

Canada  
Tax

## Contacts

**Quebec and Atlantic**  
Robert Demers  
National Leader  
514-393-5156

**National Capital  
Region**  
Michael Matthews  
613-751-5310

**Greater Toronto Area  
and Southwestern  
Ontario**  
Danny Cisterna  
416-601-6362

**Prairies**  
Dean Grubb  
604-640-3266

**West**  
Janice Roper  
604-640-3353

## Related links

[Canadian Indirect Tax  
archives](#)

[Weekly Tax Highlights  
– archive](#)

[Update your  
subscription](#)

[Deloitte Tax services](#)

## Canadian Indirect Tax News

Special edition, March 1, 2010

### Place of supply rules for harmonized sales tax

On Thursday February 25, 2010, the Department of Finance (Finance) released the long anticipated proposed place of supply (POS) rules for the harmonized sales tax (HST) that will affect taxable supplies considered to be made in the harmonized provinces of New Brunswick, Nova Scotia, Newfoundland and Labrador and, effective for supplies made after June 30, 2010, British Columbia and Ontario. These rules specify whether, and at what rate, suppliers must charge the provincial component of the HST on their supplies of taxable property and services made in Canada. As well, the related rules that, in certain circumstances, require self-assessment or provide for rebates of the provincial component of the HST are proposed to be changed. See [Finance News Release 2010-14](#), *Government of Canada announces proposed changes to place of supply rules for the harmonized sales tax (HST)*, and related documentation for full details of the proposals.

One day later, on Friday February 26, 2010, the Canada Revenue Agency (CRA) published [GST/HST Technical Information Bulletin B-103](#), *Harmonized sales tax - Place of supply rules for determining whether a supply is made in a province*. In the bulletin, the CRA states that “[t]his publication replaces GST/HST Technical Information Bulletin B-078, *Place of supply rules under the HST*”, but also warns that “[a]ny commentary in this publication should not be taken as a statement by the CRA that these proposed amendments will be enacted in their current form”.

Both government documents contain many examples (53 and 128, respectively) on how the POS rules will work under different scenarios. Deloitte is examining these publications carefully and will be issuing a more detailed summary of the contents in a future edition of *Canadian Indirect Tax News*. In the meantime, the following provides a high level summary of the proposals:

- Several changes are proposed to the existing HST POS rules contained in the Excise Tax Act (ETA) to ensure that the rules function properly with various provincial rates in harmonized provinces.
- The POS rules are being “modernized” to provide for proper tax treatment of interprovincial transactions involving services and intangible personal property (IPP). These are the most significant of the changes. Many of the existing POS rules for property and services rely on the location of the supplier to determine whether the supply is subject to the provincial component of the HST. The POS rules for IPP and services are proposed to be changed so that there is less reliance on the supplier’s location and greater reliance on the location of the consumer of the IPP or service.
- Consequential changes are also proposed to the imported taxable supply rules to ensure that the provincial component of the HST applies consistently irrespective of whether a supply is made in Canada or outside Canada. These changes are aimed at ensuring that businesses in Canada are not placed at a disadvantage as compared to their competitors outside Canada.

- There are a number of proposed changes to rebate rules.
- The proposed changes to the POS rules would generally apply to taxable supplies made in Canada on or after May 1, 2010. The proposed rules may also apply to supplies made before May 1, 2010 under certain circumstances. This means that it may be necessary for GST/HST registrants to consider these proposals prior to the implementation of the HST in British Columbia and Ontario.

It is important to note that there are expected to be extensive changes to the rules on how certain financial institutions (i.e., “selected listed financial institutions” as currently defined in ETA section 225.2) will have to account for the provincial portion of the HST, which will “complement” the POS rules. It is our understanding that these proposals will be released sometime in March 2010 and will provide rules designed to ensure that national financial institutions will not be motivated to source property and services outside the harmonized provinces.

---

[Home](#) | [Security](#) | [Legal](#) | [Privacy](#)

30 Wellington Street West  
P.O. Box 400, Stn Commerce Court  
Toronto ON M5L 1B1 Canada

© Deloitte & Touche LLP and affiliated entities.  
™© 2006, VANOC.

This publication is produced by Deloitte & Touche LLP as an information service to clients and friends of the firm, and is not intended to substitute for competent professional advice. No action should be initiated without consulting your professional advisors. Your use of this document is at your own risk.

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services through more than 7,700 people in 58 offices. Deloitte operates in Québec as Samson Bélair/Deloitte & Touche s.e.n.c.r.l. Deloitte & Touche LLP, an Ontario Limited Liability Partnership, is the Canadian member firm of Deloitte Touche Tohmatsu.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

[www.deloitte.ca](http://www.deloitte.ca)

 [Deloitte RSS feeds](#)  
[Unsubscribe](#)