

TRANSITIONAL RULES FOR THE APRIL 1, 2025 NOVA SCOTIA HST RATE DECREASE

On October 23, 2024, the Government of Nova Scotia announced its intention to decrease the rate of the Nova Scotia component of the Harmonized Sales Tax (HST) to a rate of 9 per cent effective April 1, 2025, resulting in an HST rate of 14 per cent in Nova Scotia.

This Notice provides a general description of transitional rules for the decrease in the HST rate to 14 per cent in Nova Scotia that will be proposed to be enacted in regulations pursuant to the federal Excise Tax Act (ETA). Transitional rules determine which tax rate — the existing HST rate of 15 per cent or the new HST rate of 14 per cent — would apply in respect of transactions that straddle the April 1, 2025, implementation date.

Unless otherwise stated, or the circumstances otherwise require, words and expressions used in this Notice have the same meaning as in Part IX of the ETA. In addition, unless otherwise indicated, the transactions described in this Notice are those that, for the purposes of the ETA, would be taxable supplies made in Nova Scotia.

General Transitional Rule

The general transitional rule to determine which rate of tax applies would be based upon the time at which the HST in respect of a transaction **becomes payable**:

- The HST rate of 15 per cent would apply if HST becomes payable before April 1, 2025.
- The HST rate of 14 per cent would apply if HST becomes payable on or after April 1, 2025.

In general, the HST on consideration for a supply is payable on the earlier of the day consideration **is paid** and the day the consideration **becomes due**. The consideration, or a part thereof, for a taxable supply generally becomes due on the earliest of:

- the day the supplier first issues an invoice in respect of the supply for that consideration or part thereof;
- the date of that invoice;
- the day the supplier would have, but for an undue delay, issued an invoice in respect of the supply for that consideration or part thereof; and
- the day the recipient of the supply is required to pay that consideration or part thereof to the supplier pursuant to a written agreement.

Note, however, that the ETA also contains other provisions that may be relevant in determining when tax becomes payable for certain types of transactions (e.g., special rules may apply to certain completed but unpaid supplies).

Transitional Rules for Sales of Real Property

Supplies of real property by way of sale will have the following specific transitional rule:

- The HST rate of 15 per cent would apply to a supply of real property by way of sale (including sales of newly constructed or substantially renovated housing) if either ownership or possession of the property is transferred to the purchaser before April 1, 2025.
- The HST rate of 14 per cent would apply to a supply of real property by way of sale if both ownership and possession of the property are transferred to the purchaser on or after April 1, 2025.

In the case of deemed taxable supplies of real property by way of sale:

- The HST rate of 15 per cent would apply if the supply is deemed to have been made before April 1, 2025.
- The HST rate of 14 per cent would apply if the supply is deemed to have been made on or after April 1, 2025.

Certain amounts and rates in the ETA that apply in calculating, in respect of property situated in Nova Scotia, an amount of a GST new housing rebate based on the level of embedded tax in the value of the property would be adjusted to reflect the HST rate of 14 per cent.

Other Consequential Changes and Transitional Rules

Property and Services Brought into Nova Scotia

Under the ETA, persons bringing property or services into a participating province (i.e., an HST province) from another province may be required to self-assess the provincial component of the HST, or a part thereof, in cases where the provincial component of the HST was not previously paid at a rate that is equal to or greater than the rate for that participating province.

For the purposes of this rule, the Nova Scotia component of the HST at a rate of 9 per cent, or a part thereof, would generally apply:

- in respect of tangible personal property, including mobile homes that are not affixed to land and floating homes, that is brought into Nova Scotia on or after April 1, 2025;
- in respect of such property that is brought into Nova Scotia before April 1, 2025 by a carrier if the property is delivered in Nova Scotia to a consignee on or after April 1, 2025; and

- in respect of a service or intangible personal property supplied in another province to a resident of Nova Scotia to the extent the consideration for the supply becomes due without having been paid, or is paid without having become due, on or after April 1, 2025.

Imported Goods

HST at a rate of 14 per cent would generally apply to non-commercial goods that are imported by a resident of Nova Scotia on or after April 1, 2025, and to non-commercial goods imported by a resident of Nova Scotia before that date that are accounted for under the relevant provisions of the federal *Customs Act* on or after April 1, 2025.

A person bringing a specified motor vehicle or commercial goods into Nova Scotia from a place outside Canada on or after April 1, 2025 would generally be liable for the Nova Scotia component of the HST at a rate of 9 per cent. This rule would generally not apply, however, to commercial goods, other than a specified motor vehicle, that are brought into Nova Scotia 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 Nova Scotia component of the HST in these circumstances would generally be required to self-assess the tax.

Imported Taxable Supplies

The ETA imposes GST/HST on imported taxable supplies, which are generally supplies made outside Canada of intangible personal property, services, or tangible personal property under certain conditions to a recipient that is resident in Canada, that are not for consumption, use or supply exclusively in commercial activities. The recipient of an imported taxable supply is generally required to self-assess and pay the tax on the value of the consideration for the supply.

The Nova Scotia component of the HST at a rate of 9 per cent would apply in respect of an imported taxable supply made on or after April 1, 2025, and in respect of an imported taxable supply made before April 1, 2025 to the extent the consideration for that supply becomes due without having been paid, or is paid without having become due, on or after April 1, 2025. The federal component of the HST at a rate of 5 per cent would also generally apply.

Financial Institutions

Special rules would apply to financial institutions (FIs) in respect of periods that begin before April 1, 2025 and end on or after that date.

- For the purposes of determining the liability in respect of the Nova Scotia component of the HST of a selected listed financial institution (SLFI) that is not a distributed investment plan for its reporting period that includes April 1, 2025, the Nova Scotia component of the HST would generally apply at a rate of 9 per cent based upon the number of days in the reporting period that are on or after April 1, 2025 and at a rate of 10 per cent based upon the number of days in the reporting period that are before that date.

- For the purposes of determining the liability in respect of the Nova Scotia component of the HST of an SLFI that is a distributed investment plan for its reporting period that includes April 1, 2025, the Nova Scotia component of the HST would generally apply at a rate of 9 per cent based upon the amount of GST or federal component of the HST that is payable, or that is paid without having become payable, by the SLFI in the reporting period on or after April 1, 2025 and at a rate of 10 per cent based upon the amount of GST or federal component of the HST that is payable, or that is paid without having become payable, by the SLFI in the reporting period before that date.
- For the purposes of determining the amount of tax an FI is required to self-assess under the import rules for FIs for certain cross-border transactions (e.g., internal charges, external charges and qualifying consideration) for a specified year of the FI that includes April 1, 2025, the Nova Scotia component of the HST would generally apply at a rate of 9 per cent based upon the number of days in the specified year that are on or after April 1, 2025 and at a rate of 10 per cent based upon the number of days in the specified year that are before that date.

Pension Plans

Special rules would also apply to participating employers and pension entities of pension plans for periods that begin before April 1, 2025 and end on or after that date.

- If a participating employer of a pension plan is deemed under the ETA to have made a taxable supply to a pension entity or a master pension entity on the last day of its fiscal year that includes April 1, 2025, as a consequence of having acquired or imported property or a service for the purpose of supplying it to the pension entity or master pension entity, the Nova Scotia component of the HST at a rate of 9 per cent would apply to the deemed supply so long as the property or service was acquired or imported for the purpose of making one or more supplies to the pension entity or master pension entity of any part of the property or service, all of which are intended to be made on or after April 1, 2025. Otherwise, the Nova Scotia component of the HST at a rate of 10 per cent would apply to the deemed supply.
- In addition, a participating employer of a pension plan would determine its liability for the Nova Scotia component of the HST for deemed supplies of employer resources on an apportionment basis. The Nova Scotia component of the HST would apply at a rate of 10 per cent based on the number of days in the employer's fiscal year that are before April 1, 2025 and at a rate of 9 per cent based on the number of days in the fiscal year that are on or after that date.
- A similar apportionment rule would apply to determine the Nova Scotia portion of a pension entity's provincial pension rebate amount for its claim period that includes April 1, 2025. The apportionment would be based on the number of days in the claim period of the pension entity that are before April 1, 2025 and on or after that date.

Taxable Benefits

In certain circumstances, an amount of tax is calculated based on amounts determined for income tax purposes and in reference to a person's taxation year. Specifically, this is the case in the determination of the GST/HST on certain taxable benefits for employees and shareholders. In these cases, the amount of tax is calculated in accordance with rules set out in the ETA using an amount determined for income tax purposes and a rate specified in the ETA or its related regulations. These rates would be adjusted to reflect the decreased rate of HST in Nova Scotia.

- The HST rate for calculating tax on automobile operating expense benefits, which is currently 11 per cent for employees who report to work in Nova Scotia and shareholders resident in Nova Scotia, would be 10.25 per cent for the 2025 taxation year and 10 per cent for taxation years thereafter.
- The HST rate for calculating tax on other employee and shareholder benefits, which is currently 14 per cent for employees who report to work in Nova Scotia and shareholders resident in Nova Scotia, would be 13.25 per cent for the 2025 taxation year and 13 per cent for taxation years thereafter.

Streamlined Accounting Methods

Eligible small businesses, as well as eligible public service bodies, may use the Quick or Special Quick Method of Accounting to simplify compliance. These methods allow the business or public service body to remit an amount of tax that is a percentage (the "remittance rate") of its eligible GST/HST-included sales. In general, this allows the entity to avoid having to keep track of the GST/HST collected on sales and paid on purchases. Certain transactions are excluded from these rules (e.g., the sale or purchase of real property). In these excluded cases, the tax must be accounted for separately under the normal GST/HST rules.

The remittance rates are set out in the federal *Streamlined Accounting (GST/HST) Regulations* under the ETA.

As a result of the decreased rate of HST in Nova Scotia effective on April 1, 2025, new remittance rates will be required for the streamlined accounting methods. The proposed new rates are provided in the Annex to this Notice.

These revised remittance rates would apply for the purpose of determining the net tax of a registrant for reporting periods that begin after March 31, 2025. For reporting periods that begin before April 1, 2025, and end after March 31, 2025, the remittance rates and rules that would have applied before the proposed changes apply in respect of a supply if consideration for the supply becomes due or is paid before April 1, 2025.

Anti-Avoidance

Existing anti-avoidance rules in the ETA and the federal *New Harmonized Value-added Tax System Regulations* would apply to transactions subject to the transitional rules. Additional anti-avoidance rules may be implemented in order to maintain the integrity of the GST/HST during the period of transition to the decreased HST rate for Nova Scotia.

Additional Information

For further information on the general transitional rules, please contact the Canada Revenue Agency's Business enquiries line at 1-800-959-5525 (English service) or 1-800-959-7775 (French service). For further information on the transitional rules for sales of real property, please contact the Canada Revenue Agency's technical GST/HST enquiries line at 1-800-959-8287 (English service) or 1-800-959-8296 (French service).

ANNEX: Specified Remittance Rates for the Streamlined Accounting Methods

Table 1

Remittance Rates for Business Registrants in Nova Scotia Using the Quick Method of Accounting after March 31, 2025

	Supplies Made in			
	Non-participating province	Ontario	Nova Scotia	New Brunswick, Prince Edward Island or Newfoundland and Labrador
i) Mainly Purchases Goods for Resale <i>(Permanent Establishment in Nova Scotia)</i>	0.0%* (credit 3.4%)*	3.9%	4.7%	5.6%
ii) Mainly Provides Services <i>(Permanent Establishment in Nova Scotia)</i>	1.6%	8.6%	9.4%	10.2%

* Businesses that use the 0% remittance rate for eligible sales are entitled to a credit on those sales as they generally pay HST at 14% on their inputs but collect 5% GST on those sales.

Table 2

Remittance Rates for Business Registrants in Other Provinces Using the Quick Method of Accounting after March 31, 2025

	<u>Supplies Made in</u> <u>Nova Scotia</u>
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i) Mainly Purchases Goods for Resale	
<i>(Permanent Establishment in)</i>	
Non-participating province	9.6%
Ontario	5.3%
New Brunswick, Prince Edward Island or Newfoundland and Labrador	4.2%
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ii) Mainly Provides Services	
<i>(Permanent Establishment in)</i>	
Non-participating province	11.3%
Ontario	9.6%
New Brunswick, Prince Edward Island or Newfoundland and Labrador	9.2%
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Table 3

Remittance Rates for Public Service Bodies in Nova Scotia Using the Special Quick Method of Accounting after March 31, 2025

	Supplies Made in			
	Non-participating province	Ontario	Nova Scotia	New Brunswick, Prince Edward Island or Newfoundland and Labrador
i) Municipality	3.8%	10.6%	11.4%	12.2%
ii) University or Public College (if Supplies Through Vending Machines Account for at Least 25% of Total Supplies)	2.8%	9.7%	10.5%	11.3%
iii) University or Public College (if Supplies Through Vending Machines Account for Less Than 25% of Total Supplies)	3.7%	10.5%	11.3%	12.0%
iv) School Authority	3.7%	10.5%	11.3%	12.0%
v) Hospital Authority, External Supplier or Facility Operator	4.1%	10.9%	11.6%	12.4%
vi) Specified Facility Operator, Qualifying Non-Profit Organization or Designated Charity	1.6%	8.6%	9.4%	10.2%

Table 4

Remittance Rates for Public Service Bodies in Other Provinces Using the Special Quick Method of Accounting after March 31, 2025

Supplies Made in Nova Scotia

i) Municipality*(Permanent Establishment in)*

Non-participating province	12.3%
Ontario	11.9%
Prince Edward Island	10.0%
New Brunswick or Newfoundland and Labrador	11.3%

ii) University or Public College (if Supplies Through Vending Machines Account for at Least 25% of Total Supplies)*(Permanent Establishment in)*

Non-participating province or New Brunswick (Public College)	11.7%
Ontario	11.0%
New Brunswick (University) Prince Edward Island or Newfoundland and Labrador	7.8%

iii) University or Public College (if Supplies Through Vending Machines Account for Less Than 25% of Total Supplies)*(Permanent Establishment in)*

Non-participating province or New Brunswick (Public College)	11.9%
Ontario	11.5%
New Brunswick (University), Prince Edward Island or Newfoundland and Labrador	9.7%

iv) School Authority*(Permanent Establishment in)*

Non-participating province or New Brunswick	11.9%
Ontario	11.8%
Prince Edward Island or Newfoundland and Labrador	9.6%

v) Hospital Authority, External Supplier or Facility Operator*(Permanent Establishment in)*

Non-participating province or New Brunswick (Hospital Authority)	12.0%
Ontario	11.8%
New Brunswick (External Supplier or Facility Operator), Prince Edward Island or Newfoundland and Labrador	9.3%

vi) Specified Facility Operator, Qualifying Non-Profit Organization or Designated Charity*(Permanent Establishment in)*

Non-participating province	11.2%
Ontario	10.6%
New Brunswick, Prince Edward Island or Newfoundland and Labrador	9.2%

Table 5

Remittance Rates for Registrants that Provide a Point-of-Sale Rebate on Eligible Supplies When Using the Quick or Special Quick Method of Accounting after March 31, 2025

(Type of supplier)

Business that Mainly Purchases Goods for Resale	1.8%
Business that Mainly Provides Services	3.6%
Municipality	4.7%
University or Public College (if Supplies Through Vending Machines Account for at Least 25% of Total Supplies)	4.1%
University or Public College (if Supplies Through Vending Machines Account for Less Than 25% of Total Supplies)	4.4%
School Authority	4.4%
Hospital Authority, External Supplier or Facility Operator	4.5%
Specified Facility Operator, Qualifying Non-Profit Organization or Designated Charity	3.6%
