



GST/HST Memoranda Series

2.2 Small Suppliers

May 1999
(Revised October 13, 2000)

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| Overview | This memorandum explains who is a small supplier for purposes of the Goods and Services Tax (GST)/Harmonized Sales Tax (HST), the calculation of the small supplier threshold, and when a person will cease to be a small supplier. |
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Disclaimer The information in this memorandum does not replace the law found in the *Excise Tax 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 a 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.

If you are located in the Province of Quebec, please contact Revenu Québec by calling the toll-free number 1-800-567-4692 for additional information.

Note This memorandum replaces GST/HST Memorandum 2.2, *Small Suppliers*, dated June 1995. Significant changes have been side-barred.

Note - HST Reference in this memorandum is made to supplies taxable at 7% or 15% (the rate of the HST). The 15% HST applies to supplies made in Nova Scotia, New Brunswick and Newfoundland (the “participating provinces”). If a person is uncertain as to whether the supply is made in a participating province, the person may refer to Technical Information Bulletin B-078, *Place of Supply Rules under the HST*, available from any Revenue Canada tax services office.

Who is a small supplier?

Definition of small supplier ss 148(1)

1. A person is a small supplier during any particular calendar quarter and the following month if the total value of the consideration for world-wide taxable supplies, including zero-rated supplies, made by the person (or an associate of the person at the beginning of the particular calendar quarter) that became due, or was paid without becoming due, in the previous four calendar quarters does not exceed \$30,000 or, where the person is a public service body, \$50,000.

2. The calculation excludes consideration attributable to the sale of goodwill of a business, supplies of financial services, and supplies by way of sale of capital property.

Definition of public service body ss 123(1)

3. For GST/HST purposes, a public service body is defined as a non-profit organization, a charity, a municipality, a school authority, a hospital authority, a public college or a university. These terms are themselves defined in subsection 123(1) for GST/HST purposes.

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| Exception ss 148(2) | <p>4. As an exception to the rule in paragraph 1, a person ceases to be a small supplier at any time in a calendar quarter if the total value of the consideration that becomes due, or is paid without becoming due, in that quarter for world-wide taxable supplies (other than consideration attributable to the sale of goodwill of a business, supplies of financial services, and supplies by way of sale of capital property) made by the person, or an associate of the person at the beginning of the calendar quarter, exceeds \$30,000 or, if the person is a public service body, \$50,000. The person ceases to be a small supplier immediately before the consideration becomes due or is paid for the particular taxable supply that puts the person over the \$30,000 or \$50,000 small supplier threshold.</p> |
| | <p>5. These threshold amounts (i.e., \$30,000 or \$50,000) are greater in certain situations. This is explained further in paragraph 20.</p> |
| ss 148(3) | <p>6. A non-resident person whose only business carried on in Canada is supplying admissions in respect of a place of amusement, a seminar, an activity, or an event is excluded from being a small supplier.</p> |
| Charities and public institutions as small suppliers | <p>7. A special small supplier test applies to charities and public institutions. A charity or public institution can determine if it qualifies as a small supplier using its gross revenue reported on its financial statements prepared for income tax purposes.</p> |
| Definition of charity ss 123(1) | <ul style="list-style-type: none">• A charity, for purposes of GST/HST, means a registered charity or registered Canadian amateur athletic association within the meaning assigned to those expressions by subsection 248(1) of the <i>Income Tax Act</i>, but does not include a public institution. |
| Definition of public institution ss 123(1) | <ul style="list-style-type: none">• A public institution, for purposes of GST/HST, means a person that is both a registered charity within the meaning assigned by subsection 248(1) of the <i>Income Tax Act</i> and either a university, a hospital authority, a public college, a school authority, or a local authority determined by the Minister to be a municipality. |
| Charity or public institution as a small supplier ss 148.1(2) | <p>8. A charity or public institution will be considered to be a small supplier:</p> <ol style="list-style-type: none">a) in its first fiscal year;b) in its second fiscal year if its gross revenue for its first fiscal year was \$250,000 or less; orc) if it has been in existence for more than two years, its gross revenue in either of its previous two fiscal years was \$250,000 or less. <p>9. Charities or public institutions (and other organizations that qualify for a public service body rebate under section 259) that are small suppliers are still entitled to claim the rebate.</p> |

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| Definition of gross revenue for charities and public institutions ss 148.1(1) | <p>10. If a charity or public institution fails to meet the gross revenue test and is not a small supplier thereunder, the charity or public institution may still qualify as a small supplier if it meets the normal small supplier test under section 148. More information on charities will be available in Chapter 21, <i>Special Sectors: Charities</i>.</p> <p>11. The gross revenue for a fiscal year of a charity or public institution means the amount that the charity or public institution determines to be its gross revenue in its annual financial statements, which it has to prepare to meet income tax reporting requirements. The total gross revenue is calculated by totalling revenue from all sources, including all gifts and donations, grants and subsidies, revenue from related businesses, property, and investment income, then deducting capital losses. Gross revenue can be calculated on a cash or accrual basis depending on the method it uses to prepare its annual financial statements for income tax purposes.</p> |
| Entitlements and obligations | |
| Supply by small supplier not a registrant s 166 | <p>12. If the consideration (or part of the consideration) for a taxable supply made by a person becomes due, or is paid before it becomes due, at a time when the person is a small supplier who is not registered for GST/HST nor required to be registered for GST/HST, that consideration (or part of it) is not to be included in calculating the tax payable in respect of the supply. In other words, tax is not to be collected by the supplier on the consideration. Sales of real property made by a small supplier are excluded from this provision.</p> |
| Voluntary registration ss 240(3) | <p>13. A person who is a small supplier is not required to be registered for GST/HST purposes unless the person is engaged in a taxi business, and then only in respect of that business. A small supplier engaged in a commercial activity in Canada can, however, voluntarily apply to be registered. Before doing so, such a person should be aware of the requirements and responsibilities of being registered. GST/HST Memorandum 2.3, <i>Voluntary Registration</i>, provides detailed information on this subject.</p> |
| Application for required registration ss 240(2.1) | <p>14. A person who no longer qualifies as a small supplier and is required to be registered generally must apply to the Minister for registration before the thirtieth day after the day the person first makes a taxable supply in Canada, otherwise than as a small supplier, in the course of a commercial activity engaged in by the person in Canada. For more information, refer to GST/HST Memorandum 2.1, <i>Required Registration</i>.</p> |
| Branches/divisions of public service body designated as small supplier divisions s 129 and 129.1 Form GST 31 | <p>15. A public service body may apply to have its branches and divisions designated as small supplier divisions. A designated small supplier division is treated as a non-registrant, even though the body itself may be registered. No tax is collected on taxable supplies of the small supplier division and no input tax credits are claimed with respect to its purchases. To qualify for this designation, separate accounting records must be kept for the branch or division, and either its location or its activities must be separately identifiable. Application for this designation is to be made on form GST 31, <i>Application for Public Service Bodies to Have Branches/Divisions Deemed to Be Separate Persons for Small Supplier Status</i>. A sample of the form is provided in the Appendix.</p> |

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16. More information on branches/divisions designated as small supplier divisions is available in GST/HST Memorandum 2.4, *Branches and Divisions*.

Calculation of the small supplier threshold

When consideration becomes due ss 152(1)

17. To calculate the small supplier threshold, it is necessary to determine whether the consideration for the taxable supplies in question that became due, or was paid without becoming due, to the person or an associate of the person exceeded the threshold in the particular calendar quarter or in the previous four calendar quarters.

- The consideration for a taxable supply, or part thereof, is generally deemed to become due on the earliest of:
 - (i) the earlier of the day the supplier first issues an invoice in respect of the supply for that consideration or part and the date of that invoice;
 - (ii) the day the supplier would have, but for an undue delay, issued an invoice for the supply for that consideration or part; and
 - (iii) the day the recipient must pay that consideration or part to the supplier pursuant to an agreement in writing.

Advance revenues

- An example of where the value of consideration for taxable supplies is paid without having become due would be advances for taxable supplies to be made at some future date.

Leasing revenues ss 152(2)

- The consideration, or any part thereof, for the supply of property by way of lease, licence or similar arrangement under an agreement in writing is deemed to become due on the day the recipient of the supply has to pay the consideration or part to the supplier under the agreement.

18. Detailed information on the timing of liability will be covered in Chapter 3, *Tax on Supplies*.

Included in threshold amount

ss 148(1) and (2)

19. To calculate the value of the consideration becoming due, or paid without becoming due, to the person or an associate of the person in the particular calendar quarter or in the four previous calendar quarters, include the following revenues (this list is not all inclusive):

Branch, division, and associate revenues

- (a) the value of consideration for all taxable supplies made by the person (including those made by branches or divisions), even if this is done under different business or trade names, and those made by associates of the person;

World-wide revenues

- (b) the value of consideration (in Canadian dollars) for taxable supplies made anywhere in the world by the person and any associate of the person; and

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- For example, a non-resident U.S. corporation carrying on business in Canada makes annual sales of furniture of \$500,000 (Canadian) to a Japanese corporation, but only makes \$20,000 of its sales in Canada. In this case, the non-resident U.S. corporation would be required to register because its world-wide revenues from taxable supplies are \$520,000.

Fair market value of property appropriated for own use ss 172(1) and (2)

- (c) the fair market value of property acquired, manufactured or produced (other than capital property), or the fair market value of a service acquired or performed in the course of a commercial activity which was appropriated for private or other non-business use.

Increase to threshold amount

Bets, games of chance and prizes ss 187 and 188

20. The \$30,000 or \$50,000 small supplier threshold of a person will be increased by amounts of money paid or payable by the person or an associate of the person as a prize or winnings in a game or in satisfaction of a bet, or consideration paid or payable by the person or the associate for property or services given as a prize or winnings or in satisfaction of a bet. This will apply only where the person or the associate makes a taxable supply of a right to participate in a game of chance or is deemed, under section 187, to have made a supply for a bet and the supply is taxable. As a result, if a person sells lottery or raffle tickets the consideration of which is included in the \$30,000 or \$50,000 small supplier threshold, the threshold is increased by the value of the prizes or winnings awarded.

Example 1

The total consideration for a person's taxable supplies for the relevant period is \$40,000, including the sale of raffle tickets. The person is not a public service body. If the person awards prizes to winners of the raffle totalling \$12,000, its small supplier threshold for the relevant period would be \$42,000 (\$30,000 + \$12,000). Since the person's total supplies (\$40,000) do not exceed the \$42,000 threshold, it would retain its status as a small supplier.

Not included in threshold amount

21. The value of the consideration, or a part thereof, for certain supplies should **not** be included when calculating the \$30,000 or \$50,000 small supplier threshold, including (this list is not all inclusive):

- (a) any amounts in respect of exempt supplies;
- (b) proceeds from the sale of capital property;
- (c) provincial sales taxes;

s 154

- Certain taxes, duties and fees may also not be required to be included. These are prescribed in the *Taxes, Duties and Fees (GST) Regulations*.

- (d) the GST/HST that would have been imposed (i.e., collected or collectible) if the person had been required to charge and collect the tax;

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- The threshold calculation should, however, include any other federal tax, duty or fee payable by the recipient for the taxable supplies.

(e) any consideration that is attributable to a business' goodwill; and

(f) consideration attributable to the supply of financial services.

Example 2 ss 148(1)

A person (not a public service body) may determine that, in April 1999, the consideration becoming due, or paid without becoming due, for taxable supplies, including zero-rated supplies, in the four previous calendar quarters is as follows:

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|------------------------------------|-----------------|
| Quarter ending June 30, 1998 | \$ 7,500 |
| Quarter ending September 30, 1998 | \$ 7,000 |
| Quarter ending December 31, 1998 | \$ 7,500 |
| Quarter ending March 31, 1999 | \$ 7,500 |
| Total ending March 31, 1999 | \$29,500 |

In Example 2, the person will continue to be a small supplier throughout the second calendar quarter of 1999 and July 1999 (i.e., April 1 to June 30, 1999, plus one month), because the threshold was not exceeded in the four previous calendar quarters. This assumes that the person did not exceed the threshold at some point in the second calendar quarter of 1999, (i.e., have consideration for taxable supplies in excess of \$30,000 paid or becoming due in that quarter in which case subsection 148(2) applies). The evaluation should be made at the end of every calendar quarter based on the immediately preceding four calendar quarters.

Example 3 ss 148(1)

The status of a person (not a public service body) as a small supplier does not extend beyond the last day of the month following a particular calendar quarter during which the threshold is exceeded as illustrated below:

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|-----------------------------------|-----------------|
| Quarter ending June 30, 1998 | \$ 7,500 |
| Quarter ending September 30, 1998 | \$ 7,500 |
| Quarter ending December 31, 1998 | \$ 7,500 |
| Quarter ending March 31, 1999 | \$10,000 |
| Total | \$32,500 |

In Example 3, the person's status as a small supplier cannot extend beyond April 30, 1999, because the small supplier threshold was exceeded during the first calendar quarter of 1999. Therefore, if the person's first taxable supply in Canada, other than as a small supplier, is made on May 2, 1999, the person must apply to be registered for the GST/HST before June 1, 1999, (i.e., before the day that is 30 days after it made its first taxable supply in Canada otherwise than as a small supplier). The effective date of registration will be May 2, 1999.

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Example 4
ss 148(2)

Using Example 3, the person makes a taxable supply of \$31,000 on March 2, 1999, (instead of \$10,000) and is paid for the supply on that date. Consequently, the person exceeds the small supplier threshold on that date. The person ceases to be a small supplier immediately before the consideration becomes due or is paid for the particular taxable supply that puts the person over the \$30,000 small supplier threshold. The person generally will be required to collect the tax if the taxable supply is made in Canada. Furthermore, the tax generally will be collectible on taxable supplies subsequently made by the person in Canada. In this example, the person must apply to be registered for the GST/HST before April 1, 1999, (i.e., before 30 days after it made its first taxable supply in Canada otherwise than as a small supplier). The effective date of registration will be March 2, 1999.

As explained in paragraph 4, a person ceases to be a small supplier immediately before the time in a particular calendar quarter when the value of the consideration (with some exclusions) that became due or that was paid without becoming due for taxable supplies made by the person, or any associated person, in that particular quarter exceeds the small supplier threshold.

All GST/HST memoranda and other Revenue Canada publications are available on Internet at the Revenue Canada site <http://www.rc.gc.ca/> under the heading "Technical Information" in "General Information".

2.2 Small Suppliers (continued)

Appendix A-Form GST 31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*

2.2 Small Suppliers (continued)

Appendix A-Form GST 31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions (continued)*

