

Canada
Tax

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Canadian indirect tax news Newfoundland and Labrador – municipal rebates

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On December 14, 2015, the Department of Finance of the Government of Newfoundland and Labrador issued Tax Information Bulletin No. HST 001, which confirmed the previously announced cancellation of the proposed HST rate increase. Consequently, the HST rate will remain at 13% after December 31, 2015. In addition, the Bulletin confirmed that the public service body rebate for municipalities that was announced on April 29, 2015 will not be affected by the decision to cancel the HST rate increase.

This is good news for municipalities in the province. In the new year, a municipality will be eligible to claim a municipal rebate for 25% of the provincial portion of the HST (which is 8%) for reporting periods ending on or after January 1, 2016 in respect of tax that was payable on or after January 1, 2016. In 2017, the rebate will increase to 57.14% of the provincial portion of the HST for the reporting period ending on or after January 1, 2017 in respect of tax that was payable on or after January 1, 2017.

As a result of the new municipal rebate, new remittance rates will apply for municipalities in Newfoundland and Labrador using the Special Quick Method of Accounting after December 31, 2016.

It should be noted that proposed transitional rules will include an anti-avoidance rule that could limit the availability of the new municipal rebate in respect of property that is disposed of and subsequently reacquired by a municipality.

Municipalities should take the necessary steps to ensure that their accounting systems are adjusted to capture the provincial portion of the HST paid in order to claim the new municipal rebate appropriately and to determine their net tax remittance when using the Special Quick Method of Accounting.

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