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Prepare Now for New Brunswick's Upcoming HST Rate Increase

Canadian Tax Adviser

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Companies that do business in New Brunswick will be affected by the province's upcoming HST rate increase to 15% (from 13%) effective July 1, 2016. New Brunswick announced the increase in its 2016 budget. With no transitional rules yet available and only a few months before the increase takes effect, businesses should start to prepare now by determining what changes they need to make to their systems and processes, among other considerations.

Also, businesses that are not entitled to claim full input tax credits for the HST they paid may want to consider accelerating certain purchases to help limit the short-term impact of the tax increase. Whether this option is beneficial may become clear once transitional rules are released.

Background

New Brunswick proposed in its 2016-2017 budget to increase the provincial part of its HST to on July 1, 2016, which effectively increases the province's HST rate to 15% (from 13%) July 1, 2016. The budget was tabled on February 2, 2016 (see *TaxNewsFlash-Canada* 2016-06, "[Highlights of the 2016 New Brunswick Budget](#)").

An HST rate increase in any of the HST provinces can affect businesses across Canada as well as non-resident GST registered businesses. This is because businesses that are registered for GST purposes are also effectively registered for all the various HST across Canada. For example, a business in British Columbia could be required to collect the New Brunswick HST on certain sales based on the place of supply rules.

Prepare now for upcoming rate increase

Transitional rules related to this upcoming increase are not yet available. In general, transitional rules should help businesses determine the HST rate that applies to transactions that straddle the effective date of July 1, 2016. As with previous tax rate changes, the real estate industry, particularly the new residential home industry, may be subject to special transitional rules that may apply to certain transactions before July 1, 2016. These real estate businesses will want to closely follow developments in this area for transitional rules and any special rules related to HST changes and new residential homes.

Until transitional rules are released, businesses can begin planning to identify the processes and systems that will require changes as a result of the upcoming HST rate increase. Specifically, you may want to:

- ▶ Map out a strategy to identify the systems and processes that will be affected by the tax rate increase
- ▶ Determine the IT resources that you will need and plan a timeline to make all the changes to your systems
- ▶ Identify and review current agreements that are structured as "tax included" and determine the additional costs or savings
- ▶ Determine if there are any tax savings opportunities such as accelerating certain purchases if your businesses is not eligible to claim full input tax credits
- ▶ Consider the required changes to expenses accounts for your employees in New Brunswick
- ▶ Calculate additional costs related to employee taxable benefits for your employees in New Brunswick
- ▶ Consider how the changes will affect your calculations under the GST/HST rules for pension plans
- ▶ Look at how the tax rate increase may affect your coupons and loyalty programs
- ▶ Determine the required system changes if you elected to use the simplified method for claiming ITCs or a quick method to calculate GST/HST remittances
- ▶ Verify how the tax increase will affect prices for new residential homes if you operate a real estate business.

In addition, financial institutions should:

Publications

Canadian companies may be interested in these recent publications:

- ▶ [TaxNewsFlash](#)
- ▶ [Global Tax Adviser](#)
- ▶ [Canadian Tax Adviser](#)
- ▶ [Transfer Pricing Highlights](#)
- ▶ [Trade Matters](#)
- ▶ These publications, among many others, are available at www.kpmg.ca.

- ▶ Consider how the tax rate increase will affect their blended rates, if applicable
- ▶ Review how the upcoming tax rate change will affect budgets and costs.

We can help

KPMG Indirect Tax professionals can help you prepare for the upcoming HST rate increase in New Brunswick. We can help you determine its effect on your budgets, costs, processes and systems. We can also keep you abreast of the upcoming legislative changes related to the HST rate increase. For details, contact your KPMG adviser.

Information is current to February 16, 2016. The information contained in this publication is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. For more information, contact KPMG's National Tax Centre at 416.777.8500 