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TRANSITIONAL PST INVENTORY REBATE

INTRODUCTION

On April 18, 2012, Prince Edward Island (PEI) announced its plans to implement a harmonized sales tax (HST) effective April 1, 2013. The HST will be implemented at a rate of 14% - combining the existing 5% federal goods and services tax (GST) with a 9% PEI component.

OVERVIEW

The purpose of this Guide is to provide information to help contractors that repair and/or improve residential complexes understand if they are eligible for the Transitional PST Inventory Rebate. Improvement of residential complexes does not include construction of residential complexes for which a GST new housing rebate is available (see Non-Qualifying Uses of Construction Materials below).

Under the *Revenue Tax Act* contractors are required to pay revenue tax (PST) on construction materials that are purchased before April 1, 2013, or produced for use before April 1, 2013, and used in real property contracts. If these construction materials are used or supplied in the repair or improvement of residential complexes on or after April 1, 2013, the HST will generally also apply to the contract to repair or improve the residential complex.

A rebate will be available for the PST paid on construction materials that are held in inventory immediately prior to April 1, 2013 and, under a contract to repair or make an improvement to the residential complex, are incorporated into the complex on or after April 1, 2013.

Eligibility for the Rebate

The rebate will be provided for PST paid on construction materials that are:

- held in inventory immediately prior to April 1, 2013; and
- used in a contract to repair or improve a residential complex where the materials are incorporated into the complex on or after April 1, 2013 and before October 1, 2013, and where the HST was collected on the contract.

Qualifying Residential Complexes

Qualifying residential real property contracts would include contracts to repair or improve land and items permanently attached to land, such as buildings and patios.

Residential real property contracts for repair or improvements to rental housing, condominium and apartment buildings and long-term residential care facilities may qualify for this rebate.

In the case of repairs or improvements to multi-use buildings the rebate will only be available in respect of the portion of the real property contract related to the repair or improvement of a residential complex within the building.

Non-Qualifying Uses of Construction Materials

The rebate is not available when the construction materials are used in the construction or substantial renovation of a residential complex in respect of which a GST/HST new housing rebate is available.

The rebate is also not available when the construction materials are used in the repair or improvement of a building or structure that does not form part of the residential complex.

Filing Procedures

Contractors must file an application form along with supporting documentation with the Taxation and Property Records Division on or before September 30, 2013. The refund application, Request for Refund of Revenue Tax (PST), is available on our website at www.taxandland.pe.ca.

Supporting documentation includes:

- itemized receipts/invoices showing PST was charged on construction materials purchased on or before March 31, 2013;
- proof that HST was charged on the real property contract for the repair or improvement of a residential complex (e.g., sales invoices, conditional sales agreement, etc.);
- address at which the installations were made;
- a schedule listing each invoice claimed (date of invoice, amount of tax paid, supplier name, etc.) with corresponding real property contract(s).

The application must be delivered or mailed to the address indicated on the refund application form.

FURTHER INFORMATION

The Harmonized Sales Tax (HST) is administered by the Canada Revenue Agency (CRA). If you have specific questions on how the HST applies to your business or whether a good or service is taxable, visit the CRA website at www.cra.gc.ca/gsthst or call **1-800-959-5525** for more information.

Copies of the *Revenue Tax Act* and Regulations are available on our website. For information regarding the winding down of the revenue tax (PST), please contact:

Taxation and Property Records Division
P.O. Box 1330
Charlottetown, PE
C1A 7N1
Telephone: (902) 368-4070
Fax: (902) 368-6164
Website: www.taxandland.pe.ca

This guide is prepared for information purposes only, and should not be considered a substitute for the applicable statutes. Should there be any conflict between the contents of this guide and the statutes, the statutes shall prevail.