

GST/HST Information for Selected Listed Financial Institutions

Harmonized Sales Tax (HST)

This guide contains information about the harmonized sales tax (HST) that Revenue Canada is administering.

On April 1, 1997, the provincial sales tax (PST) in three participating provinces, Newfoundland, Nova Scotia, and New Brunswick, was harmonized with the goods and services tax (GST) to create HST. Please note that when we refer to the participating province of Newfoundland, this includes Labrador.

HST applies to the same base of goods and services as GST, at a rate of 15%. Of this, 7% represents the federal component and 8% represents the provincial component of HST.

The guide entitled *General Information for GST/HST Registrants* provides detailed information on how HST works. If you would like a copy of this guide, contact your Revenue Canada tax services office.

Visually impaired persons can order publications in braille or large print, or on audio cassette or computer diskette. To order, please call 1-800-267-1267 weekdays from 8:15 a.m. to 5:00 p.m. (Eastern Time).

This guide uses plain language to explain the most common tax situations. If you need more help after you read this guide, please contact your Revenue Canada tax services office.

La version française de cette publication est intitulée *Renseignements sur la TPS/TVH à l'intention des institutions financières désignées particulières*.

Before You Start

Is this guide for you?

This guide explains the goods and services tax (GST) and the harmonized sales tax (HST) reporting information requirements for a selected listed financial institution. See the definition of a selected listed financial institution on page 5 of this guide.

The guide contains specific line-by-line instructions to help you complete Form GST494, *Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions*. It also has instructions for completing the interim return, Form GST34, *Goods and Services Tax/Harmonized Sales Tax Return for Registrants*. If you need help after reading this guide, please contact a Revenue Canada tax services office.

Forms and publications

At the end of this guide, you will find samples of Forms GST34, *Goods and Services Tax/Harmonized Sales Tax Return for Registrants*, and GST494, *Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions*. If you want to obtain copies of these forms and other forms mentioned in this guide, call or visit your tax services office.

You can find the addresses and telephone numbers listed under "Revenue Canada" in the Government of Canada section of your telephone book.

GST/HST and Quebec

In Quebec, the ministère du Revenu du Québec (MRQ) administers GST/HST. If you have business operations in Quebec, you can contact the MRQ, toll-free, at 1-800-567-4692. You should refer to the MRQ publication *Guide for Registrants*.

TTY users

If you have a teletypewriter (TTY) attached to your telephone, you can call our toll-free, bilingual enquiry service at 1-800-665-0354 during regular hours of service.

Internet access

Many of our publications are available at: <http://www.rc.gc.ca/> on the Internet.

Your opinion counts!

We review our publications each year. If you have any comments or suggestions that would help us improve the information, we would like to hear from you. Please send your comments to:

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400 Cumberland Street
Ottawa ON K1A 0L5

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An Overview

If you are a supplier of financial services such as a selected listed financial institution (as defined below), you are not entitled to claim input tax credits (ITCs) in respect of GST or HST for goods or services obtained for use in providing exempt financial services.

When you determine and report your net tax for HST purposes, you are required to make an adjustment to your net tax calculation by using a formula under the **special attribution method** for selected listed financial institutions.

You must use this method to calculate your tax liability for the 8% provincial component of HST for the participating provinces. You have to make this net tax adjustment for each reporting period in which you are a selected listed financial institution.

A listed financial institution

For GST/HST purposes, you are a listed financial institution if you are a person referred to in paragraph 149(1)(a) of the *Excise Tax Act* (the Act).

For example, a listed financial institution includes a person that is a chartered bank, an investment dealer, a trust company, an insurance company, a credit union, an investment plan, a tax discounter, or a person whose principal business is the lending of money.

A selected listed financial institution

For GST/HST purposes, you are a selected listed financial institution during a fiscal year if you satisfy the following two conditions:

- you must be a listed financial institution described in any subparagraphs 149(1)(a)(i) to (x) of the Act during your taxation year in which your fiscal year ends and during your preceding taxation year, and
- you are required to allocate taxable income (or income, if you are an individual, an estate of a deceased individual, or a trust) for income tax purposes between at least one participating province and at least one non-participating province during the current taxation year and the immediately preceding taxation year.

Even though you may not have had any taxable income or income in these taxation years, this rule applies as if you would have had taxable income or income to allocate between a participating and a non-participating province.

Alternatively, you may be considered as a selected listed financial institution if you are either a specified partnership (as explained below) in each of those taxation years, or a prescribed financial institution.

If you become a selected listed financial institution in a particular year, you are treated as having become a selected listed financial institution at the beginning of that fiscal year.

A specified partnership

A partnership is a selected listed financial institution during a fiscal year if, as noted above, the partnership is a listed financial institution described in any subparagraphs 149(1)(a)(i) to (x) of the Act during the taxation year in which the fiscal year ends and during the preceding taxation year, and also qualifies as a specified partnership during those two years.

A partnership is a specified partnership during a taxation year if it has:

- at least one member who has taxable income (or income, in the case of a member that is an individual, an estate of a deceased individual, or a trust) in that year that was earned in a participating province from a business carried on through the partnership; and
- at least one member (whether or not it is the same member) who has taxable income (or income, in the case of a member that is an individual, an estate of a deceased individual, or a trust) in that year that was earned in a non-participating province from such a business.

Where members do not have taxable income or income in the year from the partnership business, the determination is made as if the members had taxable income or income from the partnership.

The Special Attribution Method

The main feature of the **special attribution method** (SAM) is that the 8% provincial component of HST is determined on the basis of where supplies of financial services are made rather than where inputs are purchased.

As a result, there is no requirement for you to:

- track and allocate the extent of consumption or use of each property or service acquired in the participating provinces in order to claim input tax credits related to the applicable 8% provincial component of HST; and
- self-assess and account for tax on inputs acquired in a non-participating province for consumption, use, or supply in a participating province. Please note that there are certain limited exceptions to this rule. These exceptions are prescribed by regulation.

Filing Requirements

A selected listed financial institution has new reporting and remitting requirements. If you are a monthly or quarterly filer, for each reporting period in your fiscal year,

you file Form GST34, *Goods and Services Tax/Harmonized Sales Tax Return for Registrants*, and make a remittance or claim a refund. See Appendix A on page 13 for a sample of Form GST34.

You also have to file Form GST494, *Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions*, to reconcile your interim net tax reported with your actual net tax for each reporting period and either remit any additional amount owing or claim a refund of any excess amount previously remitted. See Appendix B on page 15 for a sample of Form GST494.

If you are an annual filer, you continue to make quarterly instalments and file the GST494 return. However, your instalment base calculation has changed to take into account the 8% provincial component of HST.

Monthly and quarterly filing

If you are a monthly or quarterly filer, you will continue to use Form GST34, *Goods and Services Tax/Harmonized Sales Tax Return for Registrants*, for each reporting period as the interim return, and make an interim net tax payment or claim an interim net tax refund for that period.

You have to file the GST34 return within one month after the end of your reporting period along with your payment, if any.

To reconcile the interim net tax with the actual net tax, you are also required to complete and file Form GST494, *Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions*. Generally, you have to file your GST494 return within three months after your fiscal year-end. Certain individuals who are annual filers may qualify to file by June 15.

Annual filing

If you are an annual filer, you have to complete and file Form GST494, *Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions*. You have to file the GST494 return within three months after the fiscal year-end.

Exception

If you are an individual who carries on a business (as defined for purposes of the *Income Tax Act*) during the calendar year, and you are entitled to file your income tax return by June 15 of the following calendar year, you also have until June 15 to file your GST494 return and make your final remittance by April 30.

As an annual filer completing a GST494 return, you have to pay quarterly instalments each year (see page 7 of this guide for information on transitional methods for instalment payments). For this purpose, use Form GST58, *Goods and Services Tax/Harmonized Sales Tax Remittance*.

We will send you Form GST58 before each instalment due date. If you do not receive your remittance form on time, print a copy off the Internet, or contact your tax services office and ask for Form GST426, *Goods and Services Tax/Harmonized Sales Tax Remittance (Non-Personalized)*.

Filing Instructions

To file any of the above returns or make any payment or remittance of **less than \$50,000**, you mail them to:

Revenue Canada
Summerside Tax Centre
Summerside PE C1N 6A2

You can take your GST34 return and payment to any participating financial institution in Canada as long as you are not offsetting an amount owing by a rebate or refund. See line 111 on page 11 of this guide for information on the available rebates.

If your payment or remittance is **\$50,000 or more**, you have to make the payment at a financial institution in Canada using either Form GST58, *Goods and Services Tax/Harmonized Sales Tax Remittance*, or Form GST426, *Goods and Services Tax/Harmonized Sales Tax Remittance (Non-Personalized)*. However, your return must be mailed to the Summerside Tax Centre, as indicated above.

Account enquiries

After filing your GST494 return with us, you may have some questions about the return itself and your GST/HST account. You can contact the Financial Institution Unit at the Summerside Tax Centre by calling toll-free 1-800-461-3567 weekdays from 8:15 a.m. to 5:00 p.m. (Atlantic time). However, if you are filing a GST34 return with us, you can either call your tax services office or the above toll-free number.

Our information officers can tell you whether your GST494 or GST34 return has been received and the date it was received. Through the Business Number (BN) system, officers can quickly retrieve a record of notices sent to your business if you have follow-up questions.

Note

When you call us to ask questions or to update your accounts, we ask questions only someone familiar with your business' account could answer. This protects your business' privacy and ensures that only authorized persons receive information on your business' account.

Instalments by Annual Filers

If you are an annual filer, you may have to pay four equal instalments each year based on an estimate of your net tax for the current year or on the amount of the net tax you remitted the year before, whichever amount is less.

Use Form GST58, *Goods and Services Tax/Harmonized Sales Tax Remittance*. We will send you this form before each instalment due date. If you do not receive your remittance form on time, print a copy off the Internet or contact your tax services office and ask for Form GST426, *Goods and Services Tax/Harmonized Sales Tax Remittance (Non-Personalized)*. You still have to make your remittance by the due date even if you do not receive your remittance form on time.

If you base your instalments on an estimate of your current year's net tax, make sure that it is as accurate as possible (see the next section for instalment payments which are based on your estimated net tax). If you underpay your instalments, you will have to pay penalty and interest.

The GST494 return you file at the end of the year will reconcile your instalments with the amount of net tax you actually owe. Include any remittance owing to balance your instalments with the total net tax for your reporting period. If you based your instalments on your net tax for the year before, we will not charge you penalty and interest.

Exception

If your total net tax remittable for the current or previous year is **less than \$1,500**, you do not have to make quarterly instalments. You only have to file your GST494 return and send us the GST and HST owing once a year. Businesses with branches or divisions that file separate returns should note that this \$1,500 limit applies to the total net tax for the whole business, and not the net tax for each branch or division.

Transitional methods for instalment payments

There are two transitional methods to calculate your instalment payments:

- If you are a selected listed financial institution in a reporting period that begins before April 1, 1997, and ends on or after that day, you can select only one of the four methods in Appendix C on page 20 of this guide.
- If you become a selected listed financial institution during a reporting period in a fiscal year that begins after March 31, 1997, you use the special calculation in the chart below to determine your instalments for that year.

Instalments in the first fiscal year that you become a selected listed financial institution

The first instalment for the year is equal to the lesser of 1/4 of your net tax for the year and 1/4 of your net tax for all reporting periods ending in the preceding 12-month period.

For each of the remaining fiscal quarters in the year, your required instalment is equal to the lesser of 1/4 of your net tax for the year and 1/4 of your total net tax for all reporting periods ending in the preceding 12-month period, determined without reference to the 8% provincial component of HST, grossed up by the total of your allocation percentages for the participating provinces for the preceding fiscal quarters.

For reporting periods which follow either of these transitional periods, you revert to the general rule for calculating your quarterly instalments found in subsection 237(2) of the Act.

Completion Instructions for the GST34 Return

If you are a monthly or a quarterly filer, you have to file an interim return for each reporting period in your fiscal year in order to calculate your interim net tax adjustment in respect of the 8% provincial component of HST.

Use Form GST34, *Goods and Services Tax/Harmonized Sales Tax Return for Registrants* as your interim return. See Part D on page 8 for a description of the net tax adjustment under the special attribution method formula.

Each GST34 return that you file for the current fiscal year is an interim return because the allocation percentage that you will use to calculate the net tax adjustment is based on an estimated percentage amount (see page 9 for **Element C** of the special attribution method formula) for the participating provinces.

After the end of your fiscal year, you have to make a final adjustment to take into account the actual allocation percentage for the participating provinces applicable in those reporting periods and reconcile the total of your interim net tax adjustments included in your GST34 returns on the GST494 return.

To help you calculate the interim net tax adjustment for each reporting period, you may use the format in lines 020 through 031 of the GST494 return as a template.

You will find detailed instructions on how to complete your GST34 return in the guide called *General Information for GST/HST Registrants*. However, the following information supplements the instructions provided in that guide as a result of the special attribution method.

For each of your reporting periods:

- Calculate your interim net tax adjustment using the special attribution method formula (see page 8 of this guide which sets out the net tax adjustment formula). The result is either a positive or a negative amount. You may use lines 020 through 031 from the GST494 return as an aid for this purpose.
- If the result is a positive amount, include this amount with any other of your adjustments that you must make on line 104 – “Adjustments” of the GST34 return.
- If the result is a negative amount, you can include this amount along with any other adjustment amounts that you make on line 107 – “Adjustments” of the GST34 return.
- When you complete line 106 – “Input tax credits,” remember that as a selected listed financial institution you generally can not claim ITCs for the 8% provincial component of HST.

- If you are a registrant who purchased real property for use or supply in the course of your commercial activities, remember to use line 205 – “Tax due on acquisition of real property” to self-assess and account for tax payable on the purchases. Enter the total amount of GST/HST due on the acquisition of real property.
- Remember that on line 405 – “Tax due on taxable supplies” you must self-assess and account for the total of the following amounts:
 - the 7% federal component of HST on taxable supplies; and
 - the 8% provincial component of HST that is a prescribed amount of tax.

Completion Instructions for the GST494 Return

You have to complete Form GST494, *Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions*. In Appendix B on page 15 of this guide, you will find a sample of the GST494 return.

Part A – Identification of the selected listed financial institution

You have to complete this section. Enter your complete legal name, trading name (if different from complete legal name), mailing address, and the name and telephone number of a person we may contact concerning this return, in the identification area of the first page. Enter your Business Number (BN) in the appropriate box.

Part B – Reporting period information

Enter the fiscal year date of your business (i.e., year, month, and day), and your filing frequency (i.e., monthly, quarterly, or annual) in the appropriate boxes.

Part C – Instalment method elected (annual filers only)

If you are an annual filer with a reporting period that begins before April 1, 1997, and ends on or after that day, indicate the transitional instalment method you have elected by ticking one of the boxes (i.e. A, B, C, or D). See Appendix C on page 20 of this guide for instructions for the instalment base options.

Part D – Calculation of the special attribution method

The special attribution method requires that you make an adjustment to the net tax for each of your reporting periods.

The special attribution method formula

When you determine your net tax for a reporting period (i.e., when completing Parts D and E of the GST494 return), you have to add all positive amounts and deduct all

negative amounts as determined by the special attribution method formula.

The special attribution method formula is:

$$[(A - B) \times C \times (D / E)] - F + G$$

where

Element A is the total of

- (i) all amounts of 7% GST plus the 7% federal component of HST (other than a prescribed amount of tax) that became payable by you during the particular reporting period or that was paid by you during the reporting period without having become payable;
- (ii) all amounts of 7% GST plus the 7% federal component of HST (other than a prescribed amount of tax referred to in paragraph (i) above), for a supply made by a closely related corporation that is not a selected listed financial institution to you, and that would have become payable by you if it were not for an election made under section 150 of the Act (unless paragraph (iii) below applies); and
- (iii) all amounts of 7% GST plus the 7% federal component of HST that are for supplies made under a section 150 election and for which a new election under subsection 225.2(4) of the Act is filed.

Adjustment to Element A for supplies made under a section 150 election

If you are the recipient of a supply made under a section 150 election, when you determine the amount in paragraph (ii) of **Element A** above,

- you are required to add an amount equal to the tax that would have been payable if you had not made the election, or
- you can jointly elect with the supplier to have an amount of tax that you must add in respect of supplies made under the section 150 election to be based on your supplier's cost to provide the financial service. This amount would exclude the costs of the supplier's employees' salaries, the cost of financial services, and the tax imposed under Part IX of the Act.

The subsection 225.2(4) election is only available if you are a selected listed financial institution and your supplier is not. Furthermore, it applies only to the supplies made to you by the supplier. This amount is the amount described in paragraph (iii) of **Element A**, above.

Element B is the total of

- (i) all your ITCs for the 7% GST and the 7% federal component of HST (other than ITCs for a prescribed amount of tax referred to in paragraph (i) of **Element A**) claimable for the current or preceding reporting periods included in your return for the particular reporting period; and
- (ii) all ITCs that you could have claimed if you were required to pay tax equal to the amount included in either paragraph (ii) or (iii) of **Element A**.

Element C is your allocation percentage for each participating province. The allocation percentage for each participating province for a particular period is determined according to prescribed rules set out in Part II of the *Selected Listed Financial Institutions Allocation Method (GST/HST) Regulations*.

Note

If you are a monthly or quarterly filer, when you use this formula to calculate your net tax adjustment for your GST34 return, **Element C** is the lesser of your (estimated) allocation percentage for the current taxation year and your allocation percentage for the immediately preceding taxation year.

However, if you are an annual filer or you are a monthly or quarterly filer who is filing the GST494 return, **Element C** is the actual allocation percentage for the current taxation year.

Element D is 8%.

Element E is 7%.

Element F is the total of

- (i) all amounts of the 8% provincial component of HST (other than a prescribed amount of tax) that was paid or became payable by you during the particular reporting period; and
- (ii) all amounts of the 8% provincial component of HST payable by your supplier that is included in the suppliers' cost of providing a property or service to you in your particular reporting period where a new election under subsection 225.2(4) of the Act applies.

Element G is the total of all amounts each of which is a positive or negative prescribed amount. These adjustments take into account transitional and other special transactions. A "prescribed amount" is an amount set out in Part IV of the *Selected Listed Financial Institutions Allocation Method (GST/HST) Regulations*.

Results from the special attribution method formula

If the result is a positive amount, you must add it to your net tax. If the result is a negative amount, you must deduct it from your net tax. You must adjust the net tax amount for each of your reporting periods by completing the following calculations.

Line 020 – GST or federal component of HST paid or payable

Enter the total amount of 7% GST plus the 7% federal component of HST that was paid or that became payable on purchases and expenditures in your reporting period. This amount is **Element A** from the special attribution method formula.

Line 021 – Input tax credits

Enter the total amount of your input tax credits (ITCs) claimed in your reporting period. Remember that your claim for ITCs generally must not include amounts for the 8% provincial component of HST. This amount is **Element B** from the special attribution method formula.

Line 022 – Unrecoverable GST or federal component of HST (020 minus 021)

Calculate the unrecoverable 7% GST and 7% federal component of HST for your reporting period by subtracting line 021 from line 020. Enter the result on line 022.

Line 023 – Allocation percentage

Enter your total allocation percentage for all participating provinces shown in Column 2 of Schedule A for your reporting period.

Line 024 – Unrecoverable GST or federal component of HST attributable to participating provinces

Multiply the amount on line 022 by the allocation percentage of line 023. Enter the result on line 024 for your reporting period.

Line 025 – Provincial component of HST attributable to participating provinces

Determine the provincial component of HST attributable to the participating provinces by multiplying the amount on line 024 by the fraction 8/7. Enter the result on line 025.

Line 026 – Provincial component of HST paid or payable

If you are an annual filer, determine the total amount of the 8% provincial component of HST that was payable by you or that was paid by you in your reporting period without having become payable. Enter the total amount on line 026 of this return. If you are a monthly or quarterly filer, in each reporting period, determine the total amount of the 8% provincial component of HST payable by you and the 8% provincial component of HST paid by you without having become payable. Take the total amount in each reporting period and enter that amount on line 026 in the corresponding field of the GST494 return.

Line 027 – Net provincial component of HST before miscellaneous adjustments (025 minus 026)

Calculate the net provincial component of HST before miscellaneous adjustments by subtracting the amount on line 026 from the amount on line 025. Enter the result on line 027.

Line 028 – Positive prescribed amounts

Determine the total amount of your prescribed adjustments in your reporting period. If the total amount is positive, enter the positive amount on line 028. If the amount is negative, see line 030. This amount is **Element G** from the special attribution method formula.

Line 029 – Total net provincial component of HST (027 plus 028)

Add the amount on line 028 to the amount on line 027. Enter the result on line 029.

Line 030 – Negative prescribed amounts

If the total amount of your prescribed adjustments in your reporting period is negative, enter that amount on line 030. This amount is **Element G** from the special attribution method formula.

Line 031 – Total net provincial component after adjustments (029 minus 030)

To calculate your net tax adjustment for the reporting period, subtract the amount on line 030 from that on line 029. Enter the result on line 031.

Note

Based on the result of line 031, enter a positive amount on line 104 and a negative amount on line 107 in Part E for the calculation of the final adjustments to the net tax for the final GST494 return.

Part E – Calculation of the final adjustments to the net tax

Annual filers: If you are an annual filer, complete all annual fields in Part E of the GST494 return. This return is used to report your final adjustment to the net tax with respect to the 8% provincial component of HST.

Monthly and quarterly filers: If you are a monthly or a quarterly filer, you will need information from your GST34 returns that you filed throughout your fiscal year so that you can make the final adjustment to the net tax on the GST494 return. On the GST494 return, you reconcile the interim net tax payment or the interim net tax refund reported on each of your GST34 returns during your fiscal year, with the actual net tax for all your reporting periods to which the GST494 return relates.

You must complete all lines in the final adjustments. Enter a zero if any amounts on these lines are nil or do not apply to you.

Line 101 – Sales and other revenue

Enter on line 101 the total amount of sales of goods and services, including zero-rated sales and other revenue, from your records, or the total sales from your financial statements or equivalent. Do not include provincial sales tax, GST, HST, and any amounts you reported on a previous return. Round off the amount to the nearest dollar.

Line 103 – GST/HST collected and GST/HST collectible

Annual filers: Enter the total of all GST and HST you charged on goods and services for which you have to charge 7% GST and 15% HST (including GST and HST you charged on the sale of taxable real property, if applicable, or capital assets). Remember to include the amount of GST and HST you charged on both paid and unpaid invoices.

Monthly and quarterly filers: Enter the amounts that you previously reported on line 103 of each GST34 return on the corresponding fields on the GST494 return.

Line 104 – Adjustments

Annual filers: Complete line 104 if you have to make adjustments to increase the amount of net tax you report for the reporting period. Enter the total of all adjustments. The following are examples of this type of adjustment:

- a positive amount shown on line 031 of this GST494 return;
- if you wrote off the GST and HST amount of any bad debts in a previous return, and then recovered some or all of all of those debts, add the amount of GST and HST you have recovered based on the formula set out in subsection 231(3) of the Act (you may refer to the treatment of the recovery of bad debts set out in the guide, called *General Information for GST/HST Registrants*); and
- if you have claimed 100% ITCs for meal and entertainment expenses during the year, once a year you have to add 50% of those credits to your net tax.

Monthly and quarterly filers: For each reporting period, take the amount of the adjustment shown on line 104 on each of your GST34 return, and deduct any amount that you added as a result of your interim net tax adjustment calculated under the special attribution method formula. Take the remaining amount and add it to the positive amount, if any, from line 031 on the GST494 return. Enter the result on line 104 on the corresponding fields for the same reporting periods on the GST494 return.

Line 105 – Total GST/HST and adjustments for the period (103 plus 104)

Add lines 103 and 104. Enter the total on line 105.

Line 106 – Input tax credits

Annual filers: Enter all unclaimed ITCs (GST/HST paid or payable on qualifying expenses) related to the current period and any eligible unclaimed ITCs from previous periods on line 106.

Monthly and quarterly filers: Take the amount that you previously reported on line 106 of each GST34 return and enter that amount on the corresponding field (i.e., line 106) for the same reporting period on this GST494 return.

Line 107 – Adjustments

Annual filers: Complete line 107 if you have adjustments to make to decrease the amount of net tax you report for the reporting period. Enter the total of all adjustments. The following are examples of this type of adjustments:

- a negative amount shown on line 031 of this GST494 return;
- the GST/HST included in the amount of any bad debt write-offs with respect to your accounts receivable provided that you have previously accounted for and remitted all of the tax on your taxable supplies that resulted in those debts.

Monthly and quarterly filers: Take the amount of the adjustment shown on line 107 on each GST34 return for each reporting period, and from that amount, deduct any

amount that you added as a result of your interim net tax adjustment calculated under the special attribution method formula. Take the remaining amount and add to it, the negative amount, if any, from line 031 on the GST494 return. Enter the result on line 107 on the corresponding fields for the same reporting periods on the GST494 return.

Line 108 – Total input tax credits and adjustments (106 plus 107)

Add lines 106 and 107. Enter the result on line 108.

Line 109 – Net tax (105 minus 108)

Subtract the amount on line 108 from the amount on line 105. The difference is your net tax. Enter that amount on line 109.

Line 110 – Paid by instalments

If you are an annual filer, enter on line 110 the amount of the instalment payments and net tax that you have already paid to us for the current reporting period.

Line 111 – Rebates

Annual filers: Enter the total amount of the GST/HST rebate from Form GST189, *General Application for Rebate of Goods and Services Tax (GST)/Harmonized Sales Tax (HST)*, or Form GST66, *Goods and Services Tax/Harmonized Sales Tax Rebate Application for Public Service Bodies*, claimed for that period. Enter the total amount of the rebate you are claiming on line 111 of the GST494 return.

Monthly and quarterly filers: Take the rebates, if any, you reported on line 111 of each GST34 return and enter those amounts on the corresponding field for each reporting period on the GST494 return.

Line 112 – Total other credits (110 plus 111)

Add the amounts of lines 110 and 111 and enter that total on line 112.

Line 113A – Balance (109 minus 112)

Subtract line 112 from line 109. Enter the result on line 113A.

Line 205 – Tax due on acquisition of real property

Annual filers: Complete this line if you are a registrant who purchased real property for use, or supply primarily in the course of your commercial activities. You are required to self-assess and account for the tax payable on the purchase. Enter the total amount of GST/HST due on the acquisition of real property.

Monthly and quarterly filers: Take the amount you reported on line 205 of each of your GST34 returns, and enter them on the corresponding fields (i.e., line 205) for the same reporting period on Part E of the GST494 return.

Line 405 – Tax due on taxable supplies

Annual filers: If you are a registrant, add the following amounts and enter the result on line 405:

- the 7% federal component of HST on taxable supplies; and
- the 8% provincial component of HST that is a prescribed amount of tax.

Monthly and quarterly filers: Take the amount reported on line 405 of each of your GST34 returns, and enter them on the corresponding fields (i.e., line 405) for the same reporting period on Part E of the GST494 return.

Line 113B – Balance (113A plus 205 plus 405)

Add the amounts on lines 113A, 205, and 405, and enter the total on this line.

Line 114 – Interim refunds

If you are a monthly or a quarterly filer, take the amounts you reported on line 114 of each of your GST34 returns, and enter them on the corresponding fields (i.e., line 114) for the same reporting period on Part E of the GST494 return. If no refund is claimed, enter “0” on this line.

Line 115 – Balance after interim refunds (113B minus 114)

Subtract the amount on line 114 from the amount on line 113B to calculate the balance after interim refunds.

Line 116 – Tax remitted

If you are a monthly or quarterly filer, take the amount you reported on each of your GST34 returns and enter them on the corresponding fields (i.e., line 116) for the same reporting period on Part E of the GST494 return. If no payment was made, enter “0” on this line.

Line 117 – Balance (115 minus 116)

Subtract the amount on line 116 from the amount on line 115 to calculate the balance. Enter the result on this line.

Line 118 – Refund claimed

If the amount on line 117 is a negative amount, enter that amount on line 118.

Line 119 – Payment enclosed

If the amount on line 117 is a positive amount, enter that amount on line 119. Enclose a cheque for that amount.

Note

A balance of less than \$2 on lines 118 and 119 is neither refundable nor payable.

Part F – Schedule A/Allocation percentages of taxable income to a province or territory

Schedule A sets out your percentage of allocation of taxable income to a province or a territory. The total percentages obtained are your allocation percentages for the current taxation year and the immediately preceding taxation year. To calculate the percentages, see **Element C** of the special attribution method formula on page 9 of this guide.

Then you have to:

- complete Columns 1 and 2 for each participating province;
- total all the allocation percentages in each column you entered for the participating provinces; and
- enter the total percentage from Column 2 on line 023 of Part D of the GST494 return.

Part G – Certification

Every filer must complete this section. Remember to sign and date your return. If you have agreed to have some other authorized person to sign the return on your behalf, he or she must have completed a Form RC59, *Business Consent Form*, or send us a letter of authorization.

Timing of Refund

If we owe you a refund, and you have not received it within 21 days of filing the return in which you claimed that refund, we will pay you interest on the refund beginning on the 21st day after the day you filed your return, as long as you have included all the necessary information, and you have filed all your previous returns.

Note

The earliest the 21-day period begins is the first day after the end of your reporting period. If you file your return before the end of the reporting period to which it relates, we will not process it until the reporting period has ended.

Penalty and Interest

There is a penalty of 6% per year, in addition to an interest charge at a prescribed rate, if you do not remit outstanding amounts by the due date. The prescribed monthly interest rate (which is adjusted quarterly) and the penalty rate are both compounded daily.

We calculate the penalty and interest charges

- on late or insufficient instalment payments;
- from the time that the amount of interim net tax from the GST34 return was required to be paid, until the earlier of the day that the unpaid amount and the applicable penalty and interest is paid; and
- on the day that you are required to file the GST494 return for the fiscal year.

Where you are required to pay penalty and interest on your interim net tax and the penalty and interest are not paid on or before the day on which you are required to file the GST494 return, the Act deems the penalty and interest to be an amount of net tax that was not remitted. Therefore, the amount continues to be subject to penalty and interest until it is paid.

Filing Nil Returns

If you are a monthly or quarterly filer, you have to file a GST34 return for every reporting period, even if you have no tax to remit and you are not expecting a refund. In other words, even if you have had no business transactions in a particular reporting period, you still have to file a nil return. If you do not do this, you can expect a *Failure to File Reminder Notice* to be sent to you. We may also penalize you for failing to file a GST34 return. The return should reflect only information that applies to the specific reporting period of that return.

Notice of Assessment

Once we have processed your return, we will send you a *Notice of Assessment* if:

- you made an error or omission on your return;
- the resulting balance is a debit;
- you are claiming a rebate; or
- you are entitled to a refund.

There could be an audit of your books and records. If we complete an audit, you will receive a statement of the proposed audit adjustments. Once you receive it, you will have 15 days to discuss the proposed adjustments with the Tax Services Office Verification Section. After that period, the auditor will prepare and issue a *Notice of Assessment*.

An assessment is final and binding. However, you can file a *Notice of Objection* no later than 90 days after the date we mail the *Notice of Assessment* to you.

If you receive a *Notice of Assessment* and would like more information, call or visit your tax services office.

Keeping Records

You do not have to include any receipts or supporting documents when you file your GST34 return or the GST494 return, but you must keep all of your records for verification purposes (including receipts, invoices, and any agreements in writing).

We may request these records to verify the amounts on these returns. You have to keep them for six years from the end of the year to which they relate.

Note

If you are a non-resident GST/HST registrant, you have to complete all GST/HST amounts in Canadian dollars and remit in Canadian funds.

Appendix A – GST34, Goods and Services Tax/Harmonized Sales Tax Return for Registrants

Note

If you are a selected listed financial institution and you are a quarterly or monthly filer, use Form GST34 as the interim return for purposes of the special attribution method.

(Sample of Form GST34)

(Sample of Form GST34)

Appendix B – GST494, Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions

(Sample of Form GST494)

(Sample of Form GST494)

(Sample of Form GST494)

(Sample of Form GST494)

(Sample of Form GST494)

Appendix C – Instructions for the Instalment Base Options

You can choose only one of the four instalment methods (i.e., A, B, C, or D). These options are set out in paragraphs (a), (b), (c), and (d) of subsection 363(2) of the *Excise Tax Act* (the Act).

Instalment method A (paragraph 363(2)(a) of the Act)

Your instalments for fiscal quarters ending after March 1997 in the transitional fiscal year are equal to the lesser of the following two amounts:

- (i) 1/4 of your instalment base for the reporting period based on your (estimated) net tax for the current fiscal year; and
- (ii) the amount determined by the formula:

$$A + (B / 4)$$

where

A is the total of all amounts, each of which is determined, for a participating province, by the formula:

$$\frac{C \times D \times (E / F) \times (G / 365)}{H}$$

where

C is your instalment base for the particular reporting period determined under paragraph 237(2)(b) of the Act, as if you were not a selected listed financial institution and the 8% provincial component of HST were not imposed,

D is the lesser of your (estimated) allocation percentage for the participating province for the current taxation year and your allocation percentage for the participating province for the immediately preceding taxation year,

E is 8%,

F is 7%,

G is the number of days in the particular reporting period that are after March 1997, and

H is the number of fiscal quarters that end on or after April 1, 1997, and that end in the particular reporting period (i.e., fiscal year), and

B is your instalment base for the particular reporting period based on your net tax for the preceding fiscal year determined as if you were not a selected listed financial institution and the 8% provincial component of HST were not imposed.

Instalment method B (paragraph 363(2)(b) of the Act)

Your instalments for fiscal quarters ending after March 1997 in the transitional fiscal year are equal to the amount determined by the formula

$$A + (B / 4)$$

where

A is the total of all amounts, each of which is determined, for a participating province, by the formula:

$$\frac{C \times D \times (E / F) \times (G / 365)}{H}$$

where

C is your instalment base for the particular reporting period determined under paragraph 237(2)(b) of the Act, as if you were not a selected listed financial institution and the 8% provincial component of HST were not imposed,

D is your allocation percentage for the participating province for the immediately preceding taxation year,

E is 8%,

F is 7%,

G is the number of days in the particular reporting period that are after March 1997, and

H is the number of fiscal quarters that end on or after April 1, 1997, and that end in the particular reporting period, and

B is your instalment base for the reporting period determined under paragraph 237(2)(b) of the Act, as if you were not a selected listed financial institution and the 8% provincial component of HST were not imposed.

Estimating instalment payments

If the calculation for your instalment payments is based on your (estimated) net tax for the current fiscal year, and for purposes of the instalment base for the particular reporting period, paragraph 237(2)(b) of the Act states that:

(b) the amount determined by the formula

$$C \times (365 / D)$$

where

C is the net tax for all reporting periods of the registrant ending in the twelve-month period immediately preceding the particular reporting period, and

D is the number of days in those preceding reporting periods.

Instalment method C (paragraph 363(2)(c) of the Act)

Your instalments for fiscal quarters ending after March 1997 in the transitional fiscal year are equal to the lesser of the following two amounts:

- (i) 1/4 of your instalment base for the reporting period based on your (estimated) net tax for the current fiscal year; and
- (ii) the amount determined by the formula:

$$(A + B) + (C / 4)$$

where

A is the total of all amounts, each of which is determined, for a participating province, by the formula:

$$\frac{[(D - E) \times F \times (G / H) \times (I / 365)] - K}{J}$$

where

D is the total of

- (i) all amounts of 7% GST plus the 7% federal component of HST (other than a prescribed amount of tax) that became payable by you during the particular reporting period or that were paid by you during the reporting period without having become payable;
- (ii) all amounts of 7% GST plus the 7% federal component of HST (other than a prescribed amount of tax referred to in paragraph (i) above) for a supply made by a closely related corporation that is not a selected listed financial institution to you that would have become payable by you if it were not for an election made under section 150 of the Act, unless paragraph (iii) below applies; and

- (iii) all amounts of 7% GST plus the 7% federal component of HST that are for supplies made under a section 150 election and for which a new election under subsection 225.2(4) of the Act is filed.

E is the total of

- (i) all ITCs for the 7% GST plus the 7% federal component of HST claimable for the current or preceding reporting periods included in your GST34 return for your particular reporting period (other than ITCs for a prescribed amount of tax referred to in paragraph (i) of **Element D**); and
- (ii) all ITCs you could have claimed if you were required to pay tax equal to the amount included in either paragraph (ii) or (iii) of **Element D**.

F is the lesser of your (estimated) allocation percentage for the participating province for the taxation year and your allocation percentage for the participating province for the immediately preceding taxation year,

G is 8%,

H is 7%,

I is the number of days in the particular reporting period that are after March 1997,

J is the number of fiscal quarters that end on or after April 1, 1997, and that end in the particular reporting period, and

K is the total of

- (i) all amounts of 8% provincial component of HST (other than a prescribed amount of tax) that became payable by you during the fiscal quarter or that was paid by you during the fiscal quarter without having become payable; and
- (ii) all amounts of 8% provincial component of HST payable by your supplier that is included in the supplier's cost of providing a property or service to you in your fiscal quarter where a joint election under subsection 225.2(4) of the Act has been filed.

B is the total of all amounts that became collectible and all other amounts collected by you in the fiscal quarter as or on account of the 8% provincial component of HST, and

C is your instalment base for the particular reporting period determined under paragraph 237(2)(b) of the Act, as if you were not a selected listed financial institution and the 8% provincial component of HST were not imposed.

Instalment method D (paragraph 363(2)(d) of the Act)

Your instalments for fiscal quarters ending after March 1997 in the transitional year are equal to the amount determined by the formula:

$(A + B) + (C / 4)$

where

A is the total of all amounts, each of which is determined, for a participating province, by the formula:

$$\frac{[(D - E) \times F \times (G / H) \times (I / 365)] - K}{J}$$

where

D is the total of all amounts each of which is

- (i) all amounts of 7% GST plus the 7% federal component of HST (other than a prescribed amount of tax) that became payable by you during a reporting period (referred to here as the "earlier reporting period") ending in the 12-month period immediately preceding the particular reporting period or that was paid during your earlier reporting period without having become payable;
- (ii) all amounts of 7% GST plus the 7% federal component of HST (other than a prescribed amount of tax referred to in paragraph (i) above) for a supply made by a closely related corporation that is not a selected listed financial institution to you that would have become payable by you during the earlier reporting period if it were not for an election made under section 150 of the Act (unless paragraph (iii) below applies); and
- (iii) all amounts of 7% GST plus the 7% federal component of HST that are for supplies made during the earlier reporting period under a section 150 election and for which a new election under subsection 225.2(4) of the Act is filed.

E is the total of

- (i) all your ITCs for the 7% GST and the 7% federal component of HST (other than ITCs for a prescribed amount of tax referred to in paragraph (i) of **Element D** above), claimable for the earlier

reporting period or reporting periods preceding the earlier reporting period that you claimed in the return you filed for the earlier reporting period; and

- (ii) all ITCs (other than ITCs for a prescribed amount of tax in paragraph (i) of **Element D** above), that you could have claimed in the earlier reporting period if you were required to pay tax equal to the amount included in either paragraph (ii) or (iii) of **Element D**).

F is the allocation percentage for the participating province for the immediately preceding taxation year,

G is 8%,

H is 7%,

I is the number of days in the particular reporting period that are after March 1997,

J is the number of fiscal quarters that end on or after April 1, 1997, and that end in the particular reporting period, and

K is the total of

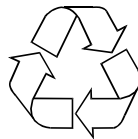
- (i) all amounts of 8% provincial component of HST (other than a prescribed amount of tax) that became payable by you during the fiscal quarter or that was paid by you during the fiscal quarter without having become payable; and
- (ii) all amounts of 8% provincial component of HST payable by your supplier that is included in the supplier's cost of providing a property or service to you during the fiscal quarter where a joint election under subsection 225.2(4) of the Act has been filed.

B is the total of all amounts that became collectible and all other amounts collected by you in the fiscal quarter as or on account of the 8% provincial component of HST, and

C is your instalment base for the particular reporting period determined under paragraph 237(2)(b) of the Act, as if you were not a selected listed financial institution and the 8% provincial component of HST were not imposed.

Notes

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