

Please note that the following GST Memorandum, although correct at the time of issue, has not been updated to reflect any subsequent legislative changes since the date of issue. As a result, some of the technical information this memorandum contains may no longer be valid. Please contact your GST/HST Rulings Centre for assistance.

## **GST 500-2**

### **ADMINISTRATION AND ENFORCEMENT RETURNS AND PAYMENTS**

Ottawa, March 25, 1991

This general memorandum in the "**ADMINISTRATION AND ENFORCEMENT**" series explains the procedures and requirements for filing Goods and Services Tax (GST) returns, for calculating and remitting payments of any GST due, and for claiming refunds.

The *Excise Tax Act* prescribes a number of tax returns for use by registrants and non-registrants. However, this memorandum deals only with the "Goods and Services Tax Return for Registrants".

Refer to "Appendix F" of this memorandum for a list of the other prescribed returns. More information on these returns is available in GST MEMORANDUM 500-2-6, "**OTHER GST RETURNS**".

The following sub-series of memoranda provide more detailed information on the procedures and requirements for calculating, reporting and remitting the GST:

GST 500-2-1	Authorized Fiscal Periods and Reporting Periods
GST 500-2-2	Instalments
GST 500-2-3	(reserved for future use)
GST 500-2-4	Calculation of Liability
GST 500-2-5	(reserved for future use)
GST 500-2-6	Other GST Returns

### **LEGISLATIVE REFERENCES**

*Excise Tax Act* - sections 166, 229, 238, 239, 245 to 251, 280 and 318, subsections 221(1) and 228(1)

### **DEFINITIONS**

The following definitions have either been taken from the *Excise Tax Act* as amended by S.C. 1990, c. 45 (Bill C-62) or represent departmental interpretations of terms relevant to the administration of that Act.

**"Act"** means the *Excise Tax Act*;

**"associated persons"** persons are considered to be associated in the following circumstances:

- (a) a particular corporation is associated with another corporation if, by reason of subsections 256(1) to (6) of the *Income Tax Act*, the particular corporation is associated with the other corporation for the purposes of that Act;
- (b) a person other than a corporation is associated with a particular corporation if the particular corporation is controlled by the person or by a group of persons of which the person is a member and each of whom is associated with each of the others;
- (c) a person is associated with:
  - (i) a partnership if the total of the shares of the profits of the partnership to which the person and all other persons who are associated with the person are entitled is more than half of the total profits of the partnership, or would be more than half of the total profits of the partnership if it had profits; and
  - (ii) a trust if the total of the values of the interests in the trust of the person and all other persons who are associated with the person is more than half of the total value of all interests in the trust; and
- (d) a person is associated with another person if each of them is associated with the same third person;

**"business"** includes a profession, calling, trade, manufacture or undertaking of any kind whatever, whether the activity or undertaking is engaged in for profit, and any activity engaged in on a regular or continuous basis that involves the supply of property by way of lease, licence or similar arrangement, but does not include an office or employment;

**"calendar quarter"** means a period of three months beginning on the first day of January, April, July or October in each calendar year;

**"commercial activity"** means

- (a) any business carried on by a person,
- (b) any adventure or concern of a person in the nature of trade, and
- (c) any activity engaged in by a person that involves the supply of real property or of a right or interest in respect of real property by that person,

but does not include

- (d) any activity engaged in by a person to the extent that it involves the making of an exempt supply by the person,
- (e) any activity engaged in by an individual without a reasonable expectation of profit, or
- (f) the performance of any duty or activity in relation to an office or employment;

**"fiscal year"** of a person means

- (a) where the person has made an election under section 244 of the *Excise Tax Act* that is in effect, the period that the person elected to be the fiscal year of the person, and
- (b) in all other cases, the taxation year of the person;

**"Minister"** means the Minister of National Revenue;

**"person"** means an individual, partnership, corporation, trust or estate, or a body that is a society, union, club, association, commission or other organization of any kind;

**"public service body"** means a non-profit organization, a charity, a municipality, a school authority, a hospital authority, a public college or a university;

**"registrant"** means a person who is registered, or who is required to apply to be registered, under sections 240 and 241 of the *Excise Tax Act*;

**"related persons"** means persons who, by reason of subsections 251(2) to (6) of the *Income Tax Act*, are related to each other for the purposes of that Act;

**"reporting period"** of a person means the reporting period of the person as determined under sections 245 to 251 of the *Excise Tax Act*

Act;

**"small supplier"** at any time, means a person who is at that time a small supplier under section 148 of the *Excise Tax Act*;

**"taxation year"** of a person means

- (a) where the person is a taxpayer within the meaning of that term in the *Income Tax Act*, the taxation year of the person for the purposes of that Act, and
- (b) in any other case, the period that would be the taxation year of the person for the purposes of that Act, if the person were a corporation;

**"taxable supply"** means a supply that is made in the course of a commercial activity, but does not include an exempt supply.

#### LIABILITY TO COLLECT AND REMIT THE GST

1. Subsection 221(1) of the Act provides that every person who makes a taxable supply is required to collect the GST payable by the recipient for the supply.
2. However, no tax is payable on consideration for a taxable supply that becomes due or is paid before becoming due when the person making the supply is a small supplier who is not a registrant (section 166). This provision does not apply to sales by small suppliers of real property.
3. Subsection 228(1) of the Act stipulates that every registrant who is required to file a return shall in that return calculate the net tax for the reporting period for which the return is to be filed.
4. If the net tax for a reporting period is positive, the amount must be remitted to the Receiver General. If the net tax for a reporting period is negative, that amount may be claimed as a net tax refund, which is payable by the Minister.

#### REQUIREMENT FOR REGISTRANTS TO FILE GST RETURNS

5. Subsection 238(1) of the Act provides that every registrant shall file a return for each reporting period of the registrant:
  - (a) where the registrant's reporting period is the fiscal year, the return is to be filed within three months after the end

of the fiscal year; and

- (b) in every other case, the return is to be filed within one month after the end of the reporting period of the registrant.

6. Subsection 238(4) of the Act provides that every GST return is to be completed in the prescribed form, to contain the prescribed information and to be filed in the prescribed manner.

7. The "Goods and Services Tax Return for Registrants" is to be used by registered suppliers to

- (a) declare tax collectible,
- (b) claim input tax credits, and
- (c) calculate net tax for a reporting period.

A sample of the "Goods and Services Tax Return for Registrants" is attached as Appendix A to this memorandum. Detailed instructions for completing this return are contained in the **"GUIDE TO THE GST RETURN FOR REGISTRANTS"**.

8. Subsection 239(1) of the Act allows a registrant who engages in one or more commercial activities in separate branches or divisions to apply to the Minister for the authority to file separate returns for a branch or division specified in the application. Information and instructions on authority for separate returns are available in form GST 10, "Application for Branches/Divisions to File Separate Returns", available from your nearest Revenue Canada Excise office.

#### **REPORTING PERIODS AND THE GST YEAR**

9. The reporting period of a registrant is dependent on the registrant's threshold amount for a fiscal year or fiscal quarter. Section 249 of the Act provides the rules for calculating threshold amounts. In these calculations, consideration for most taxable supplies made by a person during a specified period is aggregated with a similar total for all associated persons.

10. The filing periods for GST returns are as follows:

- (a) monthly - registrants whose threshold amount for a fiscal year or fiscal quarter is greater than \$6 million;
- (b) quarterly - registrants whose threshold amount for a fiscal year is \$6 million or less; and

- (c) annually - registrants whose threshold amount for a fiscal year does not exceed \$500,000 may elect to file annually and pay quarterly instalments. Quarterly instalments under this election are not required if the amount to be remitted for one year is less than \$1,000. Section 237 of the Act describes the calculation of the instalment base for an annual filer.

Notwithstanding the above, any registrant who wishes to do so may elect to file GST returns on a monthly basis.

11. The election to file annually with quarterly instalments takes effect at the beginning of a registrant's fiscal year and is binding on the registrant until an election to file on a quarterly or monthly basis takes effect, or until the threshold amount for the second or third fiscal quarter or for the fiscal year exceeds \$500,000, whichever is earlier.

12. For reporting purposes, every registrant has a GST fiscal year which is divided into fiscal quarters and fiscal months for quarterly and monthly filers. Unless a registrant makes a fiscal year election, the GST fiscal year is the same as the taxation year used for purposes of the *Income Tax Act*.

13. An individual or trust that operates a business with a fiscal period that is not the taxation year of the individual or trust may elect to have that fiscal period considered as the fiscal year for purposes of the GST.

14. A person whose taxation year is not a calendar year may elect to have fiscal years for GST that are calendar years.

15. More details on reporting periods and instalments are available in GST MEMORANDUM 500-2-1, "**AUTHORIZED FISCAL PERIODS AND REPORTING PERIODS**", and GST MEMORANDUM 500-2-2, "**INSTALMENTS**".

#### **BASIC CALCULATIONS FOR THE GST RETURN FOR REGISTRANTS**

16. For each reporting period, a registrant is required to calculate net tax on the GST return. This calculation requires the accumulation of two totals and the subtraction of one from the other.

17. The first total consists of:

- (a) all amounts that were collected or became collectible as, or on account of, the GST in the particular reporting period, including all amounts required pursuant to the rules found in the legislative provisions listed in Appendix B to this

memorandum. The total of such amounts should be included in line 103 of the return; and

- (b) all amounts required to be added in determining the net tax of the registrant for the particular reporting period, including all amounts required pursuant to the legislative provisions listed in Appendix C to this memorandum. The total of such amounts should be included in line 104 of the return.

18. The second total consists of:

- (a) input tax credits (ITCs) for the particular reporting period or for a preceding reporting period (within the four year limitation period for claiming ITCs). These ITCs would include those amounts permitted by the legislative provisions listed in Appendix D to this memorandum. The total of such amounts should be included in line 106 of the return; and
- (b) all amounts that may be deducted in determining net tax of the registrant for the particular reporting period, including those amounts which can be deducted pursuant to the legislative provisions listed in Appendix E to this memorandum. The total of such amounts should be included in line 107 of the return.

19. The difference between these two totals, the registrant's "net tax" for the reporting period, may be a positive or a negative amount. If positive, the net tax must be remitted to the Receiver General on or before the day the GST return for that reporting period is due. If negative, the registrant may claim a net tax refund on the return for the reporting period. This amount is then payable to the registrant by the Minister.

20. If a net tax refund is claimed on the GST return, and tax is remittable on a "Goods and Services Tax Return for the Acquisition of Real Property", the registrant may in some cases be able to submit both returns in the same envelope and offset the liability by the amount of the refund. Filing deadlines for both returns must be observed. If there is net tax remittable on the GST return, and the registrant submits in the same envelope a "refund" return or a rebate application, a similar offset may be available. Under certain circumstances and where an application has been filed, a person will be allowed to offset a refund or rebate payable to another person or persons against his or her tax payable. All persons must be closely related. More detailed information will be available in GST MEMORANDUM 500-4, "**REBATES**".

21. Further details on basic calculations will be available in GST

MEMORANDUM 500-2-4, "CALCULATION OF LIABILITY".

**FILING GST RETURNS**

22. **A RETURN MUST BE FILED FOR EACH REPORTING PERIOD.** Where no taxable supplies have been made during a reporting period, the registrant must nonetheless file a GST return for the period.

23. Registrants will receive personalized GST returns in the mail well in advance of the return due date. Non-personalized returns will be available in Revenue Canada Excise offices and major post offices.

24. GST returns must be signed by an individual authorized to do so by the person or governing body of the person. Where the person is a corporation or an association or organization that has duly elected or appointed officers, then the president, vice-president, secretary, and treasurer of the organization, or other equivalent officers, are deemed to be so authorized. Returns of a sole proprietorship or a partnership must be signed by the proprietor or a partner respectively. Under certain circumstances, an individual may be authorized, under a power of attorney or other duly executed agency agreement, to sign a GST return on behalf of another person.

25. GST returns must be filed with the Minister on or before the due date. They may be:

- (a) mailed to the Revenue Canada Excise Processing Centre;
- (b) submitted to any participating financial institution (personalized returns only) when accompanied by a payment and not requiring back-up documentation. Instalment payments accompanied by an appropriate remittance form will also be accepted at such financial institutions; or
- (c) submitted to any Revenue Canada Excise office.

26. Where a registrant chooses to make a payment at a participating financial institution, care must be taken to ensure that both parts of the GST return or the remittance form are date-stamped; this is proof of whether or not that payment was considered to be in the hands of the Receiver General by the due date.

27. Where a registrant chooses to mail both the return and remittance, it is important to note that a postmark is not considered proof that the remittance was received by the Receiver General on time. Registrants choosing this method, who are not in a credit situation, are encouraged to mail their returns early to



avoid the application of a penalty and interest.

28. Section 280 of the Act imposes penalty and interest charges where a person has failed to remit or to pay an amount as required. The person shall pay, on the amount not remitted or paid

- (a) a penalty of six per cent per year, and
- (b) interest at the prescribed rate.

The penalty and interest charges are calculated for the period beginning on the first day following the day on or before which the amount was required to be remitted or paid, and ending on the day the amount is remitted or paid.

29. Where a net tax refund is claimed, the Minister is required to pay the refund with all due dispatch.

30. A net tax refund for a reporting period of a registrant will not be paid to the registrant until such time as all returns required to be filed by the registrant for the reporting period and all preceding reporting periods have been filed with the Minister. In addition, where a person did not pay or remit an amount, the Minister may deduct or set off that amount from any other amount payable to that person by the federal government.

31. Interest at the prescribed rate will be paid by the Minister on net tax refunds in cases in which the refund has not been paid within 21 days of the latest of

- (a) the last day of the reporting period to which the return pertains,
- (b) the day on which the return is filed with the Minister, and
- (b) the day on which all the returns for the reporting period and all other preceding periods have been filed.

**NOTE: This memorandum is not a legal document.** It contains general information and is provided for convenience and guidance in applying the Excise Tax Act and Regulations. If interpretation problems occur, please refer to the legislation or contact the nearest Revenue Canada Excise office.

APPENDIX A

To view this appendix please see the printed copy of this publication. You can obtain a copy by contacting your local Excise office (addresses and telephone numbers of Excise offices are at the end of this memorandum).

APPENDIX B

Legislative provisions requiring additions to "GST Collectible" calculation on the "GST Return for Registrants".

Included at line 103 of GST return.

Provision of the <i>Excise Tax Act</i>	Circumstance
136(1)	Supply of use or right to use real property or tangible personal property
171(3)	Deemed supply by person ceasing to be registrant
172(1)	Individual appropriation of property or a service
172(2)	Appropriation of non-capital property or a service by a corporation, partnership, trust, charity or NPO
173	Employee and shareholder benefits
176(2)	Supplies of used goods
177(1)	Supply by agent
177(2)	Supply for artists, etc.
178	Expenses incurred in supply of service
179	Supply for non-resident
181(2)	Rebates
182	Forfeiture
183(2)	Seizure and repossession
183(5) (b)	Supply of property seized from non-registrant
184	Supply to insurer on settlement of claim
187	Bets and games of chance
190(1)	Real property: conversion to residential use
190(2)	Appropriation of capital real property for personal use by an individual
191(1)	Self-supply of single unit residential complex or residential condominium unit
191(2)	Self-supply of residential condominium unit
191(3)	Self-supply of multiple unit residential complex
191(4)	Self-supply of addition to multiple unit residential complex
191(7)	Remote work site
192	Non-substantial renovation
194	Incorrect statement regarding tax status of taxable sale of real property
200(2)	Ceasing to use capital personal property
203(2)	Ceasing to use passenger vehicle, etc.
206(4)	Change of use of capital real property
206(5)	Reduction of extent to which capital real property is

- 207(1) used in commercial activities  
Change of use of capital real property by an individual
- 207(2) Reduction in use of capital real property in commercial activities by an individual
- 210(1) Ceasing to use capital real property by public sector bodies
- 211(1) Election respecting real property of public service bodies
- 211(2) Deemed taxable sale of real property by election
- 211(4) Deemed sale where election revoked

APPENDIX C

Legislative provisions dealing with amounts required to be added in determining the net tax for a particular reporting period.

Included at line 104 of GST return.

Provision of the <i>Excise Tax Act</i>	Circumstance
171(4)(b)	Ceasing to be a registrant
231(3)	Recovery of bad debt
232(3)(c)	Recipient of credit note
233(2)(b)	Patronage dividends
235	Input tax credit recapture on lease costs of passenger vehicle
236	Input tax credit recapture on food, beverages and entertainment expenses

APPENDIX D

Legislative provisions dealing with ITC claims (special cases).

Included at line 106 of GST return.

Provision of the  
*Excise Tax Act*

Circumstance

171(1) and (2)	Becoming a registrant
171(4) (a)	Ceasing to be a registrant
174	Travel and other allowances
175	Reimbursement of employees and partners
176(1) (a)	Acquisition of used goods after 1993
176(1) (b)	Acquisition of used goods prior to 1994
177(1)	Supply by agent
177(2)	Supply for artists, etc.
180(1)	Supply by unregistered non-resident importer to a registrant in Canada
180(2)	Supply by registrant in Canada on behalf of an unregistered non-resident
181(2) (a)	Rebate
182	Consequences of a breach, modification or termination of an agreement
183(3) (b)	Use of seized property
184(3) (b)	Use of property acquired by insurer in the course of settling an insurance claim
184(4) (b)	Supply of property acquired by insurer in the course of settlement of an insurance claim
185(1)	Financial services incidental to commercial activities of non-financial institutions
185(2)	Financial service relating to commercial activity of an individual
186(1)	Related corporations
186(2)	Takeover fees
186(3)	Shares, etc. held by corporation
188(1)	Prizes
188(5)	ITC of prescribed registrant
191(7)	Remote work site
193(1)	Taxable sale of real property by registrant
193(2)	Sale by public sector bodies
194	Incorrect statement as to use of real property
199(2)	Acquisition of capital personal property
199(3)	Change of use of capital personal property
199(4)	Improvement of capital personal property
199(5)	Use of musical instrument
201	ITC for purchase of passenger vehicle
202(2) - (5)	Passenger vehicles or aircraft
203(1)	Sale of passenger vehicle

- 206(2) Deemed acquisition of capital real property
- 206(3) Increase in use of capital real property
- 208(2) Capital real property used in commercial activities by a registrant individual
- 208(3) Increase in use of capital real property by registrant individual
- 209 - 210 Public sector bodies and capital real property
- 211(1) Election respecting real property of public service bodies
- 211(2) Deemed taxable sale of real property by election
- 211(4) Deemed sale where election revoked

APPENDIX E

Legislative provisions permitting deductions in determining net tax.

Included at line 107 of GST return.

Provision of the <i>Excise Tax Act</i>	Circumstance
231(1)	Write-off of bad debt
232(3)(b)	Person who has issued credit note
233(2)(b)	Patronage dividends
234	Builders' rebates
346(1)(a)	Transitional credit for monthly and quarterly filers



APPENDIX F

**Goods and Services Tax Return for Prepaid Expenses:**

For use by registrants and non-registrants to declare and remit tax on supplies and in circumstances described in subsection 337(6) of the Act.

**Goods and Services Tax Return for Acquisition of Real Property:**

To remit tax where required on real property transactions, and where the regular GST return is not prescribed.

**Goods and Services Tax Return for Imported Taxable Supplies Other than Goods:**

For use by registrants and non-registrants to declare and remit tax, where required, on imported taxable supplies other than goods.

REFERENCES

OFFICE OF RESPONSIBILITY:

Policy and Legislation

LEGISLATIVE REFERENCES:

*Excise Tax Act*

HEADQUARTERS FILE:

N/A

SUPERSEDES GST MEMORANDUM:

GST 500-2, dated May 31, 1990

OTHER REFERENCES:

N/A

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