



Canada Revenue
Agency

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du Canada

Quick Method of Accounting for GST/HST

Includes Form GST74

Before you start

What's new

Effective July 1, 2006, under proposed legislation, the GST rate will be reduced from 7% to 6%, and the HST rate from 15% to 14%. This booklet contains this proposed change to law which was current at the time of publication.

The Quick Method remittance rates have also changed effective July 1, 2006; the new rates were used in revising this booklet. Appendix A on page 20 has tables showing the old and new remittance rates.

Is this booklet for you?

Use this booklet if you would like to use the Quick Method of accounting. However, this booklet does not apply to qualifying non-profit organizations, municipalities, universities, public colleges, school authorities, and hospital authorities. If your organization is one of these, see the pamphlet RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

Internet

You can find information on GST/HST and many of our publications and forms at www.cra.gc.ca. You may want to bookmark this address for easier access to our Web site in the future.

How to contact us

If you need more information about the Quick Method or any other GST/HST matter, call our Business Enquiries line at **1-800-959-5525**.

Forms and publications

You can view and order forms and publications at www.cra.gc.ca/forms. You can also order them by calling us at **1-800-959-2221**.

GST/HST and Quebec

In Quebec, Revenu Québec administers the GST/HST. Contact Revenu Québec at **1-800-567-4692** if you operate a business in Québec and need information.

La version française de cette publication est intitulée *La méthode rapide de comptabilité pour la TPS/TVH*.

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Terms we use in this booklet

Associated, for GST/HST purposes, is generally used to describe a relationship between persons where one controls the other. An association may exist, for example, between two or more corporations, between an individual and a corporation, or between an individual and a partnership or trust. Also, a person is associated with another person if each of them is associated with the same third person.

Capital property is generally:

- any depreciable property that is eligible or would be eligible for a capital cost allowance deduction for income tax purposes; and
- any property, other than depreciable property, which, if you disposed of it, would result in a capital gain or capital loss for income tax purposes.

Eligible capital property generally means property that does not physically exist but that gives you a lasting economic benefit. Some examples are goodwill, or franchises, concessions, or licences for an unlimited period.

Non-participating province means a province, territory, or any other area in Canada that is outside the participating provinces.

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

Note

The HST rate in the participating provinces is 14% and the GST rate in the non-participating provinces is 6%.

Permanent establishment of a person generally means:

- the person's fixed place of business through which the person supplies property or services, including a place of management, a branch, an office, a factory, or a workshop; or a mine, an oil or gas well, a quarry, timberland, or any other place where natural resources are extracted; or
- a fixed place of business of someone else (other than a broker or an agent) who is acting in Canada for the person and through whom the person supplies property or services in the ordinary course of business.

Place of business means any premises, facility, or installation used to carry on business, whether or not it is used exclusively for that purpose. Premises, facilities, or installations may be considered to be a place of business whether they are owned or rented, or, in some cases, where they are simply available to the business.

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

The Quick Method of accounting

The Quick Method is a simplified accounting option available to help small businesses calculate their net tax for GST/HST purposes. This method reduces paperwork and makes it easier to calculate GST/HST remittances and file GST/HST returns because it eliminates the need to report the actual GST/HST paid on most purchases.

When you use the Quick Method, you still charge 6% GST or 14% HST on your taxable supplies of goods and services. However, to calculate the amount of GST/HST to remit, you multiply the amount of your GST/HST-included supplies for the reporting period by the Quick Method remittance rate, or rates, that apply in your situation.

The remittance rates are less than the 6% or 14% rates of tax that you charge. This means that you remit only a part of the tax that you collect, or that is collectible. Since you cannot claim input tax credits (ITCs) on most of your purchases when you use this method, the part of the tax that you keep accounts for the approximate value of the ITCs you would otherwise have claimed. For information on the different remittance rates, refer to the section “Determining your Quick Method remittance rates” on page 11.

Note

Whether the Quick Method will be more beneficial for you to use than the regular method depends on your specific situation.

Who can make this election?

You can use the Quick Method if you meet all of the following conditions:

- you have been in business continuously throughout the year (i.e., 365 days) ending immediately before your current reporting period (see page 7 for special rules that apply if you are a new registrant);
- you did not revoke an election for the Quick Method or the simplified method to calculate ITCs during that 365-day period;
- you are a person who is eligible to use the Quick Method (i.e., you are not listed under “Exceptions,” on page 6); and
- your annual worldwide taxable supplies **and those of your associated businesses**, including GST/HST and zero-rated supplies, for either the first four or the last four consecutive fiscal quarters in the last five fiscal quarters are not more than \$200,000.

When you calculate your annual worldwide taxable supplies, exclude supplies of financial services and sales of real property, capital property, eligible capital property and goodwill.

Exceptions

The following persons **cannot** use the Quick Method:

- accountants or bookkeepers;
- financial consultants;
- lawyers (or law offices);
- actuaries;
- notaries public;
- listed financial institutions;
- audit services;
- tax return preparation services or tax consultants;
- municipalities, or local authorities designated as municipalities;
- public colleges, school authorities, or universities, established and operated otherwise than for profit;
- hospital authorities;
- charities; and
- non-profit organizations with at least 40% government funding in the year (i.e., qualifying non-profit organizations).

Note

A special Quick Method is available to qualifying non-profit organizations, selected public service bodies (i.e., municipalities, universities, public colleges, school authorities, and hospital authorities), and some charities. See the pamphlet RC4247, *The Special Quick Method of Accounting for Public Service Bodies* for more information.

Example

ABC Shoe Store is a GST/HST registrant located in Calgary, Alberta, where it has operated for the last 5 years and makes all of its supplies. It files quarterly GST/HST returns and has always used the regular method of calculating its net tax. However, ABC is a type of business that is eligible to use the Quick Method (i.e., it is not listed under “Exceptions” at the top of this page) and it would like to know if it can use the Quick Method beginning July 1, 2006.

Based on the above information, ABC meets the first three conditions listed under “Who can make this election” on page 5. Therefore, as long as its GST-included sales are not more than \$200,000 in **either** the first four **or** the last four consecutive quarters in its last five fiscal quarters, ABC will be able to use the Quick Method.

ABC's sales for the last five fiscal quarters are as follows:

ABC Shoe Store Calgary, Alberta		
GST-included sales for the fiscal quarters ending:		
June 30, 2005	\$ 39,000	
September 30, 2005	\$ 59,000	\$ 59,000
December 31, 2005	\$ 64,000	\$ 64,000
March 31, 2006	\$ 35,000	\$ 35,000
June 30, 2006	_____	<u>\$ 43,000</u>
Total for four consecutive quarters	\$ 197,000	\$ 201,000

The total GST-included sales for the first four fiscal quarters (ending March 31, 2006) are \$197,000. The total GST-included sales for the last four quarters (ending June 30, 2006) are \$201,000.

Since at least **one** of the four-quarter periods out of the five most recent fiscal quarters has GST-included sales that are not more than \$200,000, the ABC Shoe Store can elect to start using the Quick Method on July 1, 2006.

New registrants

If you have not been in business continuously for the past year and you are an eligible type of business, you may be eligible to use the Quick Method. If you can reasonably expect to be at or below the \$200,000 sales threshold at the beginning of the year after your first full year in business, you can elect to use the Quick Method.

When can you make the election?

If you file annual GST/HST returns, you have to make the election by the first day of your second fiscal quarter.

If you file monthly or quarterly GST/HST returns, you have to make your election by the due date of the return in which you begin using the Quick Method.

You may start using the Quick Method on the effective date you indicate to us. However, this date has to be the first day of a GST/HST reporting period.

If you previously elected to use the Quick Method and had revoked that election, you have to wait at least one year from the date the revocation became effective before you can make the election again.

How do you elect to use the Quick Method?

To elect to use the Quick Method, call our Business Enquiries line at **1-800-959-5525**, or complete Form GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting*, and send it to your tax services office. This form is included in this booklet and is also available on our web site.

How long does the election stay in effect?

Generally, the election remains in effect as long as your annual worldwide taxable supplies do not exceed \$200,000 (including GST/HST), **or** until you become a person that cannot use the Quick Method because of the type of business you carry on (see the section called “Exceptions” on page 6 for a list of persons who cannot use the Quick Method).

In calculating whether your annual worldwide taxable supplies exceed \$200,000, include GST/HST and your zero-rated supplies. Also include the annual worldwide taxable supplies of your associated businesses. However, do not include supplies of financial services and sales of real property, capital property, eligible capital property, and goodwill.

If your election ceases to be in effect, you have to start accounting for GST/HST using the regular method:

- at the beginning of your next fiscal year if:
 - you file annual returns; and
 - you exceed the \$200,000 threshold in your current fiscal year.
- at the beginning of your second fiscal quarter of a fiscal year if:
 - you file monthly or quarterly returns;
 - your election to use the Quick Method **was** in effect at the beginning of that year; and
 - you exceeded the \$200,000 threshold in your previous fiscal year.
- at the beginning of your next fiscal quarter if:
 - you file monthly or quarterly returns;
 - your election to use the Quick method **was not** in effect at the beginning of the fiscal year; and
 - you exceeded the \$200,000 threshold in both the first four and the last four consecutive quarters of the previous five fiscal quarters.

Note

At the end of each fiscal year, make sure that your business is still eligible to use the Quick Method for the following year. Also make sure that the same category of rates applies to your business. Base your calculations on supplies made in the fiscal year that just ended.

Example

XYZ Clothing Store Ottawa, Ontario

Fiscal year ended December 31, 2005

The following sales figures became available in January 2006:

2005 taxable sales (including GST/HST) for the quarters ending:

March 31	\$ 42,000
June 30	\$ 48,000
September 30	\$ 53,000
December 31	<u>\$ 73,000</u>
Total sales for fiscal year ended December 31, 2005	\$ 216,000

XYZ Clothing Store is a quarterly filer and used the Quick Method throughout 2005. Since its worldwide taxable supplies for 2005 exceeded \$200,000, it has to stop using the Quick Method at the **end** of the first fiscal quarter of 2006. This means it has to start calculating its GST/HST remittance using the regular method on April 1, 2006.

When and how can you revoke the election?

You can revoke your Quick Method election only **after** it has been in effect for at least one year.

To revoke the election, call us or complete Form GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting*, and send it to your tax services office. This form is included in this booklet and is also available on our web site.

You have to revoke the election by the due date of the GST/HST return for the last reporting period in which you wish to use the Quick Method.

Note

The effective date for revoking your election has to be the first day of a reporting period.

If you revoke the election, **you have to wait at least one year** before you can elect to use the Quick Method again.

In addition, if you stop using the Quick Method, you cannot claim ITCs for any tax paid or payable on purchases you made while using it, other than the ITCs you would have been entitled to claim, but did not claim, while you were using the Quick Method.

Books and records

When you complete your GST/HST return while using the Quick Method, you do not have to indicate the actual GST/HST that you charged on most of your taxable supplies or GST/HST that you paid or owe on most of your business purchases. However, you still have to keep detailed records of this information. Keep all books and records related to your business purchases and your supplies for six years after the year they relate to. These have to be made available to our auditors on request.

How the Quick Method works

When you use the Quick Method, you still charge the 6% GST or 14% HST on your supplies of taxable goods and services, but remit only a portion of that tax to us. The tax you have to remit is calculated using the applicable Quick Method remittance rates. Usually only one of these rates will apply to your business. See the section “Determining your Quick Method remittance rates” on page 11 for more information.

Also, you cannot claim ITCs for most of your purchases when you use the Quick Method. This is because the part of the tax that you keep accounts for the approximate value of the ITCs you would otherwise have claimed. See the section “Claiming input tax credits” on page 11 for more information.

Supplies not eligible for the Quick Method calculation

The Quick Method calculation applies to most of your supplies of goods and services. However, certain supplies you make are not eligible for this calculation. If you make a supply that is not eligible, you do not use a remittance rate to calculate how much tax you have to remit. Instead, you have to account for such a supply the same way you would if the election were not in effect. For example, if you make a supply of a good or a service that is not eligible and you charge 6% GST, you have to report the full amount of tax charged instead of using a remittance rate.

The following supplies are not eligible for the Quick Method calculation:

- sales of real property;
- sales of capital property or eligible capital property;
- zero-rated supplies;
- supplies made outside Canada;
- supplies for which the recipient is not required to pay tax;
- supplies you made as an agent or auctioneer for which you are required to account for the tax;

- property (other than capital property) or services that are used for the personal benefit of certain individuals (for example, a sole proprietor or shareholder of a corporation or a relative, a member of a partnership or a relative of the partner);
- amounts that are reimbursed to you under the terms of a warranty for which you are entitled to claim an ITC or a rebate; and
- supplies of property or services to an employee or shareholder where the supplies are required to be included in the individual's income as a taxable benefit for income tax purposes.

Claiming input tax credits

You do not claim ITCs on most of your purchases and expenses since, under the Quick Method, you keep a part of the tax you charge. However, you can claim any ITCs to which you are entitled for the following **only**:

- purchases of real property and improvements to real property;
- purchases of capital property (other than real property), such as computers and vehicles, and improvements to capital property;
- purchases of eligible capital property and improvements to eligible capital property;
- purchases on which GST/HST became payable **before** your Quick Method election took effect, if the time limit to claim the amounts has not expired;
- goods sold by an auctioneer or an agent on your behalf where the auctioneer or agent has to account for the tax; and
- goods you are **deemed** (considered) to have bought to use only in your commercial activities because:
 - a non-resident, who is not registered for GST/HST, transferred them to you, after paying tax on them; and
 - you provided a commercial service on the goods and then sold them, acting as an agent for the non-resident and collecting GST/HST.

Determining your Quick Method remittance rates

Most businesses use only one remittance rate. Effective July 1, 2006, the remittance rates changed so you may have more than one rate in 2006 depending on your reporting period. The rate that applies depends on whether you make taxable supplies of goods or services in a participating or non-participating province, and whether you make the supplies through a permanent establishment that is located in a participating or non-participating province. The type of business you are involved in is also a factor.

For example, a business that provides mostly services generally has to use a different remittance rate than a business that is involved mostly in purchasing goods for resale.

In some cases, a business may have to use more than one remittance rate. For example, if a business makes supplies in both participating **and** non-participating provinces, more than one rate may apply. See the section “Do you make supplies in both participating and non-participating provinces?” on page 14 for more information.

Note

The information in this section **does not** apply to the supplies listed in the section “Supplies not eligible for the Quick Method calculation” on page 10.

Remittance rates for businesses that purchase goods for resale

Generally, retailers and wholesalers who purchase goods for resale use the first group of remittance rates. To be eligible to use these rates, the cost (including GST/HST) of goods you purchased in your previous fiscal year for resale, or to use in goods you produce or manufacture for resale, must be at least 40% of your total annual taxable supplies (including GST/HST) for that fiscal year. **Do not include** the annual taxable supplies of your associated businesses in this calculation.

Note

If you began to use the Quick Method in your current fiscal year, your calculations should be based on your purchases and taxable supplies from either the first four **or** the last four consecutive quarters of the previous five quarters, instead of from your previous fiscal year.

Exclude **purchases** of basic groceries and purchases for which you are not required to pay tax from your calculation of the cost of goods you purchased.

Exclude **supplies** of basic groceries, and financial services, and sales of real property, capital property, eligible capital property, goodwill, and goods that you sold on behalf of someone else by auction from your calculation of your total annual taxable supplies, but **include** sales made by an auctioneer on your behalf.

The following are examples of businesses that may use this group of Quick Method remittance rates:

- antique dealers;
- grocery and convenience stores;
- art and craft shops;
- boutiques and novelty stores; and
- service stations (gas).

The new remittance rates for such a business are the following:

- **2.2%** for eligible supplies made in a non-participating province through a permanent establishment of the business in a non-participating province;
- **9%** for eligible supplies made in a participating province through a permanent establishment of the business in a non-participating province;
- **0%** for eligible supplies made in a non-participating province through a permanent establishment of the business in a participating province; and
- **4.7%** for eligible supplies made in a participating province through a permanent establishment of the business in a participating province.

Note

The new rates apply to reporting periods that begin on or after July 1, 2006. For reporting periods that begin before and include July 1, 2006, the old rates, found in Appendix A, will apply to the amount of the purchase price that is due, or is paid without being due, before July 1, 2006. The new rates will apply to the remaining amount.

Carpenters who purchase materials to use in construction projects (e.g., lumber, concrete, and nails to build a deck) can also use these Quick Method remittance rates.

Note

Registrants who use the 0% remittance rate for eligible sales are entitled to a 2.5% credit (2.1% credit before July 1, 2006) on those sales as they generally pay 14% HST on their inputs, but collect 6% GST on those sales.

See Appendix B on page 22 for examples of the Quick Method calculation and the determination of the applicable remittance rate, or rates.

Remittance rates for businesses that provide services

The next group of remittance rates is for businesses that do not qualify to use the first group of remittance rates, mentioned in the previous section.

Generally, these rates are for use by small businesses that provide services.

The following are examples of businesses that may use this group of remittance rates:

- delivery services;
- dry cleaners;
- auto repair shops;
- quick-service food outlets;
- house-cleaning services;
- campgrounds;
- caterers;
- delicatessens;

- painting contractors;
- photographers; and
- taxi drivers.

The new remittance rates for this group are the following:

- **4.3%** for eligible supplies made in a non-participating province through a permanent establishment of the business in a non-participating province;
- **11%** for eligible supplies made in a participating province through a permanent establishment of the business in a non-participating province;
- **2.6%** for eligible supplies made in a non-participating province through a permanent establishment of the business in a participating province; and
- **9.4%** for eligible supplies made in a participating province through a permanent establishment of the business in a participating province.

Note

The new rates apply to reporting periods that begin on or after July 1, 2006. For reporting periods that begin before and include July 1, 2006, the old rates, found in Appendix A, will apply to the purchase price that became due, or is paid without being due, before July 1, 2006. The new rates will apply to the remaining amount.

See Appendix B on page 22 for examples of the Quick Method calculation and determination of the applicable remittance rate, or rates.

Do you make supplies in both participating and non-participating provinces?

If you make supplies in both participating **and** non-participating provinces, you normally have to use more than one remittance rate. However, special rules apply when **90% or more** of the eligible supplies you made in a reporting period were in either a participating province **or** a non-participating province. These rules are as follows:

- If 90% or more of the eligible supplies you made through a permanent establishment in a reporting period were made in participating provinces, only use the rate that you would have to use if all eligible supplies actually had been made in a participating province.
- If 90% or more of the eligible supplies you made through a permanent establishment in a reporting period were made in non-participating provinces, only use the rate that you would have to use if all eligible supplies actually had been made in a non-participating province.

If either of these situations applies to you for supplies you made in a reporting period, you will use only one remittance rate for that reporting period. If neither of these situations applies to you, you will have to use more than one remittance rate.

See the section “When more than one remittance rate applies” in Appendix B on page 24 for an example of the Quick Method calculation when multiple remittance rates apply.

Remittance rates for businesses that give the 8% point-of-sale rebate for publications

If your business gives a point-of-sale rebate for sales of printed books and other qualifying publications in the participating provinces, you can use one of the following remittance rates for those sales:

- **2.2%** if your cost of goods for resale is at least 40% of your total annual taxable sales (including GST/HST but **not including** sales made by your associates). Before July 1, 2006, this rate was 2.5%. For more details, see the section “Remittance rates for businesses that purchase goods for resale” on page 12; or
- **4.3%** if you generally provide services. Before July 1, 2006, this rate was 5%.

These remittance rates take into account the rebate you pay or credit to your customers for the 8% provincial part of HST, and apply whether or not you actually have a permanent establishment that is located in a participating province.

Qualifying publications include the following:

- a printed book or an update of such a book;
- an audio recording, all or substantially all (i.e., 90% or more) of which is a spoken reading of a printed book; and
- a bound or unbound printed version of scripture of any religion.

Credit of 1% on the first \$30,000 of eligible supplies

In calculating your net tax using the Quick Method, you are entitled to a 1% credit on the first \$30,000 of your eligible supplies (including GST/HST) on which you must collect 6% GST or 14% HST in **each** fiscal year.

To qualify for the 1% credit, your Quick Method election must be in effect at the beginning of a fiscal year or, if you are a new registrant, on the day you became a registrant.

If you file monthly or quarterly GST/HST returns, the 1% credit applies to the first and successive reporting periods of a fiscal year until you reach the \$30,000 threshold, or the fiscal year ends. If you file annual GST/HST returns, use the 1% credit on your first \$30,000 of eligible supplies in that fiscal year.

If the 0% remittance rate applies to your eligible sales, the 1% credit and the 2.5% credit (2.1% credit before July 1, 2006) are both available to you.

Note

If you do not make \$30,000 in eligible supplies in a fiscal year, you cannot carry forward any unused portion of the credit to a later fiscal year.

Special situations

Self-assessment of the 8% provincial part of HST

In some cases, you may have to self-assess the 8% provincial part of HST, but you cannot use the Quick Method calculation to do so. Self-assessment may be required in the following situations:

- you bring goods into a participating province from a non-participating province;
- you have goods delivered or made available to you in a participating province by a non-resident who is not registered for GST/HST purposes;
- you are a resident of a participating province and you acquire services or intangible property (e.g., a right) in a non-participating province; or
- you import commercial goods, services, or intangible property that are not acquired for consumption, use, or supply exclusively in the course of your commercial activities in the participating provinces.

If you have to self-assess the 8% provincial part of HST, report the amount on **line 405**, "Other GST/HST to be self-assessed," of your GST/HST return. More information on self-assessment is available in the guide RC4022, *General Information for GST/HST Registrants*, and in Technical Information Bulletins B-079, *Self-Assessment of the HST on Supplies Brought into a Participating Province*, and B-081, *Application of the HST to Imports*.

Bad debts

When you use the Quick Method to calculate your net tax, you cannot make adjustments to your net tax for bad debts, except for supplies that are not eligible for the Quick Method calculation. This is the case, for example, for sales of capital property and real property for which you would have remitted the full 6% (7% before July 1, 2006) or 14% (15% before July 1, 2006) tax you charged.

Credit adjustments

If you give a customer a credit, refund, or rebate because you reduced the price of a good or a service that is eligible for the quick method calculation (see page 10 for a list of supplies that are **not** eligible), deduct the amount of the credit, refund, or rebate from the amount of your total eligible supplies **before** calculating your net tax using the remittance rate. This adjustment should be made for the reporting period during which you credited or paid the amount to your customers.

Trade-ins

If you use the Quick Method, you have to include in your sales calculations any amount credited to a purchaser for a trade-in. For example, if you accept a used pair of skates and give a credit of \$35 on the sale of new skates, the total eligible sales in your net tax calculation have to include the \$35 credit.

Businesses that fundamentally change in nature

If your business adds a new service, purchases the operations of another firm, or significantly changes its product lines or sales patterns, you have to evaluate your continued eligibility to use the Quick Method and the remittance rates that apply to your eligible supplies.

If the nature of your business changes, see the section called “Who can make this election?” on page 5 to determine if you are still a person who can use the Quick Method. If you are no longer eligible, see the section called “How long does the election stay in effect?” on page 8, or call us, to determine when you have to start calculating your GST/HST remittance using the regular method.

Completing your GST/HST return using the Quick Method

If you only have to use one remittance rate, follow these steps. Only complete the lines of the return that apply to you.

Note

If you have to use more than one remittance rate, follow these instructions for **each** rate.

Line 101 – Sales and other revenue

For each reporting period, add your revenues from taxable supplies (include GST/HST at the rate that applied at that time) and enter the total on line 101 of your GST/HST return. If you had to charge GST on these revenues, **do not include** any provincial sales tax in the calculation. Also, do not include revenue from supplies that are not eligible for the Quick Method calculation (see page 10 for a list of these supplies), supplies on which no GST/HST was charged, such as exempt supplies and supplies made outside Canada, or goods and services sold to Indians or provincial or territorial governments that are relieved of paying the GST/HST. Round off to the nearest dollar the amount you enter on line 101.

Line 103 – GST/HST collected or collectible

Step 1: Multiply the total you entered on line 101 by the remittance rate that applies for that reporting period. See Appendix A on page 20 to determine the applicable rate.

Step 2: To the amount you calculated in Step 1, add the GST/HST you had to charge on taxable supplies that are **not** eligible. See page 10 for a list of these supplies.

Step 3: Enter the amount you calculated in Step 2 on line 103.

Line 104 – Adjustments

Enter the total of any adjustments to be added to the net tax for the reporting period (e.g., GST/HST you obtained on the recovery of a bad debt from supplies that are **not** eligible for the Quick Method calculation).

Line 105 – Total GST/HST and adjustments for period

Add the amounts on lines 103 and 104, and enter the total on line 105.

Line 106 – Input tax credits (ITCs)

Add any amounts that you are eligible to claim as an ITC and enter the total on line 106. See page 11 for a list of the purchases and expenses for which you are still eligible to claim ITCs. Remember, the Quick Method remittance rates already take into account the ITCs for operating expenses and inventory purchases. Therefore, do not include any GST/HST paid or payable on these types of costs.

If the 0% remittance rate applies to your eligible supplies, also add 2.5% of those supplies (including GST) and enter the total at line 106.

Line 107 – Adjustments

If you are entitled to the 1% credit on the first \$30,000 of your eligible supplies, enter the amount of the credit on line 107. See page 15 to find out more about this credit.

Also enter the total of any adjustments to be deducted when determining the net tax for the reporting period (e.g., GST/HST included in a bad debt from supplies that are **not** eligible for the Quick Method calculation).

Line 108 – Total ITCs and adjustments

Add the amounts on lines 106 and 107, and enter the total on line 108.

Line 109 – Net tax

Subtract the amount on line 108 from the amount on line 105 and enter the result on line 109. If the result is negative, enter a minus sign in the box next to the line number.

Line 110 – Instalment and other annual filer payments

Enter any instalment and other annual filer payments you made for the reporting period.

Line 111 – Rebates

Enter the total amount of GST/HST rebates, **only** if the rebate form indicates that you can claim the amount on line 111. If you have entered an amount on line 111, attach the rebate form to the GST/HST return.

Line 112 – Total other credits

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

Line 113 A – Balance

Subtract the amount on line 112 from the amount on line 109 and enter the result on line 113 A. If the result is negative, enter a minus sign in the box next to the line number.

Line 205 – GST/HST due on acquisition of taxable real property

If you **acquired** taxable real property and have to remit the GST/HST on your acquisition, enter the amount of that GST/HST on line 205.

Line 405 – Other GST/HST to be self-assessed

Enter the 8% provincial part of HST you have to self-assess when you bring property or a service into a participating province, or when you import commercial goods, services, or intangible property into Canada. For more information on self-assessment requirements with respect to the 8% provincial part of HST, see page 16.

Line 113 B – Total other debits

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

Line 113 C – Balance

Add the amounts on lines 113 A and 113 B and enter the total on line 113 C. If the result is negative, enter a minus sign in the box next to the line number.

Line 114 or Line 115 – Refund claimed/Payment enclosed

If the result entered on line 113 C is a negative amount, enter the amount of the refund you are claiming on line 114. If the result entered on line 113 C is a positive amount, enter the amount of your payment on line 115.

Appendix A – The Quick Method remittance rates

Remittance rates before July 1, 2006

Table 1

Remittance rates before July 1, 2006 for businesses that purchase goods for resale		
	Permanent establishment in a non-participating province	Permanent establishment in a participating province
Supplies made in a non-participating province	2.5%	0% (and 2.1% credit)
Supplies made in a participating province	9.3%	5%

Table 2

Remittance rates before July 1, 2006 for businesses that provide services		
	Permanent establishment in a non-participating province	Permanent establishment in a participating province
Supplies made in a non-participating province	5%	3.2%
Supplies made in a participating province	11.6%	10%

Remittance rates on or after July 1, 2006

Table 3

Remittance rates on or after July 1, 2006 for businesses that purchase goods for resale		
	Permanent establishment in a non-participating province	Permanent establishment in a participating province
Supplies made in a non-participating province	2.2%	0% (and 2.5% credit)
Supplies made in a participating province	9%	4.7%

Table 4

Remittance rates on or after July 1, 2006 for businesses that provide services		
	Permanent establishment in a non-participating province	Permanent establishment in a participating province
Supplies made in a non-participating province	4.3%	2.6%
Supplies made in a participating province	11%	9.4%

Appendix B – Examples of the Quick Method calculation

The following examples illustrate how the Quick Method works. In each case, assume that the business files quarterly GST/HST returns.

To determine the remittance rate, or rates, that apply to supplies of property and services, see the tables in Appendix A on page 20.

Using one remittance rate

Example 1: Sales of goods in a non-participating province through a permanent establishment in a non-participating province.

QZ Greeting Cards Ltd.'s permanent establishment is in British Columbia and all of its sales are made there. QZ elected to use the Quick Method in 2005 and was eligible to use the 2.5% remittance rate. Now it has to determine if it can use the same rate for the first two quarters of 2006 as the nature of the business has not changed since 2005.

**QZ Greeting Cards Ltd.
Vancouver, British Columbia**

**Calculation of total annual taxable sales for the fiscal year
ending December 31, 2005**

Total purchases of goods for resale (including GST)	\$ 75,000
Total annual taxable sales (including GST)	\$ 160,000
Percentage of purchases to sales	47%

QZ's purchases (including GST) of goods for resale are more than 40% of its total annual taxable sales (including GST), and its annual worldwide taxable sales (including GST) are less than \$200,000. This means that QZ can still use the 2.5% remittance rate for its first and second quarters of 2006. Check Table 3 on page 21 for the new remittance rate as of July 1, 2006.

Quick Method calculation for QZ Greeting Cards Ltd.

**Calculation of GST remittance for the first quarter of 2006
(2.5% remittance rate)**

Total eligible sales for the first quarter (including GST)	\$ 44,000
Multiply the total eligible sales by the remittance rate (\$44,000 × 2.5%)	\$ 1,100
Deduct 1% for the first \$30,000 of eligible sales (\$30,000 × 1%)	\$ (300)
First quarter remittance	\$ 800

Example 2: Services provided in a non-participating province through a permanent establishment in a non-participating province.

Qwik Dry Cleaners’ services are all performed in Calgary, Alberta, where its permanent establishment is located. It used the Quick Method in 2005 and used the 5% remittance rate in effect at that time. Now it has to determine if it can continue to use the Quick Method in 2006.

Qwik Dry’s annual worldwide taxable sales (including GST) were not more than \$200,000 in 2005. Therefore, Qwik Dry can continue to use the Quick Method. Qwik Dry’s new remittance rate when filing its GST/HST return for the calendar third quarter of 2006 is now 4.3%. You can find the new remittance rate as of July 1, 2006 in Table 4 on page 21.

Quick Method calculation for Qwik Dry Cleaners Calgary, Alberta	
Calculation of GST remittance in third quarter of 2006 (4.3% remittance rate)	
Total eligible sales for the third quarter (including GST).....	\$ 22,000
Multiply the total eligible sales by the remittance rate ($\$22,000 \times 4.3\%$).....	\$ 946
Deduct 1% for the first \$30,000 of eligible sales ($\$22,000 \times 1\%$)	\$ (220)
Third quarter remittance	\$ 726

Example 3: Sales of goods in a participating province through a permanent establishment in a participating province with some sales in a non-participating province.

TTT Plumbing Supplies Halifax, Nova Scotia	
Calculation of total annual taxable sales for the fiscal year ending December 31, 2005	
Total purchases of goods for resale (including GST/HST)	\$ 45,000
Total annual taxable sales (including GST/HST).....	\$100,000
Percentage of purchases to sales	45%

Of this company’s eligible sales, 90% are made in Halifax, Nova Scotia, through its permanent establishment in Halifax. The remaining 10% are made in Toronto, Ontario. The company used the Quick Method in 2005.

Additionally, in 2005, purchases (including GST/HST) of goods to resell were more than 40% of the total annual taxable sales (including GST/HST), and the annual worldwide taxable sales (including GST/HST) were not more than \$200,000. Therefore, the company can continue to use the Quick Method in 2006.

As 90% of the company’s eligible sales are made in a participating province through a permanent establishment in a participating province, it will use the 5% remittance rate to calculate its net tax for all of its eligible sales in the first two quarters of 2006. As of July 1, 2006 the new remittance rate is 4.7%. Table 3 on page 21 has the new remittance rates.

Quick Method calculation for TTT Plumbing Supplies	
Calculation of GST/HST remittance in first quarter of 2006	
(5% remittance rate)	
Total eligible sales for the first quarter (including GST/HST)	\$ 18,000
Multiply the total eligible sales by the remittance rate (\$18,000 × 5%)	\$ 900
Deduct 1% for first \$30,000 of eligible sales (\$18,000 × 1%)	\$ (180)
First quarter remittance	\$ 720

Quick Method calculation for TTT Plumbing Supplies	
Calculation of GST/HST remittance in third quarter of 2006	
(4.7% remittance rate)	
Total eligible sales for the second quarter (including GST/HST)	\$ 32,000
Multiply total eligible sales by the remittance rate (\$32,000 × 4.7%)	\$ 1504
Deduct 1% for remainder of first \$30,000 of eligible sales (\$12,000 × 1%)	\$ (120)
Second quarter remittance	\$ 1384

When more than one remittance rate applies

Example: Sales of goods in both a participating and a non-participating province through a permanent establishment in a participating province.

Al and Bob’s Lumber Yard	
Goose Bay, Newfoundland and Labrador	
First quarter sales	
20% of lumber sales (including GST) are made in Charlottetown, Prince Edward Island, through the permanent establishment in Goose Bay	\$ 9,000
80% of lumber sales (including HST) are made in Goose Bay through the permanent establishment in Goose Bay	<u>\$ 36,000</u>
Total eligible sales	\$ 45,000

This company's permanent establishment is in Newfoundland and Labrador. It used the Quick Method in 2005.

In 2005, purchases (including GST/HST) of goods for resale were more than 40% of the total annual taxable sales (including GST/HST), and the annual worldwide taxable sales (including GST/HST) were not more than \$200,000. Therefore, the company is still eligible to use the Quick Method for 2006.

For the first quarter of 2006, the company has to use two different remittance rates because it has sales in Newfoundland and Labrador (a participating province), **and** in P.E.I (a non-participating province) and it does not make at least 90% of its total taxable sales in **one** of these provinces.

The remittance rate for the eligible sales made in Prince Edward Island is 0%. The remittance rate for the eligible sales made in Newfoundland and Labrador is 5%. This company can deduct a credit of 2.1% for the eligible sales made in Prince Edward Island.

Check Table 3 on page 21 for the new remittance rates as of July 1, 2006.

Quick Method calculation for Al and Bob's Lumber Yard	
Calculation of GST/HST remittance in first quarter of 2006	
Multiply the eligible sales made in P.E.I. (including GST) by the remittance rate of 0% ($\$9,000 \times 0\%$)	\$ 0
Multiply the eligible sales made in Newfoundland and Labrador (including HST) by the remittance rate of 5% ($\$36,000 \times 5\%$)	\$ 1,800
Deduct 2.1% for the eligible sales made in P.E.I. ($\$9,000 \times 2.1\%$)	\$ (189)
Deduct 1% for the first \$30,000 of eligible sales ($\$30,000 \times 1\%$)	\$ (300)
First quarter remittance	\$ 1,311

Notes

Notes

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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