

GST/HST Info Sheet

Consigned Goods

November 2004

This info sheet explains the application of the Goods and Services Tax/Harmonized Sales Tax (GST/HST) to goods sold on a consignment basis. A consignment is an arrangement in which an owner delivers their goods to another person (the “consignee”) on the understanding that the consignee will sell the goods. This info sheet does not apply to goods sold by an auctioneer. For more information on goods sold by auction refer to GST/HST Info Sheet, *Auctioneers*.

In this publication, “taxable” means subject to the GST/HST at a rate of 7% or 15% and “exempt” means not subject to the GST/HST. “Zero-rated” means subject to the GST/HST at a rate of 0%. “Registrant” means a person who is registered or is required to register for GST/HST purposes.

Depending on the circumstances, it may be either the owner or the consignee who is responsible for charging and accounting for the tax on a sale of taxable goods to the purchaser.

One factor in determining who is responsible, is whether or not the owner is required to charge the GST/HST on the sale of the goods.

Generally, an owner who is a registrant must charge and account for the GST/HST on taxable goods if the goods are sold in the course of their commercial activities. An owner who is not a registrant or who is not selling the goods in the course of their commercial activities does not charge and account for the GST/HST on the goods.

Another factor in determining whether it is the owner or the consignee who is responsible for charging and accounting for the tax, is the type of consignment arrangement.

There are two common types of consignment arrangements:

- a sale by agent arrangement where title to the goods is transferred directly from the owner to the purchaser through the consignee as agent; or
- a purchase and resale arrangement where title to the goods passes from the original owner to the consignee and then to the final purchaser.

Regardless of the type of consignment arrangement, the final purchaser must pay the GST/HST when buying taxable goods sold on a consignment basis.

Sale by agent arrangements

In these arrangements, the relationship between the owner and the consignee is an agency relationship. While it may not always be obvious to the consignee, if an arrangement is not a purchase and resale arrangement (discussed later), a consignee is likely an agent of the owner in carrying out the sale of the goods, and therefore falls under this type of arrangement.

The situations discussed below deal with the application of the GST/HST to the sale of goods (and to the agent’s services) in the two most common sale by agent arrangement scenarios.

La version française de ce document est intitulée *Produits en consignation*.

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The scenarios do not address those circumstances where an owner and a consignee make joint elections with respect to the liability for charging and/or accounting for the tax. In the case where the owner would otherwise be required to account for the tax, an election allows the registrant consignee to account for the GST/HST, instead of the owner. Also, a registrant owner may elect to charge and account for the tax, rather than the registrant consignee, when the owner would otherwise not have to charge tax. Please call a GST/HST Rulings Centre at the toll free number 1-800-959-8287 if you require information on these elections.

General Rules – the owner must charge and account for the GST/HST

According to the general principles of agency relationships, the sale of goods through a consignee as agent is considered to be a sale by the owner. As a result, if the owner would have been required to charge and account for the tax had they sold the goods directly to the purchaser, it is the owner who must charge and account for the tax on the sale of taxable goods sold through the consignee as agent.

If the consignee is a registrant, the consignee must charge and account for the tax on any services provided to the owner relating to the sale of the goods, including on their commission for the service of carrying out the sale of the goods.

Mr. Smith, who is a registrant, is the owner of a boat that was used in his commercial activities. He delivers the boat to the Marina By the Sea in order to have the marina sell it and agrees to pay the marina a 10% commission for carrying out the sale. The marina is a registrant and acts as agent in making the sale on behalf of Mr. Smith.

Because Mr. Smith is a registrant that used the boat in his commercial activities, he must charge and account for the GST/HST on the sale of the boat to the purchaser. In turn, the marina must charge and account for the GST/HST on the commission charged to Mr. Smith for carrying out the sale.

Special rules – the consignee must charge and account for the GST/HST

Special rules apply in situations where the consignee is a registrant and the owner would not have been required to charge the tax had they sold the goods directly to the purchaser. In this case, the sale of the goods (other than zero-rated or exempt goods) is considered to be a sale of taxable goods by the consignee. As a result, in these situations, the consignee must charge and account for the tax on the sale of the goods to the purchaser.

Also, the consignee is considered (except in limited circumstances) not to have provided the owner with services related to the sale of the goods. Therefore, the consignee does not charge the tax on their commission for the services provided to the owner of carrying out the sale of the goods.

Mr. and Mrs. Patel, who are non-registrants, are owners of a boat that they used for recreational purposes. They deliver the boat to the Marina By the Sea in order to have the marina sell it and agree to pay the marina a 10% commission for carrying out the sale. The marina is a registrant and acts as agent in making the sale on behalf of the Mr. and Mrs. Patel.

In this case, the marina must charge and account for the GST/HST on the sale of the boat to the purchaser because Mr. and Mrs. Patel are not required to collect the tax (they are not registrants and the boat was not used in commercial activities). In turn, the marina does not charge or account for the GST/HST on the commission charged to Mr. and Mrs. Patel for carrying out the sale.

Purchase and resale arrangements

In these arrangements, the relationship between the original owner and the consignee is a seller and purchaser relationship.

The situations discussed below deal with the application of the GST/HST to the sale of goods in the two most common purchase and resale arrangement scenarios.

The original owner and consignee both must charge and account for the GST/HST

An original owner who is a registrant must charge and account for the tax on the sale of taxable goods to the consignee. Similarly, a consignee who is a registrant must charge and account for the tax on the sale of taxable goods to the final purchaser. For GST/HST purposes, the sale of the goods between the original owner and the consignee occurs at the time that the consignee sells the goods to the final purchaser.

Mr. Grey, a GST/HST registrant, delivers office equipment to the AAA Clearance Outlet to sell it. Mr. Grey used the office equipment in the course of his commercial activities. The clearance outlet is a registrant and agrees to purchase the equipment from the Mr. Grey when it is sold to the final purchaser.

Mr. Grey must charge and account for the GST/HST on the sale of the equipment to AAA Clearance Outlet because he is a GST/HST registrant and because he used the office equipment in the course of his commercial activities. The sale of the equipment between Mr. Grey and AAA Clearance Outlet occurs at the time that the clearance outlet sells the equipment to the final purchaser.

AAA Clearance Outlet must charge and account for the GST/HST on the sale of the equipment to the final purchaser.

The consignee must charge and account for the GST/HST

An original owner who is not a registrant or who is selling goods otherwise than in the course of a commercial activity does not charge and account for the tax on the sale of goods to the consignee. However, if the consignee is a registrant, they must charge and account for the GST/HST on the sale of taxable goods to the final purchaser.

Mrs. Rogers delivers office equipment to AAA Clearance Outlet to sell it. Mrs. Rogers is not required to charge and account for tax because either she is not a registrant or she did not use the equipment in the course of a commercial activity. The AAA Clearance Outlet is a registrant and agrees to purchase the equipment from Mrs. Rogers when it is sold to the final purchaser.

Since Mrs. Rogers is not required to collect the tax, she does not charge or account for GST/HST on the sale to AAA Clearance Outlet.

However, AAA Clearance Outlet must charge and account for the GST/HST on the sale of the equipment to the final purchaser.

A GST/HST Info Sheet on agents will be published soon. Until that time, for more information on agency relationships, refer to GST/HST Policy Statement P-182R, *Agency*. If you want to discuss a specific consignment arrangement, please call a GST/HST Rulings Centre.

This information sheet does not replace the law found in the *Excise Tax Act* (the Act) and its Regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any Canada Revenue Agency (CRA) GST/HST Rulings Centre for more information. These centres are listed in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres*. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287. A ruling should be requested for certainty in any particular GST/HST matter.

If you are located in the province of Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact the Revenue Quebec by calling the toll-free number 1-800-567-4692.

All GST/HST publications are available on the CRA's Web site at <http://www.cra-arc.gc.ca/tax/technical/gsthst-e.html>.

Reference in CRA publications is made to property and services taxable at 7% (the GST rate) or 15% (the HST rate). The 15% HST applies to property and services provided in Nova Scotia, New Brunswick, and Newfoundland and Labrador (the "participating provinces").