

Resolution 10A

DOUBLE PAYMENT BY MUNICIPALITIES' PST PORTION OF HST (PASSED)

⇒ Town of Mahone Bay

WHEREAS when the HST legislation came into effect, the accepted interpretation of the legislation exempted municipal units from charging HST on the other municipal units share of joint ventures; and

WHEREAS current interpretation of GST legislation has changed resulting in municipal units being charged HST on inter municipal cost shared services; and

WHEREAS Municipal Units receive 100% rebate on the GST portion of the HST and 57.14% rebate on the PST portion of the HST meaning the only tax municipalities are paying is the Provincial Sales Tax; and

WHEREAS the municipal unit being billed on inter municipal billings are in effect paying the PST portion of the HST twice;

THEREFORE BE IT RESOLVED that the UNSM request the Province of Nova Scotia reimburse municipal units the non-rebated portion of the PST paid on municipal cost shared services to eliminate the double paying of PST by municipalities.

Response from:

Nova Scotia Finance and Treasury Board

RESPONSE:

Since municipalities are separate entities, GST/HST would normally apply to supplies made between municipalities.

The Province of Nova Scotia does not determine the application of the GST/HST nor whether a taxable supply has taken place. The Province has harmonized its provincial sales tax with the federal Goods & Services Tax (GST). The determination of whether a taxable supply has taken place relies upon the federal government's definition of the common tax base.

The Province is aware that there are many inter-municipal arrangements in existence in Nova Scotia and that some costs (e.g., wages and salaries) are not subject to GST/HST and therefore a municipality receiving a benefit may not be able to obtain full Input Tax Credits (ITCs) on all of its expenditures. The administrative costs to the Province for administering such rebates might outweigh any benefit conferred on the municipalities.

The Province proposes to raise the issue with the federal government to determine if there is a way to remove the “double-taxation” for supplies between municipalities.

In the alternative, there may be an option to establish a “para” municipality to remove the tax consequences.