



TaxNewsFlash

Canada

Nova Scotia HST Reduction — Are Your Systems Ready?

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Businesses must ensure they have properly prepared for Nova Scotia's HST rate reduction to 14% (from 15%) effective April 1, 2025. The federal government, which administers Nova Scotia's HST, finalized and published the rate reduction regulatory amendments on March 26, 2025, which include transitional rules that clarify the treatment of certain transactions that straddle the April 1, 2025 effective date, as well as other consequential tax changes. Affected businesses, including businesses with real property transactions, financial institutions and employers with pension plans, should review the details of these transitional rules, in addition to the other consequential HST tax measures, to ensure they collect, pay or claim the appropriate amount of Nova Scotia's HST.

While considering these final regulatory amendments, businesses that have transactions subject to Nova Scotia's HST, including retailers, builders, financial institutions, employers with pension plans, e-commerce platforms, and businesses with real property transactions, should ensure they have properly updated all of their systems that may be affected by this provincial HST rate reduction.

Background

In 2024, Nova Scotia announced that it would reduce its HST rate to 14% (from 15%), effective April 1, 2025, and released general guidance. The federal government announced legislative amendments to the GST/HST Regulations in March 2025 to incorporate Nova Scotia's HST rate reduction. These amendments include transitional rules as well as various other consequential tax changes necessary to implement the Nova Scotia HST rate reduction. Among other measures, the amendments include:

- Specific transitional rules for real property transactions
- Changes to employers' HST calculations related to deemed supplies and eligible pension plan rebates
- Details on new tax adjustments for selected listed financial institutions (SLFIs) with regards to their GST/HST reporting obligations
- Details on self-assessment rules for imported goods and other supplies, and goods brought into Nova Scotia from other provinces
- Factors used to calculate HST due on employee and shareholder benefits
- New rates for the streamlined accounting methods
- Changes related to the game of chance rules, certain rebates and supplies of funeral services.

These amendments were finalized and published in the *Canada Gazette* on March 26, 2025. These finalized regulatory amendments do not affect any tax obligations related to the HST in the other HST-participating provinces: Ontario, New Brunswick, Prince Edward Island, and Newfoundland and Labrador.

Nova Scotia HST transitional rules

The amendments include general transitional rules that explain how Nova Scotia's HST rate reduction applies to transactions that straddle the April 1, 2025 effective date.

In general, businesses that make taxable supplies subject to the Nova Scotia HST must collect 14% HST on supplies made after March 2025. However, in some cases, the 14% HST rate may apply to taxable supplies made before April 1, 2025, if all or part of the tax related to those supplies becomes payable (and have not been previously paid) after March 2025. Under the GST/HST rules, the HST becomes payable on the day that is the earlier of:

- The day the consideration for the supply is paid, and
- The day the consideration becomes due.

As part of this analysis, businesses must determine when the consideration becomes due for HST purposes. Under the GST/HST rules, the consideration for a supply generally becomes due on the earliest of:

- The day the supplier issues an invoice for the supply

- The date on the invoice
- The day the supplier would have, but for an undue delay, issued an invoice for the supply
- The day the purchaser is required to pay that consideration pursuant to a written agreement.

Some exceptions apply to these rules for specific types of supplies.

KPMG observation

Businesses may want to consider how the Nova Scotia HST rate reduction may apply to certain transactions that straddle the effective date of April 1, 2025, or that may be subject to other specific rules and changes, to ensure they apply the appropriate tax rate, such as returns of goods, leases of goods, and employee expense reimbursements. Affected businesses that use the CRA's administrative factor method to calculate eligible input tax credits (ITCs) related to employee expense reimbursements, may also have to adjust their expense reimbursement systems to reflect the new HST rate in Nova Scotia.

Real property

The amendments confirm that, where a business makes a taxable sale of real property in Nova Scotia, and both the ownership and the possession of the property are transferred to the purchaser on or after April 1, 2025, then the Nova Scotia 14% HST rate will apply. However, if either the ownership or the possession is transferred before April 1, 2025, then the 15% HST rate applies. Other rules apply to taxable supplies of real property deemed to be made by way of sale (e.g., self-assessment rules) and other types of real property transactions.

Financial institutions

Entities that qualify as selected listed financial institutions (SLFIs) may need to make specific tax adjustments for reporting periods that straddle the April 1, 2025 effective date for Nova Scotia's HST rate change. In particular, financial Institutions that are SLFIs, other than distributed investment plans, are required to calculate a tax adjustment related to the Nova Scotia's HST rate reduction based on their specified percentages for Nova Scotia and the number of days in the particular reporting period that is before April 1, 2025. Distributed investment plans that are SLFIs must also calculate similar tax adjustments. However, these plans are required to determine these adjustments based on when GST or the federal component of the HST on supplies became payable by the plans.

KPMG observation

Note that, in addition to these possible adjustments, certain financial institutions may also have to adjust specific calculations for the Nova Scotia's HST rate change and

should review the latest amendments to understand how they may affect imported taxable goods or services.

Employers and pension plans

Certain employers that qualify as participating employers under the GST/HST rules must review the transitional rules to ensure they calculate their tax obligations correctly for their fiscal year that straddle April 1, 2025. Affected employers that are deemed to make taxable supplies to their pension plans or to master trusts on the last day of their fiscal year under the GST/HST rules may have to adjust their calculations that relate to Nova Scotia. Specifically, some of these employers may have to adjust their calculations based on whether a particular expense was incurred before April 1, 2025, while other employers may have to make adjustments based on the number of days in their fiscal year that are before April 1, 2025.

KPMG observation

To prepare for their annual tax obligations under the GST/HST rules for pension plans, affected employers may want to review the amendments to:

- Determine how the amendments may apply to their specific facts and circumstances, their pension plans and master trusts
- Identify which supplies must be tracked to determine whether related deemed supplies are subject to Nova Scotia's 14% or 15% HST rate
- Determine if their calculations for deemed supplies of employer resources or for eligible pension rebates related to Nova Scotia must be apportioned to account for the April 1, 2025 effective date.

Review your system changes

In addition to general and specific transitional rules, the rate reduction amendments include a variety of additional consequential measures to account for Nova Scotia's HST rate reduction. It's important for affected businesses to properly account for this rate reduction, as it can affect various parts of their operations, including sales and purchases, pension plan related obligations, imported goods, returns of goods, leases and other written agreements, and employee expense reimbursement systems.

We can help

Your KPMG adviser can help you assess the effect of Nova Scotia HST rate change and other recent Indirect Tax changes on your business operations.



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