

GST/HST Information for Freight Carriers

Before you start

Is this booklet for you?

You need to know about the goods and services tax (GST) and the harmonized sales tax (HST) if you provide domestic or foreign freight transportation services or are a self-employed truck owner-operator.

This booklet will help you understand how GST/HST affects you as a freight carrier.

Do you need other forms or publications?

We refer to other forms and publications in this booklet. You can get them from our Web site at www.ccra.gc.ca/forms or by calling 1-800-959-2221.

Do you have business operations in Quebec?

The ministère du Revenu du Québec (MRQ) administers GST/HST for us in Quebec. If your business operates in Quebec, you can contact the MRQ toll-free at 1-800-567-4692. Also see the MRQ publication called *General Information concerning the QST and the GST/HST – Guide for Registrants*.

Do you have access to the Internet?

If you have access, please visit our Web site at www.ccra.gc.ca. You may want to bookmark this address for easier access in the future.

Do you know about Direct Deposit?

If you are expecting refunds when you file your GST/HST returns, you can complete and send us Form GST469, *Direct Deposit Request*. This is a safe, convenient, dependable, and timesaving method of receiving your GST/HST refund and rebates.

Do you need to contact us?

This booklet uses plain language to explain the most common tax situations. It is provided for information only and does not replace the law. If you need more help after you read this booklet, call our Business Enquiries line at 1-800-959-5525.

La version française de cette publication est intitulée *Renseignements sur la TPS/TVH pour les transporteurs de marchandises*.

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Terms we use in this booklet

Carrier means a person who provides freight transportation services, whether that person physically performs the services or not. A person only needs to accept responsibility as the supplier of the freight transportation service to be considered the carrier.

Notes

A person who has a contract with a shipper to move the shipper's goods from one place to another is still considered to be a carrier of the goods, even if the work is subcontracted to another person who physically performs the entire freight transportation service.

For GST/HST purposes, a person does not need a carrier licence to be a carrier. For instance, if independent owner-operators of highway tractors and courier vehicles provide freight transportation services, we will treat them as carriers whether or not they are required by law to be licensed as carriers.

Commercial activity is any business, adventure, or concern in the nature of trade carried on by a person, but does not include the making of exempt supplies.

Consignee means a person to whom:

- a consignment may be made;
- goods are shipped for sale;
- a carrier delivers according to the contract of carriage; or
- goods are consigned, shipped or otherwise transmitted.

Continuous freight movement means the transportation of goods by one or more carriers to a destination specified by the shipper of the goods, where the shipper of the goods instructs the carriers to supply the freight transportation services.

Continuous outbound freight movement means the transportation of goods by one or more carriers from a place in Canada to a place outside Canada, or to another place in Canada from which the goods are to be exported. After the shipper transfers possession of the goods to a carrier, and before the goods are exported, the goods must not be further processed, transformed, or altered in Canada, except to the extent necessary to transport the goods.

Destination of a continuous freight movement of goods means the place specified by the shipper (usually on the bill of lading) where possession of the goods is transferred to the person to whom the goods are consigned or addressed by the shipper. The destination of a continuous freight movement of goods is relevant to determining the place where the freight transportation services are supplied.

Generally, if the freight transportation service is taxable (other than zero-rated), originates in Canada, and the destination is:

- in a participating province, the 15% HST rate applies; or
- within the rest of Canada, the 7% GST rate applies.

Exempt supplies are goods and services that are not subject to GST/HST. You cannot claim input tax credits for GST/HST paid or payable on expenses related to these supplies.

Freight transportation service means the movement of goods by rail, water, highway, or air. It includes postal and courier services, as well as incidental property or services supplied by a carrier, such as warehouse, packing, and loading services, whether or not a separate charge is made for them. These incidental charges are taxable at 7%, 15%, or 0%, depending on the GST/HST status of the basic freight charge.

Input tax credit (ITC) means a credit GST/HST registrants can claim to recover GST/HST they paid or owe to their suppliers for goods or services brought into a participating province, or acquired, or imported for use, consumption, or supply in the course of their commercial activities.

Origin of a continuous freight movement means the place where the first carrier engaged in the movement takes possession of the goods being transported.

Participating province means the province of Nova Scotia, New Brunswick, or Newfoundland and Labrador.

Note

The HST rate in participating provinces is 15% and the GST rate in the rest of Canada is 7%.

Person means an individual, partnership, corporation, estate of a deceased individual, trust, or any organization such as a society, a union, a club, an association, or a commission.

Registrant means a person that is registered or should be registered for GST/HST.

Shipper of goods means the person who transfers possession of the goods being shipped to a carrier at the origin of a continuous freight movement or a continuous outbound freight movement. A shipper does not include a carrier.

Supply means the provision of property or a service in any way, including sale, transfer, barter, exchange, licence, rental, lease, gift, and disposition.

Note

When we refer to sales of goods or services in this booklet, we mean the supply of property or services. Property includes any real or personal property, tangible or intangible property (e.g., rights or goodwill).

Taxable supplies means goods and services that are provided in the course of a commercial activity and are subject to GST at the rate of 7% or HST at the rate of 15%, or at the rate of 0% (zero-rated supplies).

Zero-rated supplies means goods and services that are taxable at the rate of 0%. This means that there is no GST/HST charged on the sale of this limited number of goods and services, but GST/HST registrants can claim an ITC for the GST/HST they pay or owe on purchases and expenses made to provide them.

What is GST/HST?

GST is a 7% tax on the sale of most goods and services in Canada. Three participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) harmonized their provincial sales tax with GST to create the harmonized sales tax (HST). HST applies to the same base of goods and services as GST but at the rate of 15%. Of this, 7% is the federal part and 8% is the provincial part.

GST/HST registrants who make taxable sales of goods and services (other than zero-rated sales) in the three participating provinces collect tax at the 15% HST rate. Registrants collect tax at the 7% GST rate on taxable sales that are made in the rest of Canada (other than zero-rated sales). For more information on GST/HST, see the guide called *General Information for GST/HST Registrants*.

Taxable goods and services

Examples of goods and services **taxable** at 7% or 15% include:

- transportation of goods within Canada;
- customs brokerage services;
- diesel fuel, gasoline, propane, and other fuels;
- vehicle repairs and maintenance;
- commercial rent;
- advertising; and
- telecommunication services provided in Canada.

Examples of **zero-rated** goods and services include:

- outbound international freight, when the charge for the service is \$5 or more;
- inbound international freight;

- transportation of goods within Canada, when the shipper gives the carrier a declaration that the goods are being shipped for export and that the carrier's freight transportation service is part of a continuous outbound freight movement of the goods, and the charge for the service is \$5 or more;
- freight transportation service between two points outside Canada;
- payments between transportation companies and independent owner-operators for interline settlements of both domestic and international freight transportation services;
- services by agents acting on behalf of non-residents who are not registered for GST/HST, if those services are to purchase zero-rated freight transportation services;
- transportation of goods within Canada when it is part of a continuous inbound international freight movement and proper documents are kept to support this; and
- fuel sold to registrants who are in the business of transporting freight to or from Canada, or between places outside Canada, by ship, aircraft, or railway, and the fuel is used for that purpose.

These examples of zero-rated goods and services are explained beginning on page 11.

Exempt goods and services

Sales of certain goods and services are not subject to GST/HST and are called **exempt**. Examples include:

- insurance services provided directly by insurance companies;
- licences or permits provided by a government or municipality; and
- municipal transit services.

Should you register?

You have to register for GST/HST if:

- you provide taxable goods and services in Canada; and
- you are not a small supplier.

Generally, if you provide only exempt goods and services, you **cannot** register for GST/HST or charge tax on your sales of goods and services.

Small supplier

If your total gross revenues, and those of your associates, from worldwide taxable sales have been \$30,000 or less over the last four calendar quarters and are also \$30,000 or less in your current calendar quarter, you are a small supplier. As a small supplier, you do not have to register for GST/HST but you may **choose** to do so **voluntarily**.

If you choose to register, you have to charge GST/HST on your sales of taxable (other than zero-rated) goods and services. You may also claim ITCs for the GST/HST you paid or owe on purchases and expenses incurred to provide them.

Input tax credits (ITCs)

If you are a GST/HST registrant, you can recover the GST/HST you paid or owe on purchases and expenses related to your commercial activities by claiming ITCs on your GST/HST return.

Examples of expenses eligible for ITCs include:

- general operating expenses, such as commercial rent and utilities, to the extent that they are used in making taxable supplies;
- truck repairs and maintenance;
- diesel fuel, gasoline, propane, and other fuels;
- meals and entertainment expenses related to your commercial activities using the same limitation rules as in the *Income Tax Act* (i.e., 50%); and
- capital property (such as office furniture, photocopiers and computers) used primarily (more than 50%) in commercial activities.

Most registrants claim their ITCs when they file their GST/HST returns for the reporting period in which they made their purchases. However, you can claim your ITCs in any subsequent return filed by the due date of the return for the last reporting period that ends within four years from the end of the reporting period in which the ITC could first have been claimed.

Example

You are a quarterly filer and you buy office supplies in the reporting period of October 1, 2001, to December 31, 2001, for which you can claim an ITC. Since the end of the reporting period is December 31, 2001, you can claim the ITC no later than the due date of the return for the last reporting period that ends December 31, 2005.

Simplified accounting methods

We have developed two simplified accounting methods to help you reduce paperwork and bookkeeping costs associated with calculating GST/HST. These are:

- the Simplified Method for claiming ITCs; and
- the Quick Method of accounting to calculate your net GST/HST remittance.

Simplified Method for claiming ITCs

You can use the Simplified Method for claiming ITCs if you do not want to show GST/HST separately in your records. You only need to total the amount of your taxable purchases for which you can claim an ITC. However, you have to keep the usual documents to support your ITC claims for audit purposes.

You can use the Simplified Method if your annual worldwide revenues from taxable goods and services (including those of your associates) are \$500,000 or less in both your last fiscal year and preceding fiscal quarters in your current fiscal year.

These limits do not include goodwill, zero-rated financial services or sales of capital real property.

In addition, you must have \$2 million or less in annual taxable purchases made in Canada in your last fiscal year to qualify to use this method. The \$2 million limit does not include zero-rated purchases, but includes purchases imported into Canada or brought into a participating province.

If you qualify, you can start using the Simplified Method at the beginning of a reporting period. You do not have to file any forms to use it. Once you decide to use this method, you have to use it for at least one year, provided you continue to qualify.

If you would like more information on the Simplified Method for claiming ITCs, refer to the *General Information for GST/HST Registrants* guide.

Quick Method of accounting

The Quick Method of accounting is a simple way to calculate the amount of GST/HST you have to remit. You can use the Quick Method if your annual worldwide taxable sales and those of your associates (including zero-rated sales) are no more than \$200,000 (including GST/HST) in any four consecutive fiscal quarters over the last five fiscal quarters. The \$200,000 limit does not include:

- supplies of financial services;
- sales of real property;

- sales of capital assets; and
- goodwill.

With the Quick Method, you charge and collect the 7% GST or 15% HST on taxable goods and services you sell or provide to your customers in the usual way. But, to calculate your net GST/HST to remit, you multiply your taxable sales including GST and your taxable sales including HST made during the reporting period by the appropriate Quick Method remittance rate or rates that apply to those sales. For example if you are located in:

- a participating province and 90% or more of your services are provided in participating provinces, you will use the 10% Quick Method remittance rate; or
- the rest of Canada and 90% or more of your services are provided in the rest of Canada, you will use the 5% Quick Method remittance rate.

There are several remittance rates and they apply only to sales you make in the normal course of business, on which you must collect the 7% GST or the 15% HST.

When you use the Quick Method, you do not need to keep track of the GST/HST you pay or owe on your operating expenses (such as utilities, rent, and telephone expenses), meal and entertainment expenses, and inventory purchases. The Quick Method remittance rates take into account the GST/HST you pay on these purchases and expenses. As such, you cannot claim ITCs for your operating expenses. However, you still have to keep records of your purchases and expenses.

You can claim ITCs for certain purchases such as land or computers, vehicles and other large equipment and machinery (those for which you can claim a capital cost allowance for income tax purposes).

For more information on the Quick Method and the appropriate remittance rate or rates for your business, refer to the booklet called *Quick Method of Accounting for GST/HST*. It includes Form GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting*, which you can complete and send to us.

GST/HST for freight transportation services

A supply of a freight transportation service made in Canada can be zero-rated, or taxable at 7% or 15%. This section explains how GST/HST applies to goods and services commonly provided in the freight transportation industry and how to determine the tax status of your service.

Freight services taxable at 7% or 15%

Domestic freight services

Most domestic freight transportation services are taxable at 15% HST for destinations within the participating provinces and 7% GST for destinations in the rest of Canada. If you provide a freight transportation service that is partly outside Canada, but both the origin and destination are in Canada, it is considered a domestic service. Examples include coastal shipping or shipments routed through the United States.

Zero-rated freight transportation services

Domestic freight services

Freight transportation services provided in Canada are generally taxable at 7% GST or 15% HST as explained above. However, the following freight transportation services are zero-rated and you do not charge GST/HST for providing them:

- Services that are part of a continuous inbound or outbound international freight movement.
- Services that are being supplied to another carrier under an interline arrangement and are part of a continuous freight movement.

For more information about outbound or inbound international transportation, see the sections called “Continuous inbound freight services” and “Continuous outbound freight services” on page 12. For more information about interlining, see the section called “Interline settlements” on page 13.

International freight services

Incoming international freight transportation services and freight transportation services valued at \$5 or more to foreign destinations are zero-rated so you do not charge GST/HST.

Note

A freight transportation service that originates and ends outside Canada is zero-rated, even if the goods pass through Canada.

Continuous inbound freight services

You do not charge GST/HST on a freight transportation service from one place to another in Canada when the service is part of a continuous freight movement that originates outside Canada and has a destination in Canada (i.e., these services are zero-rated). As a carrier who is responsible for invoicing or billing the customer for the domestic service (the customer is not a carrier), you must keep documents to prove that the domestic service is part of a continuous inbound freight service.

Example

A shipment arrives in Halifax, Nova Scotia, from London, England, on an ocean bill of lading. The shipper has specified on the original bill of lading that the goods are destined for Montréal, Quebec. A rail carrier is given a separate contract to deliver the goods to the consignee in Montréal. The rail carrier can zero-rate the domestic service if it has a copy of the original bill of lading. If the rail carrier cannot get a copy of the original bill of lading, he could rely on a certification from the ocean carrier or the ocean carrier's agent that the cargo originated outside Canada as specified on the shipper's bill of lading.

Continuous outbound freight services

The domestic part of a continuous outbound international freight movement is zero-rated and you do not charge GST/HST if the following conditions are met:

- the shipper provides the carrier with a written declaration stating that the goods are being shipped for export and the domestic freight transportation service the carrier will supply is part of a continuous outbound freight movement of the goods;
- the goods are exported and the domestic freight transportation service is part of a continuous outbound freight movement of the goods; and
- the charge for the domestic freight transportation service is \$5 or more.

The shipper's declaration may be on the bill of lading given to the original carrier, or on a separate document given to the carrier. See GST/HST Memorandum 28.2, *Freight Transportation Services* for an example of a Shipper's Declaration.

Note

If this declaration is not made, the carrier has to collect GST/HST on any part of the freight transportation service provided in Canada.

The goods transported cannot be processed, transformed, or altered after the shipper transfers possession of the goods to a carrier and before they are exported, except to the extent necessary to transport the goods. This might include packing or refrigeration to make sure that the goods arrive at their destination in good condition. Domestic freight transportation services used to move raw materials to a processing plant, such as grain moved to a dockside elevator to be cleaned, dried, and graded before being exported, are taxable at 7% or 15%.

The shipper has to keep proof of export to support the declaration given to the carrier. This includes an invoice to the foreign customer, together with proof of payment for the goods, Canada Customs "E15" documents that certify the goods are being exported, and all bills of lading associated with the shipment. For prepaid shipments, we also need billing documents from the carrier or carriers involved in the export movement.

Interline settlements

Several carriers may take part in the supply of a freight transportation service during the course of a continuous freight movement from the shipper to the consignee. This process is called **interlining**.

Interline freight settlements between carriers are treated as payments for freight transportation services supplied to each other and are zero-rated.

Only the "invoicing carrier" who settles the freight bill directly with the customer, whether the customer is the shipper or the consignee, is responsible for charging and collecting any applicable GST/HST. Any payment to other carriers who participate in the transportation of the freight is zero-rated.

If one carrier acts as an agent to collect payment on behalf of all other carriers involved in a shipment, the carrier acting as an agent will collect GST/HST from the shipper or consignee. The payments between the agent and the other carriers are zero-rated under the interline settlement rules.

When a person, whose business includes the supply of freight transportation services, is shipping his or her own goods and transfers possession of those goods to a carrier, that person is the shipper and the interline settlement rules do not apply. That person must advise the carrier that he or she is the shipper of the goods.

Example

Carrier A contracts with carrier B to have carrier B transport a load of pallets owned by carrier A. Carrier B's charge for the freight transportation service does not qualify as an interline settlement. Therefore, if it is a domestic freight transportation service, carrier B's service is taxable at 7% or 15%.

If an owner-operator provides a freight transportation service on behalf of a carrier and the carrier remains responsible for invoicing the customer, the services provided by the owner-operator to the carrier are zero-rated under the interline settlement rules.

Couriers

The rules for interline settlements also apply to courier services. When a freight company contracts with a courier to pick up or deliver freight to the freight company, the courier bills the freight company for the service and, in turn, the freight company bills either the shipper or the consignee. The courier does not charge the 7% GST or 15% HST on its service because it qualifies as an interline settlement.

When a courier company contracts a person to deliver materials, the courier company issues an invoice to its customer and is responsible for charging and collecting the 7% GST or 15% HST. Persons who are on contract with the courier company to make deliveries and who do not invoice the customer directly can zero-rate their billings to the courier company as part of an interline freight settlement.

Tow-truck operators

The service of towing a vehicle from the site of an accident or breakdown is a freight transportation service and the rules for interline settlements may apply. When a GST/HST registered tow-truck company has self-employed contractors (operators) working for it, the services provided by the tow-truck operators to the tow-truck company are zero-rated and the tow-truck company (as the invoicing carrier) is responsible to charge and collect the GST/HST from the customers.

However, roadside services (e.g., car boosting, winching, and unlocking doors) do not qualify as freight transportation services since these services do not involve the transportation of goods. As a result, these services are taxable at 7% or 15%.

Note

As a truck owner-operator, courier, or tow-truck operator who provides only interline freight transportation services, you do not collect GST/HST from the carrier for those services. In this case, even if you are a small supplier as explained on page 8, you would benefit from registering for the GST/HST since you would be able to claim ITCs for GST/HST you pay or owe on expenses related to your interline services.

Chargebacks

A chargeback is not a supply of a freight transportation service. The chargeback may be for inputs into the freight transportation service but not for the freight transportation service itself. Examples of items for chargeback are fuel, truck repairs, maintenance, or permit fees. Interline provisions do not apply to chargebacks because:

- the supplies for which chargebacks are made are not freight transportation services; and
- the zero-rating applies only to supplies made in one direction (i.e., supplies of freight transportation services made to, or in the direction of, the invoicing carrier).

As these are not considered interline settlements, GST/HST at 7% or 15% would apply.

Freight forwarders

Freight forwarders usually act as agents on behalf of their clients. However, they may present themselves as carriers and assume liability for the transportation of goods. If they act as principals and buy and resell freight transportation services, they will be subject to the same rules as carriers who perform the actual transportation service.

If a freight forwarder acts as an agent for a Canadian shipper by arranging for the transportation of goods, the freight forwarder's commission is taxable at 7% or 15% like any other agent's commission, whether the destination of the goods is domestic or international.

Services of acting as an agent provided by a freight forwarder are zero-rated where:

- the freight forwarder is acting for a non-resident person who is not registered for GST/HST when the service is provided; and
- the service relates to a zero-rated freight transportation service, other than an interline settlement.

Miscellaneous freight charges

Reload centres

A reload centre is used as a cross-dock operation where goods are transported to the facility by rail or by truck. The goods are unloaded and, if not immediately reloaded onto trucks for export, are stored for a short period of time, usually 30 days or less. The goods are not processed or altered in any way

while they are in the facility. Services supplied at reload centres are considered to be freight transportation services. These services are zero-rated when the reload service is part of a continuous international inbound or outbound freight movement, or when a carrier is billed for the reload services as part of an interline settlement.

Incidental freight services

Carriers can provide incidental services in addition to their basic freight transportation service. Incidental services include warehousing, packing, loading, and refrigeration.

Charges for incidental services are taxable at 7% or 15% if they are invoiced in connection with a freight transportation service that is taxable at 7% or 15%. If they are part of or incidental to a zero-rated freight transportation service, then the services are also zero-rated. However, incidental services only have the same tax status as the basic freight charge if the carrier (and not someone else) supplies them to the shipper or consignee.

Example

A shipper contracts with carrier A for an all-inclusive price to have goods moved between two points in Canada. The freight charge is subject to GST/HST. Carrier A arranges with carrier B to complete the freight haul. Carrier B invoices carrier A for two charges: one for the actual freight transportation service and the other for loading and unloading the goods.

As carrier B invoices carrier A, the freight charge is zero-rated under the interline settlement rules. On carrier B's invoice to carrier A, the loading and unloading charges are considered incidental to the zero-rated freight transportation charge, and are also zero-rated. Carrier A will collect GST/HST on the total freight bill to the shipper, whether the loading and unloading charges are included in the freight charge or itemized separately.

Sufferance warehouse services

We license sufferance warehouses for Canada Customs inspections and clearances. These warehouses are referred to as "type B" warehouses for purposes of the *Customs Act*.

Sufferance warehouse services, including the handling and storage services a sufferance warehouse operator provides for international goods, are treated as freight transportation services. The sufferance warehouse service has to be provided together with the transportation of goods from an origin outside Canada to a destination inside Canada to be zero-rated.

The zero-rating does not include office rents and bay rental fees charged to tenants and fees for preparing entry documents (other than remanifesting fees incidental to the handling and storage of goods).

Insurance

If you act as an agent for an insurance company to arrange insurance coverage on your client's goods, you do not collect GST/HST on premiums paid to the insurance company. Carriers often provide their clients with some protection against losses or damages. You can self-insure your clients' goods by including a risk premium in your charge or by charging a separate amount to your client for risk protection. In these cases, you are self-insuring against claims for losses or damages. The charge to your client for this protection takes the same status as the freight charge for GST/HST purposes.

Loss or damage claim settlements

If freight is lost or damaged in transit, the carrier may be required under the terms of the agreement, to replace the goods or otherwise compensate the customer. The claims that carriers pay to claimants are not subject to GST/HST.

Loss or damage claim settlements should not be confused with a reduction in freight charges. A reduction in freight charges is an adjustment to the original invoice. If the carrier credits or refunds this reduction, including GST/HST, to the customer, the carrier has to issue a credit note showing the amount of the reduction and the related GST/HST. See the guide called *General Information for GST/HST Registrants* to find out what information should be included on a credit note.

Example

If the freight charge was originally \$1,000 plus \$70 GST and the freight reduction was \$200, the carrier may credit or refund \$200 of the freight charge and \$14 GST. The carrier would then issue the customer a credit note of \$214.

Demurrage payments and penalties

Amounts that a shipper pays a carrier for the detention of a ship, freight car, or other cargo conveyance during loading or unloading beyond the scheduled time of departure are not subject to GST/HST.

Mileage credits

A rail carrier pays the owners of railway cars a fee when shippers use cars that the rail carrier does not own. This fee is referred to as a mileage credit and is taxable for GST/HST purposes.

When a railway car owner passes this credit on to the shipper, the invoice to the shipper should reflect GST/HST on both the gross rental charge and on the mileage credit instead of on the net amount payable.

Postal services

Postage supplied in Canada is subject to GST/HST and is charged at 7% or 15% on the face value of postage stamps.

GST/HST registrants can claim ITCs to recover the GST/HST they paid or owe on postage purchased to use or supply in their commercial activities.

A postage stamp for a mail delivery service is supplied in a participating province (and therefore subject to HST at 15%), if the stamp is delivered to the purchaser in a participating province. However, the mail delivery service is not supplied in a participating province if:

- the postage is \$5 or more and the address to which the mail is sent is not in a participating province; or
- the service is made under a bill of lading, for example, in the case of a priority-post courier service.

Postage on parcels and envelopes mailed to destinations outside Canada will not be subject to GST/HST at the point of purchase if:

- the postage is \$5 or more; and
- the post office affixes the stamps and takes the package from the shipper for delivery to a foreign destination.

Foreign carriers

The residency rules for companies engaged in international shipping follow the residency rules of the Canadian *Income Tax Act*. A company incorporated in a country other than Canada, where all or most of its activities consist of international shipping and all or most of its revenues come from shipping, will not be considered a resident of Canada for GST/HST purposes.

Supplies bought by unregistered foreign carriers

A non-resident person who is not registered for GST/HST can purchase goods or services on a zero-rated basis (other than purchases of real property), if the goods or services are for consumption, use, or supply in the course of:

- transporting freight to, from, or through Canada by ship, aircraft, or railway if the person carries on this business;
- operating a ship or aircraft by or for a government of a country other than Canada; or
- operating a ship to obtain scientific data outside Canada or to lay or repair oceanic telegraph cables.

Zero-rated items include:

- fuel and other supplies used in operating a ship, aircraft, or railway that is transporting freight to, from, or through Canada;
- railway junction and switching charges, pilotage services, and rights for real property for which a fee is charged, such as aircraft landing fees, railway right-of-way charges, and warehouse fees;
- stevedoring services; and
- spare parts, and repair and maintenance services.

Note

Fuel delivered to registered airline, railway, and shipping companies to use in international air, rail, and marine transportation freight is zero-rated, regardless of the buyer's registration status.

Emergency repair services

Emergency repair services supplied by a person, including repair parts, are zero-rated when they are provided to a non-resident and they are in respect of cargo containers or conveyances that are being used or transported by the person in the course of a freight transportation business.

Example

A Canadian carrier, such as a railway, may provide emergency repair services for damaged cargo containers or conveyances that belong to other carriers while the containers or conveyances are in the Canadian carrier's possession. The Canadian carrier invoices the owner of the container or conveyance for the emergency repair services provided. Such repair services, including parts, are zero-rated when they are billed to a non-resident.

Emergency repairs, including repair parts (or storage services), of railway rolling stock are zero-rated if the repairs are for unregistered non-residents who use the rolling stock in the course of a freight transportation business.

Emergency repair services, including repair parts (or storage services), provided to unregistered non-residents for certain empty cargo containers used only in international freight transportation and classified under certain specified *Customs Tariff* items are also zero-rated.

Your opinion counts!

We review this booklet each year. If you have any comments or suggestions that would help us improve it, we would like to hear from you.

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