



HST and First Nations in Ontario and British Columbia

Note: Goods acquired by Indians and Indian bands off a reserve in Ontario without being delivered to a reserve will generally be subject to the HST as of July 1, 2010. However, the Government of Ontario has announced that, effective September 1, 2010, point-of-sale relief equal to the 8% provincial part of the HST will be provided on eligible purchases by qualifying First Nation purchasers. In the interim, from July 1 to August 31, First Nations purchasers can receive refunds by submitting receipts to the Ontario Ministry of Revenue.

For more information, please see the News Release *Continuing Point of Sale Exemption for Ontario's First Nations* and the Backgrounder *Ontario Point-of-Sale Exemption for Ontario Status Indians and Your Questions Answered: First Nations*. In addition, the Ontario Ministry of Revenue and the Canada Revenue Agency will be releasing further details for vendors and Indian purchasers in the near future.

Vendors and service providers who sell to eligible Ontario First Nations customers should be aware of reporting procedures for the point-of-sale relief of an amount equal to the provincial part of the harmonized sales tax (HST). *GST/HST Info Sheet GI-106, Ontario First Nations Point-of-Sale Relief Reporting Requirements for GST/HST Registrant Suppliers* discusses how GST/HST registrants who provide this credit at the point of sale would be required to report the HST, beginning September 1, 2010.

The harmonized sales tax (HST) began on April 1, 1997, in the participating provinces of Nova Scotia, New Brunswick, and Newfoundland and Labrador. The HST replaces the goods and services tax (GST) and provincial sales tax (PST) in participating provinces. Ontario and British Columbia (B.C.) will introduce an HST effective July 1, 2010. The HST rate will be 13% in all participating provinces except B.C., where the rate will be 12%, and Nova Scotia where the rate will be increased to 15%, effective July 1, 2010. The Canada Revenue Agency (CRA) administers the HST for the current participating provinces and will administer the HST in Ontario and B.C.

How will HST affect sales to Indians¹, Indian bands, and band-empowered entities in Ontario and B.C.?

HST will apply in the same way as GST, and its application will be consistent with the provisions of the *Indian Act*. Goods and services sold to Indians, Indian bands, and band-empowered entities that are currently relieved of the GST will also be relieved of the HST. Goods and services sold to Indians, Indian bands, and band-empowered entities that are currently subject to GST will generally also be subject to HST.

¹ CRA recognizes that many First Nations people prefer not to describe themselves as Indians. However, the term Indian is used in this document because it has a legal meaning in the Indian Act.



How will HST affect purchases of goods by Indians, Indian bands, and band-empowered entities in Ontario and B.C.?

HST will not apply to goods acquired on a reserve in Ontario or B.C. by Indians, Indian bands, and unincorporated band-empowered entities. Goods bought off a reserve by Indians, Indian bands, and unincorporated band-empowered entities will be relieved of tax if the goods are delivered to a reserve by the vendor or vendor's agent. In both cases, appropriate documentation supporting the relieved sale must be provided to the vendor. If the goods are being purchased on or off the reserve by an incorporated band-empowered entity, they will also have to be acquired for band management activities for HST relief to apply.

How will HST apply to services acquired by Indians, Indian bands, and band-empowered entities in Ontario and B.C.?

Services performed totally on a reserve that are acquired by an Indian will be relieved of HST. Generally, services performed off a reserve will be subject to HST.

Services acquired on or off a reserve by an Indian band or band-empowered entity for band management activities will not be subject to HST. However, point-of-sale tax relief will not apply to transportation, short-term accommodation, meals, or entertainment purchased off a reserve. Bands or band-empowered entities must file a general rebate application to recover HST on these purchases if they are made in the course of band management activities or for real property located on a reserve.

Note: Some Indian bands, tribal councils, and band-empowered entities are currently entitled to claim public service body rebates under the GST. These groups will continue to claim partial rebates for the 5% federal part of HST they pay on eligible purchases. They may also be entitled to recover a portion of the provincial part of HST they pay depending on where they are located and if they meet the rebate eligibility criteria.

How will the GST/HST apply to goods and services acquired by Indians, Indian bands, and band-empowered entities outside of Ontario and B.C.?

The introduction of the HST in Ontario and B.C.

will not change how the GST/HST is applied to goods and services acquired by Indians, Indian bands, and band-empowered entities outside of Ontario and B.C. Goods and services sold to Indians, Indian bands, and band-empowered entities outside of Ontario and B.C. that are currently relieved of the GST/HST will continue to be relieved of these taxes. Goods and services sold to Indians, Indian bands, and band-empowered entities that are currently subject to GST/HST will remain subject to these taxes.

Which goods will be zero-rated (taxed at the rate of 0%) under the HST?

The same goods that are currently zero-rated for GST purposes will be zero-rated for HST purposes, regardless of where they are sold. HST will not be charged on these goods, whether or not they were purchased on a reserve. Examples of zero-rated goods include:

- basic groceries such as milk, cheese, eggs, bread, fruits, vegetables;
- most fishery products;
- prescription drugs and prescription drug-dispensing services; and
- medical devices such as hearing aids and artificial teeth.

What services will be exempt from the HST?

The same things that are exempt from the GST will also be exempt from the HST, regardless of where they are provided. HST will not be charged on them, whether or not they were acquired on a reserve. Examples of exempt services or supplies include:

- used housing;
- long term residential accommodation;
- most medical, and dental services;
- child care services (day care services provided usually for less than 24 hours a day) provided to children 14 years old and younger;
- many educational services;
- most services provided by financial institutions;
- insurance policies;
- most goods and services provided by charities; and

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- certain goods and services provided by non-profit organizations, governments, and other public service bodies.

What is a point-of-sale rebate and what tax relief does it provide?

The Ontario and B.C. governments have announced targeted tax relief of the provincial part of the HST on certain designated items right at the cash register. Where the person purchases a designated item at a retail establishment, the retailer will automatically provide the purchaser with a point-of-sale rebate, crediting the provincial part of the HST and only collecting the 5% federal part of the HST (equivalent to the GST). Examples of such designated items include:

- books;
- children's clothing;
- children's footwear;
- children's car seats and children's car booster seats;
- children's diapers;
- feminine hygiene products; and
- motor fuels (B.C. only).

Where to get more information?

For additional information please see GST/HST Technical Information Bulletin B-039, *GST/HST Administrative Policy – the Application of the GST/HST to Indians*, which summarizes the CRA's administrative policy respecting GST/HST relief for Indians, Indian bands and band-empowered entities. Please note that the tax relief described in this info sheet does not apply to First Nation taxes imposed by Aboriginal governments and administered by the CRA as the *Indian Act* tax exemption does not apply to such taxes. As well, this info sheet does not apply to Aboriginal governments and their citizens that have signed final or self-government agreements that end *Indian Act* tax relief (see GST/HST Notice238, *First Nations Having a Self-Government Agreement Ending Indian Act Tax Relief – Determining Tax Relief for Indian Members Who Are Not Citizens*).

This info sheet does not replace the law found in the *Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, explains how to obtain a ruling and lists the GST/HST rulings offices. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec by calling 1-800-567-4692. You may also visit their Web site at www.revenu.gouv.qc.ca to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthstech.