

Canada
Tax

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Canadian indirect tax news

Newfoundland and Labrador HST rate increase and transitional rules – issues to consider

October 15, 2015 (15-3)

On January 1, 2016, the Harmonized Sales Tax (HST) rate will increase from 13% to 15% in the province of Newfoundland and Labrador (NL). This rate increase will affect not only organizations in both the private and public sectors located in NL but also any registrant that makes supplies into the province.

The transitional rules that detail whether the current 8% provincial component of the HST or the new 10% will apply to transactions straddling the implementation date have been released.

The general rule is that suppliers will be required to charge 15% HST on amounts that become due or are paid after December 31, 2015, and 13% HST will apply in respect of amounts that become due or are paid prior to January 1, 2016. Although the general rules appears to be straightforward, readers should not be caught off-guard by the various special rules that will apply to certain transactions and situations.

The following issues, activities and payments should be reviewed prior to January 1, 2016 as system changes will be required:

- Leases and licenses straddling January 1, 2016
- Returns and exchanges of goods after December 31, 2015
- Sales of new homes subject to special “grandparenting” rules
- New home builder disclosure requirements
- Streamlined accounting methods (quick and special quick Method)
- New public service body rebate for municipalities (25% after December 31, 2015 and 57.14% after December 31, 2016)
- Self-assessment rules (goods and intangibles)
- Non-commercial imports
- Residential rebates
- Long-term contracts (i.e., construction)
- Coupons and point-of-sale rebates
- Employee benefits and allowances
- Passenger vehicles and aircraft
- Financial institutions rules
- Pension plans

A GST/HST registrant is liable to charge, collect and remit the correct rate of tax. During a transitional period, this can be a daunting responsibility and the registrant should take extra steps to ensure that all obligations will be met.

If you would like to discuss what steps your organization should take in order to prepare for the rate increase, please contact your Deloitte Indirect Tax representative or Michael Matthews.

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