

Ministry of Finance

Tax Information Notice



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Point-of-Sale Rebates for British Columbia HST

On July 23, 2009, B.C. announced its plans to implement a Harmonized Sales Tax (HST) for B.C. which, subject to legislative approval, would come into effect on July 1, 2010. The HST would have a combined rate of 12 per cent – combining the existing five per cent federal Goods and Services Tax (GST) with a seven per cent B.C. component.

This notice provides details of the proposed point-of-sale rebates of the seven per cent B.C. component of the HST that would apply to certain designated items. This notice does not include information related to the provincially administered rebate for residential energy announced in the September Budget Update, 2009. Additional information will be provided in the near future about this rebate.

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OVERVIEW

As indicated in the July 23, 2009, announcement on B.C.’s plans to implement a HST¹, B.C. proposes to provide targeted relief from the seven per cent B.C. component of the HST by providing point-of-sale rebates of the B.C. component of the HST on certain designated items

¹ All references to the harmonized sales tax or the HST in this notice should be read as referring to the proposed HST in British Columbia.

important to B.C. families: motor fuels, books, children’s clothing, children’s footwear, children’s car seats and children’s car booster seats, children’s diapers, and feminine hygiene products.

Generally, purchasers would not be required to take any steps in order to take advantage of these point-of-sale rebates. Where a person purchases a designated item at a retail establishment, the retailer would automatically provide the purchaser with the point-of-sale rebate, crediting the B.C. component of the HST and only collecting the five per cent federal component of the HST on that item. Crediting purchasers in this manner would not affect a retailer’s ability to claim input tax credits on its business inputs. Also, there would be no requirement for the retailer to indicate the point-of-sale rebate on its invoices or to indicate the point-of-sale rebate amounts credited to the purchaser in the its GST/HST return. In the event that a purchaser does pay the B.C. component of the HST on the purchase of a designated item (i.e., the retailer did not credit the B.C. component of the HST to the purchaser), the purchaser would be entitled to apply to the Canada Revenue Agency (CRA), within four years of the day that the tax became payable, for a rebate of the B.C. component of the HST paid.

The point-of-sale rebate of the B.C. component of the HST would not only be available to purchasers at retail establishments located in B.C. The point-of-sale rebate would also be available on Internet purchases of designated items and on supplies of designated items made at any point in the distribution chain, including supplies made by producers, wholesalers and distributors. In other words, the point-of-sale rebate of the B.C. component of the HST would be available on any supply of a designated item where the B.C. component of the HST applies.

In addition, persons importing a designated item into B.C., or bringing a designated item into B.C. from another province, would not be required to pay the B.C. component of the HST in respect of the importation or bringing-in. The current GST treatment would continue to apply for the five per cent federal component of the HST in respect of an importation.

The CRA would administer these point-of-sale rebates on behalf of the Province of B.C.

DESIGNATED ITEMS FOR POINT-OF-SALE REBATES

Motor Fuels

Similar to the sales tax treatment under B.C.’s current Provincial Sales Tax (PST), certain motor fuels would be eligible for a point-of-sale rebate of the seven per cent B.C. component of the HST.

The following would qualify as motor fuel for the purpose of the point-of-sale rebate of the B.C. component of the HST:

- gasoline-type fuels, including ethanol-gasoline blends, that are suitable for use in internal combustion engines and are marketed or sold as fuel for that purpose;
- diesel, bio-diesel and bio-diesel blends, but not including heavy fuel oil, that are suitable for use in internal combustion engines of the compression-ignition type and are marketed or sold as fuel for that purpose, other than any such fuel that is marketed or sold as fuel for use as heating oil, including locomotive fuel and marine diesel, marketed or sold as fuel for use in trains or boats; and
- aircraft fuel, including aviation gasoline and jet fuel, that is suitable for use in an engine or in a turbine that propels an aircraft and is marketed or sold as fuel for that purpose.

The following fuels (including any bio-fuel equivalent or blend) would not qualify for the point-of-sale rebate of the seven per cent B.C. component of the HST:

- heating oil and furnace oil;
- heavy fuel oil, including marine bunker fuel (or bunker oil);
- hydrogen;
- kerosene (excluding jet fuel);
- natural gas and natural gas liquids (e.g., liquefied natural gas or LNG); and
- propane and liquefied petroleum gas (LPG).

Where heating oil, furnace oil, natural gas and propane are purchased for residential use, they may be eligible for the provincially administered rebate for residential energy. Additional information will be provided in the near future about this rebate.

Books

Similar to the provincial point-of-sale rebates offered in the current HST participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador), B.C. proposes to provide a point-of-sale rebate of the seven per cent B.C. component of the HST to all persons who purchase books.

The following would qualify as books for the purpose of the point-of-sale rebate of the B.C. component of the HST:

- a printed book or an update of a printed book;
- an audio recording all or substantially all of which is a spoken reading of a printed book (an "audio book");
- a bound or unbound printed version of scripture of any religion;
- a printed book and a read-only medium (such as a CD-ROM) sold together as a single package, when all or substantially all of the value of the material contained on the read-

only medium is reasonably attributable to a reproduction of the printed book and/or material that makes specific reference to the printed book and its content and that supplements and is integrated with that content; and

- a printed book and a read-only medium and/or a right to access a website sold together as a single package, which is specially designed for students enrolled in a qualifying course, when the read-only medium or website contains material related to the subject matter of the printed book.

A qualifying course means a course where the supply of the service of instructing in the course is an exempt supply included in Part III of Schedule V to the federal Excise Tax Act or would be an exempt supply included in that Part but for the fact that the supplier made an election under that Part.

The following items, including anything having the following items as its main component, would not qualify as a printed book for the purpose of the point-of-sale rebate of the B.C. component of the HST:

- a newspaper;
- a magazine or periodical, unless it is purchased by subscription and the printed space of the magazine or periodical devoted to advertising is not more than five per cent of the total printed space;
- a brochure or pamphlet;
- a sales catalogue, a price list or advertising material;
- a warranty booklet or an owner's manual;
- a book designed primarily for writing on;
- a colouring book or a book designed primarily for drawing on or affixing thereto, or inserting therein, items such as clippings, pictures, coins, stamps or stickers;
- a cut-out book or a press-out book;
- a program relating to an event or performance;
- an agenda, calendar, syllabus or timetable;
- a directory, an assemblage of charts or an assemblage of street or road maps, but not including a guidebook or an atlas that consists in whole or in part of maps other than street or road maps;
- a rate book;
- an assemblage of blueprints, patterns or stencils; or
- an assemblage or a collection of, or any item similar to, the above items.

Electronic and digital publications would not qualify as printed books for the purpose of the point-of-sale rebate of the B.C. component of the HST for books.

Children's Clothing

Similar to the sales tax treatment of children's sized clothing under B.C.'s current PST, children's-sized clothing would be eligible for a point-of-sale rebate of the seven per cent B.C. component of the HST.

The following would qualify as children's clothing for the purpose of the point-of-sale rebate of the B.C. component of the HST:

- garments designed for babies, including baby bibs, bunting blankets and receiving blankets;
- children's garments in sizes up to and including girls' Canada Standard Size 16 and boys' Canada Standard Size 20 or garments designated for boys or girls in sizes small, medium or large if the clothing does not have a designated Canada Standard Size; and
- children's hosiery or stretchy socks, hats, scarves, gloves and mittens in sizes and styles designated for children.

The following items would not qualify as children's clothing for the purpose of the point-of-sale rebate of the B.C. component of the HST:

- adult sized clothing, even if purchased for a child;
- costumes;
- clothing and accessories designed to prevent bodily injury (e.g., sports protective equipment);
- children's footwear; or
- children's diapers.

Children's footwear and children's diapers may qualify for their own point-of-sale rebates as described below.

Children's Footwear

Similar to the sales tax treatment for children's sized footwear under B.C.'s current PST, children's sized footwear would be eligible for a point-of-sale rebate of the seven per cent B.C. component of the HST.

The following footwear would qualify for the purpose of the point-of-sale rebate of the B.C. component of the HST:

- footwear designed for babies;
- footwear for girls in sizes up to and including girls' size 6;
- footwear for boys in sizes up to and including boys' size 6; and
- footwear without a numerical size that is designated for boys or girls in size small, medium or large.

The following items would not qualify as children's footwear for the purpose of the point-of-sale rebate of the B.C. component of the HST:

- adult sized footwear (i.e., in sizes greater than 6), even if purchased for a child;
- cleats, skates, rollerblades, ski-boots, or similar footwear;
- footwear designed to prevent bodily injury; or
- stockings, socks or similar footwear (these articles may qualify for a point-of-sale rebate if they qualify as children's clothing).

Children's Diapers

B.C. proposes to provide a point-of-sale rebate of the seven per cent B.C. component of the HST on purchases of diapers that are designed for babies and children. Both cloth and disposable diapers would qualify for the point-of-sale rebate. This point-of-sale rebate would replace B.C.'s current PST exemption for cloth diapers.

Diapers designed for babies and children would include diaper inserts and liners, rubber pants, and training pants.

Children's Car Seats and Car Booster Seats

Similar to the sales tax treatment under B.C.'s current PST, children's car seats and children's car booster seats would be eligible for a point-of-sale rebate of the seven per cent B.C. component of the HST.

The children's car seats and children's car booster seats that would qualify for the purpose of the point-of-sale rebate of the B.C. component of the HST are restraint systems or booster cushions that conform with Transport Canada's safety requirements for Standards 213 (Child Restraint System), 213.1 (Infant Restraint System), 213.2 (Booster Cushion) and 213.5 (Restraint Systems for Infants With Special Needs) as described under the federal Motor Vehicle Safety Act. Children's car seats and children's car booster seats that do not meet Transport Canada's safety standards would not qualify for the point-of-sale rebate of the B.C. component of the HST.

Travel systems, which are combination stroller, carrier and car seat sold in a single package, would not qualify as children's car seats or children's car booster seats for the purpose of the point-of-sale rebate of the B.C. component of the HST. Therefore, these items will be subject to the full 12 per cent HST.

Feminine Hygiene Products

Similar to the sales tax treatment under B.C.'s current PST, feminine hygiene products would be eligible for a point-of-sale rebate of the seven per cent B.C. component of the HST. The following items would qualify for the purpose of the point-of-sale rebate of the B.C. component of the HST: sanitary napkins, tampons, sanitary belts or other products marketed exclusively for purposes similar to the purposes for which sanitary napkins, tampons and sanitary belts are marketed.

Further Information

If you have any questions, please call the Ministry of Finance at 604 660-4524 in Vancouver, or toll-free at 1 877 388-4440, or e-mail your questions to CTBTaxQuestions@gov.bc.ca.