

Ontario and British Columbia: Transition to the Harmonized Sales Tax – Admissions

The Government of Ontario and the Government of British Columbia have each proposed a harmonized sales tax (HST) that would come into effect on July 1, 2010.

The HST rate in Ontario will be 13% of which 5% will represent the federal part and 8% the provincial part.

The Government of British Columbia has proposed that the HST rate would be 12% of which 5% would represent the federal part and 7% the provincial part.

This info sheet reflects proposed tax changes announced in:

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

Any commentary in this info sheet should not be taken as a statement by the Canada Revenue Agency (CRA) that the proposed transitional rules will be enacted in their current form.

This info sheet explains whether the goods and services tax (GST) or the HST applies to admissions to events that take place during the period that includes the July 1, 2010 implementation date for the HST in Ontario and British Columbia.

The rules explained in this info sheet apply to admissions to a place of amusement, a seminar, an event or an activity in Ontario or British Columbia. The term “event” means any of these places or activities. Admissions to an event are intangible personal property for GST/HST purposes.

In this info sheet, all suppliers referred to in the examples are GST/HST registrants and the supplies

are taxable. “Taxable” means subject to the 5% GST or to the HST rate in effect in a particular province.

Note: The information provided in this info sheet does not apply to other types of intangible personal property. For more information, refer to the following publications:

- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Memberships* (GI-057);
- *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Intangible Personal Property* (GI-059).

Introduction

To determine whether GST or HST applies to an admission to an event that takes place during the period that includes July 1, 2010, suppliers must consider:

- when the event to which the admission relates takes place;
- when an amount for the admission becomes due; and
- whether an amount is paid without having become due.

Appendix A to this info sheet has a chart that illustrates the transitional rules for admissions to events that take place during the period that includes July 1, 2010.

Appendix B to this info sheet contains information on when an amount becomes due and when an amount is paid without having become due.

When 90% or more of the event takes place before July 2010

When 90% or more of the event to which the admission relates takes place before July 2010, only

the GST applies to any amount that becomes due or is paid without having become due. Suppliers account for the GST in their GST/HST returns according to the normal rules.

Example 1

On June 15, 2010, a business sells admissions to a 10-day event that begins on June 22, 2010, and ends on July 1, 2010.

GST applies to the admissions to the event because 90% or more of the event takes place before July 2010. The business charges GST and accounts for the tax in its GST/HST return for the reporting period that includes June 15, 2010.

Example 2

A business sells admissions to a group organizer for an event that will take place on June 20, 2010. The business invoices the group organizer on July 2, and the organizer pays the amount on July 15, 2010.

Even if the amount becomes due or is paid on or after July 1, 2010, only GST applies to the admissions because the event takes place before July 2010.

When more than 10% of the event takes place on or after July 1, 2010

The following rules apply when more than 10% of the event to which the admission relates takes place on or after July 1, 2010:

- Regardless of when the event takes place, GST applies to any amount that becomes due or is paid without having become due on or before October 14, 2009.
- Regardless of when the event takes place, GST applies to any amount that becomes due or is paid without having become due after October 14, 2009, and before May 2010. Certain purchasers have to self-assess the provincial part of the HST. For more details on self-assessment, see the information under the heading “Self-assessing the provincial part of the HST”.
- When an amount becomes due or is paid without having become due on or after May 1, 2010:
 - GST applies to any amount that relates to the portion of the event that takes place before July 2010; and
 - HST applies to any amount that relates to the portion of the event that takes place on or after July 1, 2010.

Accounting for the GST/HST when more than 10% of the event takes place on or after July 1, 2010

The rules listed above explained whether GST or HST applies to admissions to an event. The following rules explain who accounts for the tax and when it should be accounted for.

When an amount becomes due or is paid after October 14, 2009, and before May 2010

When an amount becomes due or is paid without having become due after October 14, 2009, and before May 2010, the supplier charges the purchaser GST and accounts for the tax in its GST/HST return according to the normal rules. Certain purchasers have to self-assess the provincial part of the HST. For more details on self-assessment, see the information under the heading “Self-assessing the provincial part of the HST”.

Example 3

On April 15, 2010, a business sells admissions to a rock concert that will take place on July 15, 2010. The business charges only GST and accounts for the tax in its GST/HST return for the reporting period that includes April 15, 2010. The purchaser may have to self-assess the provincial part of the HST.

When an amount becomes due or is paid on or after May 1, 2010, and before July 2010

When GST applies to an admission or a portion of an admission, the supplier accounts for the tax in its GST/HST return according to the normal rules.

When HST applies to an admission or a portion of an admission, the supplier accounts for:

- the 5% federal part of the HST in its GST/HST return according to the normal rules; and
- the provincial part of the HST in its GST/HST return for the reporting period that includes July 1, 2010. The purchaser, if a registrant, would be able to claim any eligible input tax credit in its GST/HST return for the reporting period that includes July 1, 2010.

Example 4

On June 15, 2010, a business sells admissions to an event that will take place on August 1, 2010. HST applies because the admissions relate to an event that will take place on or after July 1, 2010.

Because the amounts for the admissions become due on or after May 1, 2010, and before July 2010, the business accounts for:

- the 5% federal part of the HST in its GST/HST return for the reporting period that includes June 15, 2010; and
- the provincial part of the HST in its GST/HST return for the reporting period that includes July 1, 2010.

Example 5

A business sells admissions to a five-day event that will take place from June 28, 2010, to July 2, 2010. Each ticket costs \$100 and the full amount becomes due on May 15, 2010.

The business charges:

- GST on the part of the amount that relates to the portion of the event that takes place in June 2010 (3 days); and
- HST on the part of the amount that relates to the portion of the event that takes place in July 2010 (2 days).

Therefore, the business charges GST on \$60 ($\$100 \times 3/5$) and the HST on \$40 ($\$100 \times 2/5$).

The business accounts for:

- the 5% GST in its GST/HST return for the reporting period that includes May 15, 2010;
- the 5% federal part of the HST in its GST/HST return for the reporting period that includes May 15, 2010; and
- the provincial part of the HST in its GST/HST return for the reporting period that includes July 1, 2010.

When an amount becomes due or is paid on or after July 1, 2010

When an amount becomes due or is paid without having become due on or after July 1, 2010, the supplier accounts for the GST and/or the HST in its GST/HST return according to the normal rules.

Example 6

A business sells admissions to a museum for July 15, 2010, to a camp. The business issues the invoice dated July 30, 2010, and the camp pays the amount in August 2010.

HST applies to the amount paid for the admissions because the event takes place on or after July 1, 2010. The business accounts for the tax in its GST/HST return for the reporting period that includes July 30, 2010.

Self-assessing the provincial part of the HST

Certain non-consumers have to self-assess the provincial part of the HST when they purchase an admission to an event that takes place on or after July 1, 2010, and an amount for the admission

becomes due or is paid without having become due after October 14, 2009, and before May 2010.

Note: Consumer means an individual who acquires property or services for the individual's personal consumption or use, or for the personal consumption or use of another individual.

This self-assessment rule applies to a person that is a sole proprietor, a business, an organization, a public service body, or any other entity.

A non-consumer that purchases an admission to an event must self-assess the provincial part of the HST if the non-consumer:

- does not purchase the admission for consumption, use or supply exclusively in its commercial activity;
- is using a simplified accounting method to calculate its net tax;
- is purchasing an admission that is subject to input tax credit recapture;
- is a charity that uses the net tax calculation method for charities; or
- is a selected listed financial institution.

The non-consumer accounts for the provincial part of HST either:

- on line 405 of its GST/HST return for the reporting period that includes July 1, 2010, if the due date for that return is before November 2010; or
- in any other case, by completing Form GST489, *Return for Self-Assessment for the Provincial Part of Harmonized Sales Tax (HST)*, and paying that amount before November 2010.

Example 7

On April 15, 2010, a designer sells admissions to a fashion show that will take place on July 15, 2010. A consumer purchases an admission to the show.

GST applies to the amount that becomes due on April 15, 2010. The designer charges and accounts for the tax in its GST/HST return that includes April 15, 2010. The purchaser, who is a consumer, does not have to self-assess the provincial part of HST because the self-assessment rule applies only to non-consumers.

Example 8

On April 15, 2010, a designer sells admissions to a fashion show that will take place on July 15, 2010. The purchaser of the

admissions is a business that will use this event to entertain clients. The business is engaged exclusively in commercial activities and is subject to input tax credit recapture for entertainment.

GST applies to the amount that becomes due on April 15, 2010. The designer charges and accounts for the tax in its GST/HST return that includes April 15, 2010.

The business has to self-assess the provincial part of the HST on the amount because:

- it is not a consumer;
- the admission relates to an event that will take place on or after July 1, 2010;
- the amount is paid after October 14, 2009, and before May 2010; and
- the business is subject to input tax credit recapture.

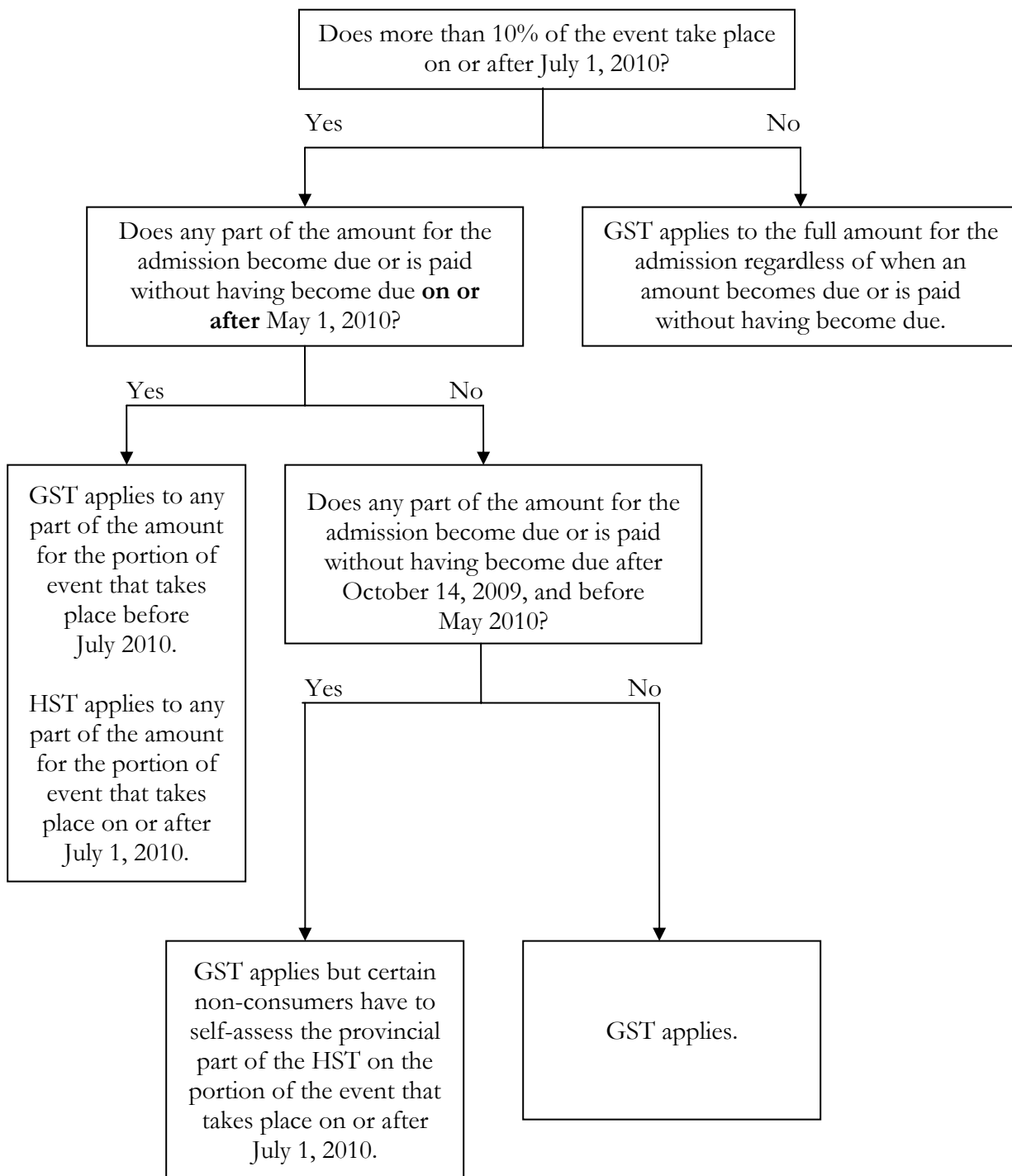
This info sheet does not replace the law found in *the Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, explains how to obtain a ruling and lists the GST/HST rulings offices. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec by calling 1-800-567-4692. You may also visit their Web site at www.revenu.gouv.qc.ca to obtain general information.

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

Appendix A – Transitional rules for admissions

The following illustrates the transitional rules for admissions to events that take place during the period that includes July 1, 2010.



Appendix B –When an amount becomes due or is paid without having become due

The following rules explain when an amount becomes due and when an amount is paid without having become due. These rules apply to services and supplies of tangible and intangible personal property.

Amount becomes due

An amount for a supply becomes due on the earliest of the following days:

- the date of an invoice for that amount for the supply;
- the day the supplier first issues that invoice for the amount;
- if there is an undue delay in issuing that invoice, the day the supplier would have issued the invoice; and
- the day the client is required to pay that amount under a written agreement.

For information on what is a written agreement for GST/HST purposes, refer to GST Memorandum 300-6-4, *Agreements in Writing*.

Example 1

A supplier enters into a written agreement with a client. Under the agreement, the client is required to pay the total amount on April 30. The supplier issues an invoice dated April 15.

The amount becomes due on April 15 because it is the earliest of the date of the invoice, the day the invoice was issued, and the day the client is required to pay an amount under a written agreement.

Amount is paid without having become due

An amount is paid without having become due when a client pays an amount due for a supply:

- before the date of an invoice, or before a supplier issues, or would have issued, the invoice; or
- before the client is required to pay the amount under a written agreement and no invoice has been issued.

Example 2

A supplier enters into a written agreement with a client. Under the agreement, the client is required to pay the total amount due on April 30. No invoice is issued. The client pays the amount due on April 15. In this case, April 30 is the day the amount becomes due and April 15 is the day the amount is paid without having become due.

More than one invoice or payment

Sometimes, more than one amount becomes due or is paid without having become due. This could happen when, for example, a supplier issues more than one invoice or when the client is required to make more than one payment under a written agreement. In this case, for each amount, the supplier must determine whether GST or HST applies. The supplier cannot, for example, just apply the HST on the final amount or on the total amount payable for the supply.

Example 3

A supplier enters into a written agreement with a client for a supply. Under the written agreement, the client is required to make two payments. The supplier has to consider each payment separately to determine whether GST or HST applies to the amount paid.