

GST/HST Memoranda Series

2.7 Cancellation of Registration

May 2005

Overview	This memorandum explains when cancellation of a goods and services tax (GST)/harmonized sales tax (HST) registration under the <i>Excise Tax Act</i> (the Act) is required or permitted, and the procedures necessary to have the registration cancelled.
Disclaimer	<p>The information in this memorandum does not replace the law found in the <i>Excise Tax Act</i> 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, <i>Canada Revenue Agency GST/HST Rulings Centres</i>. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287.</p> <p>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.</p>
Note	This memorandum replaces GST/HST Memorandum 2.7, <i>Cancellation of Registration</i> , dated May 1999. Revisions to the text have been side-barred.
Note – HST	Reference in this publication is made to supplies taxable at 7% or 15% (the rate of the HST). The 15% HST applies to taxable (other than zero-rated) 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, <i>Place of Supply Rules under the HST</i> , available from any Canada Revenue Agency (CRA) tax services office.

Conditions for cancelling a registration

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| Minister may cancel ss 242(1) | 1. The Minister may, after giving reasonable notice in writing, cancel the registration of a person, provided the Minister is satisfied that the registration is no longer required. |
| Minister's written notice ss 242(3) | 2. When cancelling a registration, the Minister will notify the person in writing and state the effective date of the cancellation. |
| Conditions for cancellation | 3. The Minister may cancel a person's registration in the following circumstances: |

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2.7 Cancellation of Registration

- Sale, transfer or cessation of unincorporated business
 - (a) if an unincorporated body, or an individual, ceases to be engaged in commercial activities, converts the business assets to personal use, or sells or transfers the business;
 - This would also occur in a situation where a person becomes a bankrupt. However, the bankrupt's registration would only be cancelled after the trustee in bankruptcy has been discharged under the *Bankruptcy and Insolvency Act* and all required returns have been filed.
 - This does not apply where a sole proprietor operating more than one business closes down or sells one or more businesses, but continues at least some business operations. The person's registration would not be cancelled unless the person ceases all commercial activity, or the person makes a request for cancellation under the conditions described in paragraph 6 below.
 - Death
 - (b) where the commercial activities of an individual cease because of the death of the individual;
 - In this case, the personal representative of the estate should contact the nearest CRA tax services office.
 - Dissolution of partnership
 - (c) if a partnership is dissolved;
 - A partnership's registration will be cancelled upon dissolution of the partnership. Partnership Acts of provincial jurisdictions generally require the filing, in a local registry office, of a declaration of the dissolution of a partnership.
- ss 272.1(6)
- Where a partnership ceases in law to exist (e.g., when one of the two members of the partnership dies), the partnership is deemed not to have ceased to exist until the registration of the partnership is cancelled.
- ss 272.1(7)
- A partnership is deemed to be a continuation of and the same person as a previous partnership as long as:
 - (i) the majority of members of the new partnership also formed a majority of the members of the previous partnership;
 - (ii) together, the members of the new partnership had more than a 50% interest in the capital of the previous partnership;
 - (iii) the members of the previous partnership who become members of the new partnership transfer to the new partnership all or substantially all (90% or more) of the property distributed to them in settlement of their capital interests in the previous partnership; and
 - (iv) the new partnership is not registered nor did it apply for registration.

- Corporation ceases to exist
 - (d) if an incorporated body ceases to exist;
 - A corporation has a separate legal entity from its shareholders. Consequently, although the sale or transfer of a business carried on as a sole proprietorship will result in the cancellation of the proprietor's registration where the proprietor does not carry on any other commercial activities, the transfer of ownership of a corporation by sale of shares will not require the cancellation of the company's registration.

- Amalgamations 271
 - If two or more corporations amalgamate, the successor company is a new entity and is considered to be a person separate and distinct from each of its predecessor corporations. The registrations of the predecessor corporations would normally be cancelled. The newly amalgamated corporation (i.e., the successor company) may have to apply to be registered. When the successor company registers, it may either retain the registration number (BN) of one of the predecessor corporations, or take a new BN.

- Change in legal status
 - (e) if the legal entity under which a business operates changes;
 - If a business carried on by a partnership is transferred to a corporation or if a partnership is dissolved and the business continues to be run by one of the former partners as a sole proprietorship, the original registration of the partnership will be cancelled. Similarly, if a business carried on by a sole proprietorship is transferred to an incorporated company or a partnership, the original registration of the sole proprietorship must be cancelled.

- Cease to make taxable supplies of admissions in Canada
 - (f) if a person who entered Canada for the purpose of making taxable supplies of admissions in respect of a place of amusement, a seminar, an activity, or an event ceases to make such supplies in Canada;

- No commercial activity in Canada
 - (g) if a person ceases to be engaged in a commercial activity in Canada or no longer qualifies for voluntary registration (e.g., the person may continue to operate as a business, but ceases to make taxable supplies, and makes only exempt supplies); and

- Registered in error
 - (h) if a person is registered in error (e.g., the person advises the CRA that it is engaged in a commercial activity and applies to be registered, and it is subsequently discovered that there was no commercial activity).

- Must notify the CRA

4. Registrants have to inform the CRA of the foregoing situations requiring the cancellation of registration as well as any circumstances requiring the amendment of registration.

- Effective date of cancellation

5. When an individual dies or the business entity ceases to exist, is sold or transferred, the effective date of cancellation of registration will generally be established in consultation with the registrant or its personal representative.

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- Request for cancellation by registrant
6. The Minister will cancel the registration of a person (other than a taxi operator) on the request of that person if
- (a) the person is a small supplier (see GST/HST Memorandum 2.2, *Small Suppliers*, for the definition of a small supplier), and
 - (b) the person has been registered for not less than one year.
7. In such circumstances, the effective date of the cancellation would generally be after the last day of the fiscal year of the person provided the person was registered for at least one year. However, administratively, the effective date of the cancellation may be any other date established in consultation with the registrant as long as the above conditions are met.
- Manner of request
Form RC145
8. The person may file a request with the Minister in the prescribed form and manner, containing the prescribed information. Application can be made by using Form RC145, *Request to Close Business Number (BN) Accounts*, which is available electronically from the CRA Web site. Alternatively, the person may apply for cancellation of registration by telephone or in writing as long as all necessary information is received.
9. The following information must be supplied to the Minister:
- a) the reason for the cancellation request;
 - b) the effective dates of registration and cancellation (as proof that the person has been registered for GST/HST for at least one year);
 - c) a statement that all commercial activity has ceased or, in the case of voluntary cancellation, that the person is a small supplier; and
 - d) the signature of the registrant or an authorized person of the registrant or, when cancelling by telephone, confirmation that the person is authorized.
- Request for variation by taxi operator
ss 242(2.1)
10. As stated in GST/HST Memorandum 2.1, *Required Registration*, every small supplier who operates a taxi business must register for the GST/HST. Such a taxi operator may have that registration cease to apply to those of its commercial activities that are not part of the taxi business. In this instance, a taxi operator may request (in the same manner as outlined in paragraph 8) to have the registration varied to apply only to the taxi business. After receiving the request to have the taxi operator's registration varied, the Minister shall vary the registration.
- Effective date of variation
ss 242(2.1) and (3)
11. The effective date of the variation in registration must be at least one year after registration last began to apply to all of the operator's commercial activities in Canada. The effective date for this variation will generally be the first day of a fiscal year of the operator. Administratively, the effective date may be any other date established in consultation with the operator as long as the one year condition is met. The Minister shall notify the operator in writing of the effective date of the variation.

Responsibilities and obligations upon cancellation

General

12. When a person ceases to be a registrant on a particular day, the person is deemed to have two separate reporting periods. The first deemed reporting period begins on the first day of the reporting period that includes the particular day and ends on the day immediately preceding the day the person ceases to be a registrant. The second deemed reporting period begins the day the person ceased to be a registrant and ends on the last day of the calendar month that includes the day the person ceases to be a registrant.

Example

A person filing on an annual basis with a reporting period of January 1, 2004 to December 31, 2004 ceases to be a registrant September 15, 2004.

- first deemed reporting period: January 1 to September 14, 2004;
- second deemed reporting period: September 15 to September 30, 2004.

The person will be responsible for filing all GST/HST returns up to date and remitting any outstanding GST/HST collected or collectible on taxable supplies made during the period of registration. A return for the second deemed reporting period is required only if the person has an obligation to remit tax for that period.

13. Persons are required to file GST/HST returns for periods that are full fiscal years within three months after the end of the year or, in the case of an individual where certain conditions are met, by June 15 of the following year. In any other case, such as where the first deemed reporting period is not a full fiscal year or is a fiscal quarter or fiscal month or part thereof, or the person is not registered for the GST/HST, the person must file the return within one month after the reporting period.

Using the example provided above, the return for:

- the first deemed reporting period is due on or before October 14, 2004;
- the second deemed reporting period is due on or before October 31, 2004.

Property ss 171(3)

14. Generally, when a person ceases to be a registrant, any property held by the person for consumption, use or supply in a commercial activity is considered to have changed to non-commercial use. As a result, input tax credits previously claimed on such property will be recaptured. To do so, the person is treated as having disposed of each property (other than capital property) at its fair market value immediately before ceasing to be a registrant and to have collected GST/HST on that amount. The GST/HST is then remittable on the person's last return as a registrant.

Capital property

15. Specific rules apply to capital property such as passenger vehicles. More detailed information will be available in Chapter 8, *Input Tax Credits: Eligible ITCs*, of the GST/HST Memoranda Series. Information on this subject is also available by contacting the nearest CRA tax services office.

2.7 Cancellation of Registration

Services and rental
properties
ss 171(4)

16. In general, the treatment of services and rental properties when a person ceases to be a registrant parallels the treatment of property (other than capital property). In the case of GST/HST paid or payable for services or rentals that straddle a period of time where the person ceases to be a registrant, the person is required to apportion the GST/HST paid or payable in determining any input tax credits.

17. In determining its input tax credits, the person may include any GST/HST that becomes payable on an expense incurred after the person ceases to be a registrant that is in respect of services or rental properties supplied to the person when the person was a registrant.

18. The person will also be required to make an adjustment on the final return if an input tax credit has been claimed for the GST/HST paid or payable on services or rental properties for use in commercial activities of the person after registration ceases.

Example

In January, a registrant who is a monthly filer prepays rent plus GST/HST for six months (January through to June). The registrant is entitled to and claims in the January reporting period an input tax credit in respect of the GST/HST paid on this expense. The registrant then cancels the registration effective the last day of March to become a small supplier on the first day of April. As the registrant is no longer entitled to an input tax credit for the GST/HST paid on the rent for the months of April, May and June, the registrant is required to make an adjustment to the final return. In other words, the amount of tax previously claimed as an input tax credit for these three months must be remitted.

Ceasing to be a
registrant for other
activities

ss 171.1(3)

19. When a person who is engaged in a taxi business and other commercial activities in Canada, other than the supply by way of sale of real property, ceases to be a registrant for those other commercial activities, the registrant will be required to self-assess and remit GST/HST only in respect of property and services used in the person's non-taxi commercial activities.

ENQUIRIES

If you wish to make a **technical enquiry** on the GST/HST by telephone, please call one of the following toll-free numbers:

1-800-959-8287 (English service)

1-800-959-8296 (French service)

General enquiries about the GST/HST should be directed to Business Enquiries at one of the following toll-free numbers:

1-800-959-5525 (English service)

1-800-959-7775 (French service)

If you are in the Province of Québec please call the following toll-free number:

1-800-567-4692 (Revenu Québec)

All GST/HST memoranda and other Canada Revenue Agency publications are available in the CRA Web site at <http://www.cra-adrc.gc.ca/>.