or after July 1, 2010.

However, there may be situations where suppliers have to charge the HST on supplies made in Ontario or B.C. where the consideration for the supplies becomes due, or is paid without having become due, on or after May 1, 2010 and before July 2010 and some or all of the property or services are provided on or after July 1, 2010.

Please refer to the questions and answers under the various headings in this notice for information on how the HST applies to transactions that straddle the July 1, 2010 implementation date.

1.8 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.

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

For a supply of property 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.

1.10 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 of when consideration for a supply becomes due, as explained in questions 1.8 and 1.9.

1.11 I paid the consideration for a supply on July 2, 2010. The invoice was issued June 30, 2010, but I had until July 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 June 30, 2010, 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.

1.12 I paid the consideration for a supply on July 2, 2010. Under the written agreement for the supply, I did not have to pay the amount until July 15, 2010. 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.

1.13 The consideration for a taxable supply that will be made in July 2010 is due May 15, 2010. If the consideration for the supply is paid, without having become due, on April 15, 2010 it appears that both the transitional rule for *Consideration that becomes due or is paid without having become due after October 14, 2009 and before May 2010* and the transitional rule for *Consideration that becomes due or is paid without having become due on or after May 1, 2010 and before July 2010*, 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, April 15, 2010. Consequently, the transitional rule for *Consideration that becomes due or is paid without having become due after October 14, 2009 and before May 2010* applies in this situation.

Tangible personal property (goods)

Sales

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

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

Generally, the HST applies to a supply 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 July 1, 2010.

2.2 On May 3, 2010, I sell a refrigerator and deliver it to my customer on May 11, 2010. The customer does not pay for the refrigerator until July 15, 2010.

As the refrigerator is delivered to the customer before July 2010, the HST does not apply to this sale.

2.3 In May 2010, 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 May 2010 to October 2010. Ownership of the washer and dryer will be transferred to the customer after the final payment is made in October 2010, 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 July 1, 2010. Therefore, HST applies to the total consideration for the washer and dryer including the two payments in May 2010 and June 2010.

2.4 I sell equipment under a written agreement where the equipment is delivered to the customer on June 1, 2010. 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 June 1, 2010.

As the equipment is delivered to the customer before July 2010, the HST does not apply to any of the payments.

2.5 I accept a deposit of \$100 in May 2010 for a sale of goods that I make on July 5, 2010. The goods are delivered and ownership is transferred to the customer on July 5, 2010. I invoice the customer for the sale and credit the deposit against the consideration for the sale on July 5, 2010.

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 May 2010 only becomes a partial payment for the supply of the goods on July 5, 2010. Since the goods are delivered and ownership is transferred on July 5, 2010, the HST applies to the total consideration for the supply. The \$100 deposit is included in this total consideration when it is applied as a payment against the total consideration.

2.6 I sell a magazine subscription covering the period from July 2010 to July 2011. The subscriber pays the subscription in full on June 30, 2010. The magazines are made available to the subscriber on or after July 1, 2010.

The HST does not apply to this subscription as it is paid in full before July 2010.

2.7 I sell a subscription to a monthly newsletter. The consideration for this subscription is due on June 30, 2010 but the subscriber does not pay until July 6, 2010.

The HST applies to the full amount of the subscription because payment was made on or after July 1, 2010.

2.8 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 July 10, 2010 you are deemed to have made the supply and collected the HST on July 10, 2010.

2.9 On February 15, 2010, my business prepays an amount for the purchase of computer equipment. I receive ownership, and take delivery of the equipment in August 2010. 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 August 2010, the sale of the computer is subject to HST. As the prepayment is made before May 2010, the supplier will not charge the provincial part of the HST on the prepaid amount. However, persons other than consumers who, after October 14, 2009 and before May 2010, prepay the consideration for goods that are delivered, and ownership transferred, on or after July 1, 2010, 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 is required to self-assess the provincial part of the HST on the prepayment amount.

Your business is required to account for the provincial part of the HST in its GST/HST return for the reporting period that includes July 1, 2010 if that return is due before November 2010. Otherwise, your business must account for the provincial part of the HST in prescribed form before November 2010.

2.10 On April 28, 2010, my business prepays for a motor vehicle. The business will receive ownership and delivery of the vehicle on July 7, 2010. My business will be subject to the restriction of input tax credits 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 will be subject to HST since ownership and delivery of the vehicle occurs in July 2010. However, the supplier is not required to collect the provincial part of the HST on any prepayments made before May, 2010. Persons, other than consumers, who, after October 14, 2009 and before May 2010, prepay the consideration for a taxable supply made on or after July 1, 2010, 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 restriction on input tax credits are 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, you are required to self-assess the provincial part of the HST on your purchase of the motor vehicle.

Your business will be required to account for the provincial part of the HST in its GST/HST return for the reporting period that includes July 1, 2010 if that return is due before November 2010. Otherwise, your business must account for the provincial part of the HST in prescribed form before November 2010.

2.11 My business purchases, and is invoiced for, a transport truck before October 14, 2009. It receives ownership, and takes delivery, of the truck in August 2010.

The HST will not apply on the amount invoiced for the truck, because the consideration for the sale of the transport truck becomes due before October 14, 2009.

2.12 On March 3, 2010, I sell a sailboat. The sailboat will not be delivered, and ownership will not be transferred, to my customer until August 2010. The consideration becomes due and is paid by my customer on June 18, 2010.

The HST applies to the sale of the boat since ownership and delivery of the boat occurs on or after July 1, 2010, and the consideration became due on or after May 1, 2010 (and was not paid before that date). The HST applies to the consideration that becomes due and is paid on June 18, 2010. The provincial part of the HST is deemed to become due on July 1, 2010.

You are required to account for the provincial part of the HST in the GST/HST return for the reporting period that includes July 1, 2010, if that return is due before November 1, 2010. In any other case, the business must account for the provincial part of the HST in prescribed form before November 2010.

Leases and Licences

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

3.1 I have existing recreational vehicle and boat leases with customers that were in effect before October 14, 2009. 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 July 1, 2010, and as a result, lease payments are made on or after July 1, 2010 for the month of July.

The HST applies to lease intervals beginning on or after July 1, 2010, including lease intervals for leases that were in effect before October 14, 2009. Therefore, you charge the HST on payments for lease intervals that begin on or after July 1, 2010.

3.2 I lease passenger vehicles to customers. One lease payment, due June 1, 2010, is for a lease interval from June 1, 2010 to June 30, 2010. The customer pays for it on July 7, 2010.

Since the lease interval is before July 2010, the HST does not apply to the lease payment.

3.3 I lease office equipment to other businesses. One of the lease payments becomes due on June 25, 2010. The lease interval begins June 25, 2010 and ends July 24, 2010.

Since the lease interval begins before July 2010, and ends before July 31, 2010, the HST does not apply to the lease payment.

3.4 On June 1, 2010, I prepay the lease of my office equipment for the interval from July 1, 2010 to July 31, 2010.

Since the lease interval begins on July 1, 2010, the HST applies to the June 1, 2010 prepayment. The consideration is deemed to become due on July 1, 2010, and therefore, the provincial part of the HST becomes payable on that day.

3.5 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 June 1, 2010, based on sales of widgets in the previous three months sales, but it is not paid to me until on or after July 1, 2010.

Since the royalty payment relates to a licence interval before July 2010, the HST does not apply to the payment, even though the payment is made on or after July 1, 2010.

3.6 A business makes a prepayment on February 1, 2010 for a lease of computer equipment for the interval from July 1, 2010 to September 30, 2010. The business will not be using the computer equipment exclusively in commercial activities.

Since the prepayment is made after October 14, 2009 and before May 2010, and the computer equipment is not used exclusively in commercial activities, the business is required to self-assess the provincial part of the HST on the amount of the prepayment for the lease interval from July 1, 2010 to September 30, 2010.

The business is required to account for the provincial part of the HST in the GST/HST return for the reporting period that includes July 1, 2010, if that return is due before November 1, 2010. In any other case, the business must account for the provincial part of the HST in prescribed form before November 2010.

Returns and exchanges

Does the HST apply to the following returns and exchanges?

4.1 I sell a stereo in June 2010. The sale of the stereo was subject to the provincial sales tax but not subject to HST. In July 2010, the customer returns the stereo and I give the customer a refund for the stereo.

As the HST did not apply to the sale of the stereo, the HST is not refunded to the customer. The customer would be eligible for a refund of the GST paid on the original purchase.

4.2 I sell a men's shirt in June 2010. The provincial sales tax applied to the sale of the shirt but the HST did not apply. In July 2010, the customer returns the shirt and exchanges it for a men's shirt of equal value.

As the original shirt is returned before November 2010, and the consideration for the new shirt is equal to the consideration the customer pays for the original shirt, the HST does not apply.

4.3 I sell a microwave on May 31, 2010 for \$100. The provincial sales tax applied to the sale of the microwave but the HST did not apply. In July 2010, the customer returns the microwave and exchanges it for a microwave costing \$140.

As the consideration for the new microwave exceeds that paid for the original microwave, the HST applies to the \$40 price difference.

4.4 I sell a ladies' coat in June 2010 for \$300. The provincial sales tax applied to the sale of the coat but the HST did not apply. In December 2010, the customer returns the coat because it is defective and exchanges it for another one of equal value.

Since the coat is not exchanged before November 2010, the HST applies to the full consideration (i.e., \$300) for the new coat even though the original coat is returned because it is defective. The customer would be eligible for a refund of the GST paid on the original purchase.

4.5 I sell a bicycle on May 31, 2010 that is not subject to provincial sales tax. Payment is made in May 2010. In July 2010, 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 applies to the full price of the new bicycle. The customer would be eligible for a refund of the GST paid on the original purchase.

Direct sellers

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

5.1 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 July 2010, for the sale of an exclusive product, but the consideration for the sale becomes due on July 8, 2010 when the product is delivered to the ISC. The products are not zero-rated products.

You 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 October 14, 2009 and before July 2010 and the product was not delivered before July 2010.

5.2 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 July 2010, I sell exclusive products to ISCs who hold these products in inventory as of July 1, 2010. Some, but not all, of the products are zero-rated products.

You 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 July 1, 2010. The amount has to be included in your net tax for your reporting period that includes July 1, 2010.

5.3 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 July 2010, I sell exclusive products to ISCs who hold these products as inventory as of July 1, 2010.

You 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 July 1, 2010. The amount has to be included in your net tax for your reporting period that includes July 1, 2010.

Services

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

6.1 I provide an accounting service from January 2010 to June 2010, and issue an invoice for my service in September 2010. The client pays me after receiving the invoice.

Since all of the service is performed before July 2010, the HST does not apply to the consideration for this service.

6.2 I provide a decorating service in June and July 2010. Sixty per cent of the service is performed in June 2010. I issue an invoice for my service in August 2010. The client pays me after receiving the invoice.

The HST applies to the portion of the consideration that relates to the 40% of the service that is performed on or after July 1, 2010.

The HST does not apply to the portion of the consideration that relates to the 60% of the service that is performed before July 2010.

6.3 I accept a partial payment of \$100 in May 2010 for a service that I perform in August 2010. The total consideration for the service is \$500. I issue the invoice for this service in September 2010. The client pays me the remaining \$400 after receiving the invoice.

The HST applies to both the partial payment of \$100 made in May 2010 and the remaining \$400 of consideration for the service as the service is performed on or after July 1, 2010.

6.4 In January 2007, I entered into a long-term fixed-price contract to provide a photocopier maintenance service. The consideration 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 July 2010 becomes due, and is paid, at the end of June 2010.

The payment due on June 30, 2010, is consideration for a service performed on or after July 1, 2010. This payment, and all payments that are made under this contract on or after July 1, 2010, for services performed on or after July 1, 2010, will be subject to the HST.

6.5 I provide a service from May 1, 2010 to July 10, 2010, and issue an invoice to my client on July 10, 2010. Seven per cent of the service is performed from July 1, 2010 to July 10, 2010. The client pays me after receiving the invoice.

The HST does not apply to any of the consideration for this service, since 90% or more of the service was performed before July 2010.

6.6 I provide a service from June 15 to August 31, 2010, and invoice for that service on September 1, 2010. Six per cent of the service is performed from June 15, 2010 to June 30, 2010. The client pays me after receiving the invoice.

Ninety-four per cent of the service is performed on or after July 1, 2010. Therefore, the HST applies to 94% of the consideration.

Passenger transportation services

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

7.1 I sell an airline ticket in May 2010 for one-way travel between two cities in the province on August 1, 2010. The client is invoiced, and pays for the ticket, at the time of sale.

The HST applies to the consideration for the passenger transportation service, since the service is performed after July 1, 2010.

7.2 I provide a city bus tour that takes place on June 30, 2010, but as per the written agreement with the group organizer, I issue the invoice for the tour on July 2, 2010. The group organizer pays for the tour on July 6, 2010.

The HST does not apply to the consideration for the passenger transportation services, since the tour is provided before July 2010.

7.3 I sell train tickets to passengers for travel from Vancouver to Toronto in June 2010. The clients are invoiced and pay for their tickets at the time of sale. The train leaves Vancouver on June 29, 2010, and arrives in Toronto on July 4, 2010.

The HST does not apply to the consideration for the passenger transportation services, since the train travel starts before July 2010.

7.4 I sell a continuous journey in May 2010 that consists of a flight from Toronto to Halifax, a cruise around the Maritimes and up the St. Lawrence River to Montreal, and a flight from Montreal to Toronto. The flight from Toronto leaves on June 26, 2010 and the return flight leaves Montreal on July 3, 2010.

The HST does not apply to the consideration for any of the passenger transportation services in the continuous journey, since the continuous journey starts before July 2010.

7.5 I sell a one-way airline ticket for travel between two cities in the province on June 18, 2010. The same customer later purchases a second airline ticket from me for a flight back to the customer's city of origin on July 10, 2010.

The two flights in this scenario are not a continuous journey. The HST does not apply to the consideration for the first passenger transportation service, since the service is performed before July 2010. However, the HST applies to the consideration for the second passenger transportation service, since the service is performed on or after July 1, 2010.

Freight transportation services

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

8.1 I provide a freight transportation service in July 2010. I am the only carrier of the property. I receive a prepayment for the service in May 2010.

The HST applies to the prepayment, even if the amount has not become due, since the freight transportation service is performed on or after July 1, 2010.

8.2 I provide a freight transportation service that starts on June 29, 2010, and ends on July 3, 2010. I am the only carrier of the property and I invoice my client for the service on July 15, 2010.

The HST does not apply to the consideration for the freight transportation service, since it is a continuous freight movement that begins before July 2010.

8.3 A shipper transfers possession of property to the first carrier of a continuous freight movement of the property in June 2010. That carrier provides a freight transportation service that ends after July 1, 2010 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 July 1, 2010.

Since the continuous freight movement begins before July 2010, the consideration for the freight movement is not subject to the HST. The first carrier does not charge 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?

9.1 I operate a funeral home and enter into a prepaid funeral arrangement with an individual on April 12, 2010, to provide funeral products and services upon the individual's death. Under the arrangement, the individual makes monthly contributions from July 2010 to June 2011. I withhold an administration fee of \$10 from each payment. I hold the balance of the contributions in trust, and the funeral services are provided in 2012.

Since the arrangement is entered into before July 2010, and the contributions are held in trust, the HST does not apply to amounts withdrawn from the trust in 2012 to pay for the funeral products and services provided under the arrangement.

The administration fees are consideration for a service and are not part of the amounts held in trust. They may be subject to HST when the fees become due or are paid without having become due. See the section on services for more information.

9.2 I am a cemetery operator. On April 5, 2010, I enter into a prepaid cemetery arrangement with an individual to provide cemetery products and services in Ontario upon the individual's death. Under the arrangement, the individual makes quarterly contributions from April 2010 to April 2012. I withhold an administration fee of \$10 from each payment. I hold the balance of the contributions in trust, and the cemetery products and services are provided in September 2015.

Since the arrangement is entered into before July 2010, and the contributions are held in trust, the HST does not apply to amounts withdrawn from the trust in September 2015, to pay for the cemetery products and services provided under the arrangement.

The administration fees are consideration for a service and are not part of the amounts held in trust. They may be subject to HST when the fees become due or are paid without having become due. See the section on services for more information.

Continuous supplies of property and/or services

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

10.1 In January 2010, 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 July 2010 at the end of June 2010. On the same invoice, I also invoice for three long distance calls that occurred in June 2010.

The payment due on June 30, 2010, 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 July 1, 2010. This payment, and all payments that are made under this contract on or after July 1, 2010, for a service performed on or after July 1, 2010, are subject to the HST.

The long distance charges on the June 30, 2010, invoice are consideration for calls made in the month of June 2010. These calls are not part of a continuous supply; they are separate supplies. The HST does not apply to the consideration for these calls since the services were provided before July 2010.

10.2 I supply gas delivery to a customer. Another supplier entered into a long-term fixed-price contract in 2007 to provide gas on a continuous basis to that customer. A third supplier rents a water heater to the customer. On a monthly basis I invoice for all three supplies, i.e., the supply of a gas delivery service, the supply of the gas, and the rental of the water heater. The monthly amounts are invoiced on the 15th day of the month following the month in which the gas, the delivery service, and the water heater rental are provided. These supplies are not sold under an equal billing plan.

Payments made for the gas and the delivery service provided before July 2010, and for the rental of the water heater for the period prior to July 1, 2010, (i.e., the consideration on the July 15, 2010, invoice) are not subject to the HST. The HST applies to all subsequent consideration for such supplies.

10.3 I provide local telephone services. I issue an invoice dated July 22, 2010, for the period from June 16, 2010 to July 15, 2010. 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 service is prorated according to the number of days in the billing period.

The HST does not apply to the consideration for the portion attributable to the period before July 2010. The HST applies to the consideration for the portion attributable to the period on or after July 1, 2010, (i.e., 50%).

10.4 I provide electricity during the period from June 21, 2010 to July 20, 2010, and issue an invoice dated July 27, 2010. The invoice does not indicate when the electricity is delivered. The electricity is not sold under an equal billing plan. The invoice identifies a regulatory charge, a debt retirement charge, a delivery charge and 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 electricity is prorated based on the number of days in the billing period.

The HST does not apply to the consideration for the portion attributable to the period before July 2010 (i.e., 10 days).

The HST applies to the consideration for the portion attributable to the period on or after July 1, 2010, (i.e., 20 days). In this case, the regulatory charge, the debt retirement charge and the delivery charge are parts of the consideration for the electricity and therefore the portion of the overall consideration charged for those elements is also prorated.

Budget payment arrangements

Does the HST apply to the following budget payment arrangements offered by businesses?

11.1 A person has an equal billing plan set up for electricity that covers the period September 2009 to August 2010.

The supplier collects the HST on payments that become due on or after July 1, 2010 under the equal billing plan.

11.2 A person has an equal billing plan (budget plan) for electricity that covers the period September 9, 2009 to September 8, 2010. During that time the person pays the budget plan amount on the 9th of each month for the first 11 months as required by the agreement. Every second month, the utility provides an account summary of the electricity consumed by the person during the past two months, the charges (plus tax) for that consumption and the person's balance under the budget plan. This balance indicates whether the person is in a credit position (i.e., year-to-date payments under the budget plan exceed the year-to-date total charges for electricity and tax) or whether the person is in a debit position (i.e., year-to-date budget plan payments are less than the year-to-date total charges for electricity and tax). Beginning with the May 9, 2010 to July 8, 2010 period, the person is in a debit position.

For the final 2 months (i.e., July 9, 2010 to September 8, 2010), the utility issues an invoice dated September 15, 2010. That invoice sets out the electricity the person consumed during that time and the charges for that electricity. The total amount due on the invoice is for the debit amount from May 9, 2010 to July 8, 2010 and the charges for July 9, 2010 to September 8, 2010.

When the supplier issues the invoice on September 15, 2010 for the remaining consideration payable on the electricity supplied under the budget plan, the consideration for electricity supplied in May and June is not subject to the HST.

The consideration for electricity supplied on or after July 1, 2010, is subject to the HST. Since electricity is supplied on a continuous basis, for purposes of charging the HST, electricity consumption during a period is prorated based on the number of days in that period. Therefore in this case, 87% (i.e., 53/61 days) of the charge for the period May 9, 2010 to July 8, 2010 is not subject to the HST, and 13% (i.e., 8/61 days) of the total for that billing period is subject to the HST. The consideration for electricity consumed for the remainder of the equal billing plan (i.e., the period July 9, 2010 through to September 8, 2010) is subject to the HST.

11.3 A person has an equal billing plan (budget plan) for electricity that covers the period September 9, 2009 to September 8, 2010. During that time, the person pays the budget plan amount on the 9th of each month for the first eleven months as required by the agreement. Every second month the utility provides an account summary of the electricity the person consumed, the charges (plus tax) for that consumption, and the person's balance under the budget plan. This balance indicates whether the person is in a credit position (i.e., year-to-date payments under the budget plan exceed the year-to-date total charges for electricity and tax) or whether the person is in a debit position (i.e., year-to-date budget plan payments are less than the year-to-date total charges for electricity and tax). Beginning with the May 9, 2010 to July 8, 2010 period, the person is in a credit position.

The supplier issues an account summary dated September 15, 2010, showing the charges for the electricity the person consumed during July 9, 2010 to September 8, 2010,. The account summary deducts those charges from the accumulated credit amount. The accumulated credit amount for the person includes the credit from the May 9, 2010 to July 8, 2010 period and the required budget plan payment on August 9, 2010. The credit that remains after the charges are deducted is then applied against amounts payable by the person (including tax payable) for future periods as these amounts become due, beginning with the September 9, 2010 to November 8, 2010 period.

Since electricity is supplied on a continuous basis, for purposes of charging the HST, electricity consumption during a period is prorated based on the number of days in that period. Therefore, in this case, for the period May 9, 2010 to July 8, 2010, 87% (i.e., 53/61 days) of the bimonthly charge is not subject to the HST and 13% (i.e., 8/61 days) of the total for the billing period is subject to the HST.

The supplier is required to make an adjustment at the time of the reconciliation of the person's account for any difference between the amount of the provincial part of the HST that would have been payable for the electricity if the consideration became due on July 1, 2010, without having been paid before that date, and the amount of the provincial part of the HST that was payable by the person during the period. If the difference is a credit, the supplier will be required to credit or refund the difference.

If the supplier's account summary meets the conditions for a credit note under the ETA, the amount the supplier credits the person generally includes the tax paid on the overpayment. Therefore, in this case, if the conditions are

met, the supplier would generally include the HST that would have been paid on 13% of the overpayment for the May 9 to July 8, 2010, period and the HST that would have been paid on the overpayment for the billing period July 9 to September 8, 2010.

Intangible personal property

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

12.1 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 June 20, 2010, but it is not paid to me until on or after July 1, 2010.

Since the royalty payment becomes due before July 2010, the HST does not apply to the royalty payment, even though the payment is made on or after July 1, 2010.

12.2 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 June 29, 2010, but I do not issue an invoice for the supply until July 2, 2010.

The HST applies to the sale of the right to use the digital intangible personal property, since the consideration becomes due on or after July 1, 2010, and it is not paid without having become due before July 2010.

12.3 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 June 25, 2010, a customer pays for that right, and then downloads a digital picture file on July 2, 2010.

The HST does not apply to the sale of the right to use the digital picture file, since the consideration for the sale is paid before July 2010.

12.4 I sell annual subscriptions to a Web site. Subscribers pay for the subscription by making three payments. A customer purchases a subscription on June 1, 2010. The subscription payments become due on June 1, 2010, July 1, 2010, and August 1, 2010, and are not paid without having become due.

The HST does not apply to the first payment, since it becomes due before July 2010. The HST applies to the second and third payments, since those payments become due on or after July 1, 2010, and are not paid without having become due before July 2010.

Transportation passes

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

13.1 I sell municipal transit tickets, and municipal transit passes.

Municipal transit tickets and municipal transit passes are exempt supplies and will not be subject to HST.

13.2 I operate a commercial inter-city bus service. I sell bus passes that provide my customers with unlimited inter-city travel for 30 days. I sell a pass on June 10, 2010, for use from June 15, 2010 to July 14, 2010.

The HST does not apply, since the pass covers a period that starts before July 2010, and ends before August 2010.

13.3 I operate a commercial inter-city bus service. I sell bus passes that provide my customers with unlimited inter-city travel for four months. I sell a pass on May 20, 2010, for use from June 1, 2010 to September 30, 2010.

Since the pass covers a period that starts before July 2010, and that ends after July 31, 2010, the HST applies to the portion of the consideration for the pass that covers the period on or after July 1, 2010 (i.e., for three of the four months, or 75%).

13.4 I operate a commercial inter-city bus service. I sell bus passes that provide my customers with unlimited inter-city travel from July 1, 2010 to July 31, 2010. I sell a pass on June 28, 2010.

The HST applies to the consideration for the pass, since the pass covers a period that starts on or after July 1, 2010.

13.5 I operate a commercial inter-city bus service. I sell bus passes that provide my customers with 20 one-way trips between two cities in either direction. The pass is valid for six months from the date of sale. I sell a bus pass on May 1, 2010, which will be valid from May 1, 2010 to November 1, 2010.

Since the pass is valid for a period that starts before July 2010, and ends after July 31, 2010, the HST applies to the portion of the consideration for the pass that covers the period on or after July 1, 2010 (i.e., for four of the six months, or 67%).

Memberships

Does the HST apply to the following memberships provided by businesses?

14.1 I operate a club and sell year-long memberships. The full membership fee becomes due at the time of sale. On January 2, 2010, I sell a membership which expires on December 31, 2010.

The HST does not apply to the sale of the membership, since the membership fee becomes due before May 2010. Self-assessment of the provincial part of the HST may be required by persons who are not consumers since the amount became due after October 14, 2009 and before May 2010.

14.2 I operate a club and sell year-long memberships. The full membership fee becomes due at the time of sale. On May 2, 2010, I sell a membership which expires on April 30, 2011.

Since less than 90% of the membership period is before July 2010, the membership fee is prorated for purposes of charging the HST. The HST does not apply to the portion of the membership fee relating to the period before July 2010. However, the HST applies to the portion of the membership fee relating to the period on or after July 1, 2010 (i.e., 10 of the 12 months).

14.3 I operate a club and sell year-long memberships to individuals. I sell a membership on January 4, 2010. Under the terms of the membership agreement, the member makes a monthly membership payment on the first day of each month. On June 15, 2010, a member pre-pays his monthly membership fees for the portion of the membership period covering July 1, 2010 to December 31, 2010.

The HST does not apply to the membership fees relating to the portion of the membership period before July 2010. However, the HST applies to the membership fees relating to the portion of the membership period on or after July 1, 2010, including any prepayments made on or after May 1, 2010, and before July 2010, that relate to the portion of the membership period on or after July 1, 2010.

14.4 A professional association issues invoices on May 8, 2010 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 June 1, 2010 to May 31, 2011.

Since the consideration for the membership becomes due on or after May 1, 2010, the HST applies to the 11-month portion of the membership period from July 1, 2010 to May 31, 2011, even though the membership fees become due before July 2010.

14.5 A professional association issues electronic invoices on May 10, 2010, 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 July 1, 2010 to June 30, 2011.

Since the consideration for the membership becomes due on or after May 1, 2010, the HST applies to the membership fee for the entire membership period from July 1, 2010 to June 30, 2011.

14.6 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, 2009, and pays the first instalment at that time. The other payments are due December 1, 2010 and December 1, 2011.

Where the total of all consideration that becomes due, or is paid without having become due, after October 14, 2009 and before July 2010, for a lifetime membership exceeds 25% of the total consideration for the membership, the HST applies 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, 2009 (i.e., \$1,000) exceeds 25% of the total consideration for the membership (i.e., $25\% \times \$3,000 = \750), the HST applies to \$250 ($\$1,000 - \$750 = \250) of the amount due on December 1, 2009. The supplier must account for this tax in the reporting period of the supplier that includes July 1, 2010. The HST will also apply to the two remaining payments (i.e., \$2,000).

14.7 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 June 1, 2010, and pays the first monthly instalment at that time.

Since the payment made on June 1, 2010, (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 does not apply to any portion of that amount. The HST applies to the portion that is paid or becomes due on or after July 1, 2010 (i.e., \$4,000).

Admissions

Does the HST apply to the following admissions provided by businesses?

15.1 I sell admissions in May 2010 to a 10-day event that begins on June 22, 2010, and ends on July 1, 2010.

The HST does not apply to the consideration for the admissions, since 90% or more of the event occurs before July 2010.

15.2 I sell admissions in May and June 2010 to a five-day event that begins on June 28, 2010, and ends on July 2, 2010.

Since less than 90% of the event occurs before July 2010, some of the consideration for the admission is subject to the HST. The HST does not apply to the portion of the consideration for the portion of the event that occurs before July 2010 (i.e., three of the five days, or 60%). However, the HST applies to the portion of the consideration relating to the portion of the event that occurs on or after July 1, 2010 (i.e., two of the five days, or 40%).

15.3 On April 15, 2010, my business prepays an amount for admissions to an event that will take place in August 2010. My business will use this event to entertain clients. The business is engaged exclusively in commercial activities and is not subject to the proposed input tax credit restrictions for large business.

Since the event occurs in August 2010, the admissions to the event are subject to HST. However, because the amount is prepaid before May 2010, the supplier is not required to collect the provincial part of the HST on this amount.

Persons other than consumers who, after October 14, 2009 and before May 2010, prepay the consideration for a taxable supply made on or after July 1, 2010, 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 input

tax credits under the ETA are 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).

If the tax paid on the entertainment expense is subject to the 50% recapture for meals and entertainment under section 236 of the ETA, then your business will be required to account for the provincial part of the HST in its GST/HST return for the reporting period that includes July 1, 2010 if that return is due before November 2010. Otherwise, your business must account for the provincial part of the HST in prescribed form before November 2010.

Combined supplies

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

16.1 I sell home theatre equipment to a customer on June 26, 2010. Installation of the equipment in the customer's home is part of the supply. The equipment is delivered to the customer on June 30, 2010 and installed on July 2, 2010.

The HST does not apply to the portion of the consideration attributable to the home theatre equipment, since the equipment is delivered to the customer before July 2010. The HST does apply to the portion of the consideration attributable to the installation service, since the service is performed on or after July 1, 2010.

16.2 I sell (i.e., ownership transfers) an off-the-shelf computer software package to a customer on June 15, 2010. Also, as an element of that supply, I agree to provide training to the customer's employees in July 2010.

The HST does not apply to the supply of the computer software package, since ownership of the software is transferred to the customer before July 2010. The HST applies to the consideration for the training service, since the service is performed on or after July 1, 2010.

How to account for, and claim input tax credits for, the provincial part of the HST?

17.1 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 charge is reported on the same line of your GST/HST return as you report the 5% GST.

17.2 I have to charge the HST on some prepayments made on or after May 1, 2010, but before July 2010. When is the HST collectible on these prepayments?

For the purposes of the provincial part of the HST, these prepayments are deemed to have become due on July 1, 2010. They are also deemed not to have been paid before that date. The provincial part of the HST becomes collectible on July 1, 2010 and is included in the supplier's net tax for its reporting period that includes July 1, 2010.

The GST, the 5% federal part of the HST, is accounted for in the reporting period in which the prepayments were actually made.

17.3 I have to pay the HST on some prepayments made on or after May 1, 2010, but before July 2010. When can I claim input tax credits for the provincial part of the HST on these prepayments?

For the purposes of the provincial part of the HST, these prepayments are deemed to have become due on July 1, 2010. They are also deemed not to have been paid before that date. You would be entitled to claim any available input tax credits in respect of the provincial part of the HST in your return for the GST/HST reporting period that includes July 1, 2010.

17.4 How do I report the provincial part of the HST that I am required to self-assess on a prepayment made before May 2010?

If you are a registrant, you report the provincial part of the HST on line 405 of your GST/HST return for the reporting period that includes July 1, 2010, provided the return is due before November 1, 2010. In any other case, you would report that amount in prescribed form before November 2010 and pay that amount to the Receiver General.

17.5 How do I claim input tax credits for the provincial part of the HST that I pay?

You claim input tax credits for the provincial part of the HST you pay on the same line of the GST/HST return that you claim input tax credits for the 5% GST.

Imports

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

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

Property and services brought into Ontario or B.C. from a non-participating province

19.1 Does the provincial part of the HST apply when I bring property into Ontario or B.C. from a non-participating province?

The provincial part of the HST applies to property that is brought into Ontario or B.C. from a non-participating province on or after July 1, 2010. The provincial part of the HST will generally not apply to property that is brought into Ontario or B.C. 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 liable to pay the provincial part of the HST in these circumstances will be required to self-assess the tax.

19.2 Does the provincial part of the HST apply to intangible personal property acquired in a non-participating province for consumption or use in Ontario or B.C.?

The provincial part of the HST applies to any consideration that becomes due or is paid without having become due, on or after July 1, 2010, for intangible personal property that is supplied by way of sale in a non-participating province to a resident of Ontario or B.C. for consumption, use or supply primarily in the participating provinces.

The provincial part of the HST will generally not apply to intangible property that is brought into Ontario or B.C. 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 liable to pay the provincial part of the HST in these circumstances will be required to self-assess the tax.

19.3 Does the provincial part of the HST apply when property is brought into Ontario or B.C. by a carrier?

The provincial part of the HST applies to property brought into Ontario or B.C. before July 2010 by a carrier where the property is delivered to a consignee on or after July 1, 2010.

Information for Consumers

General

20.1 What is the HST for Ontario?

The HST for Ontario is the proposed harmonized sales tax of 13%, which is composed of a federal part of 5% (the GST) and an Ontario part of 8%.

20.2 What does the HST for Ontario apply to?

Generally, the HST for Ontario applies to transactions made in Ontario that are currently subject to the 5% GST. This includes most goods, real property and services, as well as certain rights.

20.3 What does the HST for Ontario not apply to?

Generally, the HST for Ontario does not apply to transactions that consumers currently do not pay GST on.

20.4 What is the HST for B.C.?

The HST for B.C. is the harmonized sales tax of 12%, which is composed of a federal part of 5% (the GST) and a B.C. part of 7%.

20.5 What does the HST for B.C. apply to?

Generally, the HST applies to transactions made in B.C. that are currently subject to the 5% GST. This includes most goods, real property and services, as well as certain rights.

20.6 What does the HST for B.C. not apply to?

Generally, the HST for B.C. does not apply to transactions made by businesses that consumers currently do not pay GST on.

20.7 When do businesses begin charging the HST on transactions in Ontario or B.C.?

Generally, businesses begin charging the HST on transactions in Ontario or B.C. on or after July 1, 2010.

However, there may be situations where businesses have to charge the HST on transactions made in Ontario or B.C. where the payment for the transaction is paid or becomes due on or after May 1, 2010 and before July 2010, but some or all of the transaction is completed on or after July 1, 2010. Please refer to the questions and answers under the various headings in this notice for information on how the provincial part of the HST applies to transactions that occur before and after July 1, 2010.

20.8 When does payment for a transaction become due for the purposes of the HST?

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.

20.9 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?

21.1 When does the HST apply to a sale of goods?

Generally the HST applies 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 July 1, 2010.

21.2 I purchase a computer on June 30, 2010, and take it home with me at that time. I receive an invoice for the sale at that time. I pay the invoice after July 1, 2010.

Since you receive delivery of the computer before July 2010, the HST does not apply to this purchase.

21.3 In May 2010, 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 May 2010 to October 2010. I get ownership of the washer and dryer when they are delivered to me after the final payment is made in October 2010.

As the property is delivered to you, and ownership transfers to you, on or after July 1, 2010, the HST applies to all six monthly payments for the washer and dryer including the payments in May 2010 and June 2010.

21.4 I purchase goods under a written agreement and the supplier delivers them to me on June 1, 2010. 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 June 1, 2010.

As the goods are delivered to you before July 2010, the HST does not apply.

21.5 I make a deposit of \$100 in May 2010 for goods that I purchase on July 5, 2010. I receive ownership and delivery of the goods on July 5, 2010. The seller invoices me for the purchase and credits the deposit against the full amount payable for the goods on July 5, 2010.

A deposit is not a payment for a transaction until the seller applies it against the full payment for the transaction. In this example, the \$100 deposit made in May 2010 becomes a partial payment for the goods on July 5, 2010. Since the goods are delivered, and ownership transferred, on July 5, 2010, the HST applies to the full amount payable for the goods. This includes the \$100 deposit when it is applied as part payment against the total payment for the goods.

21.6 I purchase a magazine subscription in May 2010 and the publisher invoices me on June 1, 2010. I pay the invoice on June 8, 2010. However, the magazines are not sent until on or after July 1, 2010.

Since the subscription is paid before July 2010, the HST does not apply even though the magazines are sent on or after July 1, 2010.

21.7 I purchase a subscription to a monthly newsletter. Payment for the subscription is due on June 30, 2010 but I do not pay until July 8, 2010.

The HST applies to the full amount of the subscription as it is not paid before July 2010.

Leases

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

22.1 I lease goods for my personal use. I have a lease payment that becomes due on June 25, 2010 for the lease payment period beginning July 1, 2010 and ending July 31, 2010.

Since the lease payment period begins on July 1, 2010 the HST applies to the June 25 lease payment.

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

Generally, the HST applies to lease periods beginning on or after July 1, 2010 including those for leases that were in effect before October 14, 2009. As you are a lessee of an automobile, RV or boat in Ontario or B.C., you pay the HST on payments for lease payment periods that begin on or after July 1, 2010. Where a lease payment period starts before July 1, 2010 and ends on or after July 31, 2010, you only have to pay HST on the portion of the payment period that is on or after July 1, 2010.

22.3 I lease a car for my personal use. I have a lease period that begins on June 15, 2010 and ends on July 15, 2010. Does the HST apply to this lease payment if I pay it on or after July 1, 2010?

No. Since the lease payment period begins before July 2010, and ends before July 31, 2010 the HST does not apply to the lease payment, even if it is paid on or after July 1, 2010.

Returns and exchanges

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

23.1 I purchase a stereo in June 2010. The purchase of the stereo was subject to the provincial sales tax but not the HST. In July 2010 I return the stereo and receive a refund for the stereo.

As the HST is not paid on the purchase, it will not be refunded to you. However, you will be entitled to a refund of the GST that you paid on your original purchase.

23.2 I purchase a men's shirt in June 2010. The provincial sales tax applied to the purchase of the shirt but the HST did not apply. In July 2010 I return the shirt and exchange it for a men's shirt of equal value.

As the original shirt is returned before November 2010, and the price for the new shirt is equal to the amount you paid for the original shirt, the HST does not apply.

23.3 I purchase a microwave on May 31, 2010 for \$100. The provincial sales tax applied to the purchase of the microwave but the HST did not apply. In July 2010, I return the microwave and exchange it for a more expensive microwave that costs \$140.

As the microwave is exchanged before November 2010 and the price of the new microwave is more than that paid for the original microwave, the HST applies to the \$40 price difference.

23.4 I purchase a ladies' coat in June 2010 for \$300. The provincial sales tax applied to the purchase of the coat but the HST did not apply. In December 2010, I return the coat because it is defective and exchange it for another one of equal value.

Since the coat is exchanged after November 1, 2010, the HST applies to the full payment (i.e., \$300) for the new coat even though the original coat is returned because it is defective. You would be eligible for a refund of the GST that you paid on your original purchase.

23.5 I purchase a bicycle on May 31, 2010. I did not pay any provincial sales tax on the purchase. In July 2010, I return the bicycle and exchange it for a more expensive bicycle.

As no provincial sales tax was paid when you bought the bicycle the HST applies to the full cost of the new bicycle. You would be eligible for a refund of the GST paid on your original purchase.

Services

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

24.1 I acquire an accounting service from January 2010 to June 2010. The accountant issues an invoice for this service in September 2010. I pay the amount due after receiving the invoice.

Since all of the service is performed before July 2010, the HST does not apply to the payment for this service.

24.2 I acquire a decorating service in June 2010 and July 2010. Sixty per cent of the service is performed in June 2010. The decorator issues an invoice for this service in August 2010. I pay the amount due after receiving the invoice.

The HST applies to the part of the payment that relates to the 40% of the service that is performed on or after July 1, 2010. The HST does not apply to the part of the payment that relates to the 60% of the service that is performed before July 2010.

24.3 I prepaid \$100 in May 2010 as a partial payment for a service performed in August 2010. The total amount payable for the service is \$500. The service provider issued the invoice for this service in September 2010. I pay the remaining \$400 after receiving the invoice.

The HST applies to both the partial payment of \$100 made in May 2010 and the remaining \$400 payable for this service as the service is performed on or after July 1, 2010.

24.4 In 2007 I entered into a long-term fixed-price contract to acquire services. I pay monthly for these services. The monthly payment is 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 is not payable on payments made under this contract before July 2010. However, the HST is payable on payments made on or after July 1, 2010.

24.5 In January 2010, I enter into a long-term fixed-price contract to acquire a service. I pay monthly for this service. The monthly payment is due in advance on the last business day of the previous month. I pay for July's service on June 30 2010.

The payment made on June 30, 2010, is payment for a service performed on or after July 1, 2010. The HST is payable on this payment, and on all payments that are made under this contract on or after July 1, 2010 for services performed on or after July 1, 2010.

24.6 I acquire a service that is performed from May 1, 2010, to July 10, 2010. The service provider issues an invoice on July 10, 2010 for the entire service. Seven per cent of the total service is performed from July 1, 2010 to July 10, 2010. I pay the amount due after receiving the invoice.

The HST does not apply to any of the payment for this service, since 90% or more of the service was performed before July 2010.

Passenger transportation services

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

25.1 I purchase an airline ticket in May 2010 for one-way travel between two cities in the province on August 1, 2010.

The HST applies to the payment for the passenger transportation service, since the service is performed after July 1, 2010.

25.2 I organize a group city bus tour that takes place on June 30, 2010. 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 July 2, 2010. I pay for the tour on July 6, 2010.

The HST does not apply to the payment for the passenger transportation service, since the tour is provided before July 2010.

25.3 I purchase a train ticket for travel from Vancouver to Toronto in June 2010. The train leaves Vancouver on June 29, 2010, and arrives in Toronto on July 4, 2010.

The HST does not apply to the payment for the passenger transportation service, since the train travel starts before July 2010.

25.4 I purchase a continuous journey in May 2010 that consists of a flight from Toronto to Halifax a cruise around the Maritimes and up the St. Lawrence River to Montreal, and a flight from Montreal to Toronto. The first flight leaves Toronto on June 26, 2010 and the return flight leaves Montreal on July 3, 2010.

The HST does not apply to the payment for any of the passenger transportation services in the continuous journey, since the continuous journey starts before July 2010.

25.5 I purchase an airline ticket for travel between two cities in the province on June 18, 2010. I had intended to return home by car, but my plans changed. Once at my destination I purchase a second airline ticket for a return flight on July 10, 2010.

The HST does not apply to the payment for the first passenger transportation service, since the service is performed before July 2010. However, the HST applies to the payment for the second passenger transportation service, since the service is performed after July 1, 2010, and the two flights are not part of a single continuous journey.

Freight transportation services

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

26.1 I ship some household goods between two cities in the province in July 2010. I make a prepayment for the shipping service in May 2010.

As the prepayment relates to a shipping service performed on or after July 1, 2010, the HST applies to the full payment for shipping the goods, including the prepayment.

26.2 I ship a care package from our home to my daughter who is working in the north of the province. The shipment is picked up on June 29, 2010 and delivered on July 3, 2010. The carrier invoices me on July 15, 2010.

The HST does not apply to the payment for the freight transportation service, since the shipping service is a continuous freight movement that begins before July 1, 2010.

Prepaid funeral and cemetery arrangements

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

27.1 I enter into a prepaid funeral arrangement with a funeral home on June 12, 2010 for funeral products and services to be provided when my parents die. Under the arrangement, I make monthly contributions from July 2010 to June 2011. The funeral home withholds an administration fee of \$10 from each payment, and holds the balance of the contributions in trust. The funeral services are provided in 2012.

Since the arrangement is entered into before July 2010, and the contributions are held in trust, the HST does not apply to the amounts withdrawn from the trust in 2012, to pay for the funeral products and services provided under the arrangement.

The administration fees are not part of the amounts held in trust, and may be subject to HST when the fees become due or are paid without having become due.

27.2 I enter into a prepaid arrangement with a cemetery operator on April 5, 2010 to acquire cemetery products and services for my parents when they die. Under the arrangement, I make quarterly contributions from April 2010 to April 2012. The cemetery operator withholds an administration fee of \$10 from each payment, and holds the balance of the contributions in trust. The cemetery products and services are provided in September 2015.

Since the arrangement is entered into before July 2010, and the contributions are held in trust, the HST does not apply to the amounts withdrawn from the trust in September 2015, to pay for the cemetery products and services provided under the arrangement.

The administration fees are not part of the amounts held in trust, and may be subject to HST when the fees become due or are paid without having become due.

Continuous supplies of property and/or services

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

28.1 In January 2010, 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 June 30, 2010, for the land-line telephone service is payment for a service performed on or after July 1, 2010. The HST applies to this payment, and all payments that are made under this contract on or after July 1, 2010 for a service performed on or after July 1, 2010.

The long distance calls charged on the June 30, 2010 invoice relate to calls made in the month of June 2010, and are not part of the continuous supply of a land-line telephone service. The HST does not apply to the payment for these calls, since the services were provided before July 1, 2010.

28.2 I receive a satellite television service on a continuous basis. The service provider issues an invoice dated July 22, 2010, for the period from June 16, 2010 to July 15, 2010. 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 service is prorated into equal parts according to the number of days in the billing period.

The HST does not apply to the amount payable for the part of the period before July 2010. However, the HST applies to the amount payable for the part of the period on or after July 1, 2010 (i.e., 50%).

28.3 I purchase electricity for the period from June 21, 2010 to July 20, 2010, and the utility issues an invoice dated July 27, 2010. 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 electricity will be prorated into equal parts according to the number of days in the billing period.

The HST does not apply to the amount payable for the part for the period before July 1, 2010 (i.e., 10 days). However, the HST applies to the amount payable for the part of the period on or after July 1, 2010 (i.e., 20 days).

Budget payment arrangements

Does the HST apply to the following budget arrangements used by consumers?

29.1 I have an equal billing plan set up for electricity which covers the period September 2009 to August 2010.

The utility collects the HST on the payments that become due on or after July 1, 2010, under the equal billing plan.

29.2 I have an equal billing plan set up for electricity that covers the period September 9, 2009 to August 8, 2010. In September 2010, the utility issues a final invoice for my actual consumption of electricity during the year, which includes a charge for the electricity that I consumed during the period July 9, 2010 to August 8, 2010, and a charge for the electricity that I consumed during the period May 9, 2010 to July 8, 2010 that exceeded the payments I made under the equal billing plan.

When the utility issues an invoice on or after July 1, 2010, for the remaining amount payable on the electricity provided during the equal billing plan period, the utility determines in what period the electricity was supplied. Only the electricity supplied on or after July 1, 2010, is subject to the HST. The HST does not apply to any amount payable for the part of the electricity provided before July 2010 (i.e., the charge for the electricity supplied in May and June in this example).

29.3 I have an equal billing plan set up for electricity that covers the period September 9, 2009 to August 8, 2010. In September 2010 the utility issues a final invoice for my actual consumption of electricity during the year. The final balance is a credit balance since the payments I made under the equal billing plan exceeded the actual charges for electricity that I consumed up to July 8, 2010 (i.e., over the year I overpaid the utility). The utility issues a credit note to me dated September 15, 2010 for the overpayment that I made.

If the utility issues a credit note on or after July 1, 2010, for the amount that was overpaid, that amount usually includes the tax paid on the overpayment. In this example, a credit issued for an overpayment for electricity consumed on or after July 1, 2010, would include a credit of the GST or HST overpaid.

Intangible personal property

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

30.1 I purchase the right to use digital music files from the operator of a Web site. I download a digital music file on June 29, 2010, but the operator does not issue an invoice for the download until July 2, 2010.

The HST applies to this purchase, since the payment becomes due on or after July 1, 2010.

30.2 On June 25, 2010, I purchase the right to use digital picture files from the operator of a Web site. I download the digital picture file on July 2, 2010.

The HST does not apply to this purchase, since the payment for the purchase is made before July 2010.

30.3 I purchase an annual subscription to a Web site on June 1, 2010. I pay for the subscription by making three monthly payments. The subscription payments become due on June 1, 2010, July 1, 2010, and August 1, 2010.

The HST does not apply to the first payment, since it becomes due before July 2010. The HST applies to the second and third payments, since those payments become due on or after July 1, 2010.

Transportation passes

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

31.1 I purchase municipal transit tickets.

The HST does not apply to municipal transit tickets, since municipal transit tickets are HST-exempt.

31.2 I purchase municipal transit passes.

The HST does not apply to municipal transit passes, since municipal transit passes are HST-exempt.

31.3 I purchase a bus pass that gives me unlimited inter-city travel for 30 days. I purchase the pass on June 10, 2010, for use from June 15, 2010 to July 14, 2010.

The HST does not apply, since the pass covers a period that starts before July 2010, and ends before August 2010.

31.4 I purchase a bus pass that gives me unlimited inter-city travel for four months. I purchase the pass on May 20, 2010, for use from June 1, 2010 to September 30, 2010.

Since the pass covers a period that starts before July 2010, and ends after July 31, 2010, the HST applies to the part of the payment for the pass that covers the period on or after July 1, 2010 (i.e., for three of the four months, or 75%).

31.5 On June 28, 2010, I purchase a bus pass that gives me unlimited inter-city travel from July 1, 2010 to July 31, 2010.

The HST applies to the payment for the pass, since the pass covers a period that starts on or after July 1, 2010.

31.6 I purchase a bus pass that provides me with 20 one-way trips between two cities in either direction. The pass is valid for six months from the date of purchase. I purchase a bus pass on May 1, 2010, which will be valid from May 1, 2010 to November 1, 2010.

Since the pass is valid for a period that starts before July 2010, and ends after July 31, 2010, the HST applies to the part of the payment for the pass that covers the period on or after July 1, 2010 (i.e., for four of the six months or 67%).

Memberships

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

32.1 I purchase a membership from an operator of a club on January 2, 2010. The full membership fee is due at the time of purchase and the membership expires on December 31, 2010.

The HST does not apply to the purchase of the membership since the membership fee becomes due before May 2010.

32.2 I purchase a membership from an operator of a club on May 2, 2010. The full membership fee is due at the time of purchase and the membership expires on April 30, 2011.

Since less than 90% of the membership period is before July 2010, the membership fee is prorated for HST purposes. The HST does not apply to the portion of the membership fee relating to the period before July 2010.

However, the HST does apply to the portion of the membership fee relating to the period on or after July 1, 2010 (i.e., 10 of the 12 months).

32.3 I purchase a membership from the operator of a club on January 4, 2010. Under the terms of the membership agreement, I pay monthly membership fees on the first day of each month. On June 15, 2010, I prepay my membership fees for the portion of the membership period from July 1, 2010 to December 31, 2010.

The HST does not apply to the membership fees relating to the part of the membership period before July 2010. However, the HST applies to the membership fees relating to the period on or after July 1, 2010. This includes any prepayments made on or after May 1, 2010, and before July 2010, that relate to the part of the membership period on or after July 1, 2010.

32.4 I belong to a professional association. In May 2010, I receive an invoice to renew my annual membership. GST is charged on the membership. The annual membership period is June 1, 2010 to May 31, 2011.

Since the payment for the membership becomes due on or after May 1, 2010, the HST applies to the 11-month part of the membership period from July 1, 2010, to May 31, 2011, even though the membership fee becomes due before July 2010.

32.5 I belong to a professional association. In May 2010, I receive an electronic invoice for the renewal of my annual membership in the association. GST is charged on the membership. The annual membership period is July 1, 2010, to June 30, 2011.

Since the payment for the membership becomes due on or after May 1, 2010, the HST applies to the membership fee for the entire membership period from July 1, 2010, to June 30, 2011.

32.6 I purchase a lifetime membership from an association on December 1, 2009. The membership fee is payable in three annual instalments of \$1,000 each. I pay the first annual instalment on December 1, 2009.

Where the total of all amounts that become due, or are paid without having become due after October 14, 2009 and before July 2010, for a lifetime membership is more than 25% of the total amount for the membership, the HST applies 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, 2009 (i.e., \$1,000) is more than 25% of the total amount for the membership (i.e., $25\% \times \$3,000 = \750), the HST applies to \$250 (i.e., $\$1,000 - \$750 = \$250$) of the amount due on December 1, 2009. In addition, HST applies on the full amount of the remaining two annual instalments.

32.7 I purchase a lifetime membership from an association on June 1, 2010. The membership fees are payable in five monthly instalments of \$1,000 each. I pay the first monthly instalment on June 1, 2010.

Since the payment made on June 1, 2010, (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 does not apply to any part of that June payment. The HST applies to the other instalments that are paid or become due on or after July 1, 2010 (i.e., \$4,000).

Admissions

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

33.1 I purchase an admission on May 11, 2010, to a 10-day event that begins on June 22, 2010, and ends on July 1, 2010.

The HST does not apply to the purchase of the admission, since 90% or more of the event occurs before July 2010.

33.2 I purchase an admission on June 5, 2010, to a five-day event that begins on June 28, 2010, and ends on July 2, 2010.

Since less than 90% of the event occurs before July 2010, the admission is prorated for purposes of charging the HST. The HST does not apply to the part of the admission fee for the portion of the event that occurs before July 2010 (i.e., three of the five days, or 60% in this example). However, the HST applies to the part of the admission fee relating to the portion of the event that occurs on or after July 1, 2010 (i.e., two of the five days, or 40%).

Combined supplies

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

34.1 I purchase home theatre equipment on June 26, 2010. The purchase includes the installation of the equipment in my home. The equipment is delivered to me on June 30, 2010, and installed on July 2, 2010.

The HST does 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 July 2010. The HST does apply to the portion of the total price that is attributable to the installation service, since the service is performed on or after July 1, 2010.