



Canada Revenue  
Agency

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du Canada

# Basic GST/HST Information for Taxi and Limousine Operators

## Is this pamphlet for you?

### 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 pamphlet contains this proposed change to the law which was current at the time of publication.

This pamphlet provides basic GST/HST information for taxi and limousine operators. For more information, see the guide RC4022, *General Information for GST/HST Registrants*.

You can find information on GST/HST and many of our publications and forms on our Web site at [www.cra.gc.ca](http://www.cra.gc.ca) or by calling 1-800-959-2221.

If you have any questions or need help, call our Business Enquiries line at 1-800-959-5525.

## Your opinion counts!

**W**e review our publications each year. If you have any suggestions to help us improve them, we would like to hear from you.

Please send your comments to:

Taxpayer Services Directorate  
Canada Revenue Agency  
750 Heron Road  
Ottawa ON K1A 0L5

La version française de cette publication est intitulée *Renseignements généraux sur la TPS/TVH pour les exploitants de taxis et de limousines*.

## What is GST/HST?

**G**oods and services tax (GST) is a tax that applies on most supplies of goods and services made in Canada. The three participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) harmonized their provincial sales tax with GST to create the harmonized sales tax (HST). HST applies to the same base of goods and services as GST.

Proposed changes to GST/HST rates come into effect July 1, 2006. This proposed change of law was current at the time of printing.

### **Before July 1, 2006:**

GST 7%

HST 15% (7% federal part and 8% provincial part)

### **On or after July 1, 2006:**

GST 6%

HST 14% (6% federal part and 8% provincial part)

In this pamphlet, “taxable” means subject to the GST/HST at the rates of 7 % and 15 %, or at the reduced rates of 6% and 14%. “Zero-rated” means subject to the GST/HST at a rate of 0%.

GST/HST registrants who make taxable supplies in the three participating provinces collect tax at the HST rate. They collect tax at the GST rate on taxable supplies of goods and services they make in the rest of Canada.

Most services, including taxi fares, are taxable under GST at 6% or HST at 14%.

Taxi fares that are regulated by law have GST/HST included in the fare. A tax-included taxi fare that is paid on or after July 1, 2006 includes GST at 6/106 of the amount. The fare in a participating province includes HST equal to 14/114 of the amount.

### **Note**

When your metered-in fares and other taxable sales and services include GST/HST, you do not charge GST or HST separately.

Examples of **taxable** sales and services include:

- taxi fares;
- all flat rates charged for transporting passengers by taxi and limousine;
- fees charged for leasing a vehicle to an operator;
- fees charged by taxi licence owners for the use of their taxi licence;
- dispatch fees charged by a taxi stand to an operator; and
- miscellaneous charges (for example, waiting time, parcel delivery, and transportation of luggage).

## Should you register for GST/HST?

All taxi and limousine operators whose fares are regulated by federal or provincial laws have to register for GST/HST, regardless of their annual revenue.

### How to register

If you have not registered, call our Business Enquiries line at 1-800-959-5525.

### If you have another business

If you have another business that provides taxable goods and services other than your taxi or limousine business, you have to determine if you have to register your other business. To do so, total your taxable revenues from **all** of your businesses including the total taxable revenues of all your associates. Call us if you need help to determine if you are associated with another person.

You do not have to register your **other** business if your total taxable revenues from all of your businesses, including your taxi or limousine business, are:

- \$30,000 or less in the last four consecutive calendar quarters; or
- \$30,000 or less in a single calendar quarter.

If you choose not to register your other business, do not collect GST/HST on those sales and do not claim any input tax credits for business purchases that relate to your other business.

If you have to register or if you choose to register your other business, call our Business Enquiries line at **1-800-959-5525**.

## **If you want to change your registration**

You can ask to have your registration changed to apply **only** to your taxi business if your registration applies to your **other** business and you did **not** have to register that other business.

Your other business must be registered for at least one year before you can change your registration. If you want to change your registration, call our Business Enquiries line at **1-800-959-5525**.

If you change your registration, you have to remit any outstanding GST/HST you charged or collected on the taxable sales you made in your other business. Also, you may have to remit GST/HST on capital property used in your other business and on other property you have on hand when you change your registration.

## **Cancelling your registration**

When you decide to close your taxi business or you stop making taxable supplies of goods and services and no longer need to be registered, you will need to file all outstanding returns and pay any amounts owing up to and including the day your business ends. Call us for more information.

## **How does GST/HST work?**

**A**s a GST/HST registrant, you usually have to collect GST/HST on your fares, and on amounts you charge for any other taxable sales and services. You also pay GST/HST on most of your business purchases.

As a GST/HST registrant, you can generally claim an input tax credit (ITC) for the GST/HST you paid or owe on your business purchases and expenses such as gas, car repairs, and car washes. When you

complete your GST/HST return, total the GST/HST collected or collectible on your fares and on amounts you charge for any other taxable sales and services and deduct your ITCs from this amount. The difference between these two amounts, including any adjustments, is called your net tax.

If you charged or collected **more** GST/HST than you paid or owe on your business purchases and expenses, send us the difference. If you charged or collected **less** GST/HST than you paid or owe, you can claim a refund. This is called the regular method of calculating your net tax. This method is explained on page 7.

## **Keeping books and records**

Remember to keep detailed records of your sales, business purchases, and the GST/HST you charge, collect, pay, or owe. You need this information to complete your GST/HST return. You have to keep a daily trip sheet or similar information.

You have to keep all records and invoices for expenses and purchases for six years after the end of the year to which they relate. You have to make them available to us for inspection.

## **Filing your GST/HST return**

When you register for GST/HST, you usually file a return once a year. However, you can choose to file your GST/HST returns every three months or once a month. To choose either option, call our Business Enquiries line at **1-800-959-5525**.

## **Reporting periods**

Your reporting period is **annual** if you file once a year, **quarterly** if you file every three months, or **monthly** if you file once a month.

## **Instalment payments**

If you are an annual filer, you may have to pay quarterly instalments. These instalment payments are calculated on your previous year's net tax. You may also base your instalment payments on an estimate of your current year's net tax if you expect that it will be less than last year's net tax.

If you choose to do this and your estimate is less than the amount you actually owe at the end of the year, you will have to pay penalties and interest on the difference.

If your net tax for the current or previous year is less than \$1,500, you do **not** have to make any quarterly instalments.

## How to calculate your net tax

There are two ways to calculate your net tax—the **regular method** and the **Quick Method**.

### Regular method of tax calculation

You charge and collect GST/HST on your taxable sales and services (your metered-in fares and other taxable sales and services may already include GST/HST).

#### Note

If your taxable sales and services are not tax-included, the new GST/HST rates of tax apply in the following circumstances:

- If the GST/HST becomes payable on or after July 1, 2006, without having been paid before that day, the rate of 6% GST or 14% HST will apply.
- If the GST/HST is paid on or after July 1, 2006, without having become payable before that day, the rate of 6% GST or 14% HST will apply.

If the GST/HST becomes payable or is paid without having become payable before July 1, 2006, the rate of 7% GST or 15% HST will continue to apply.

You can claim ITCs for the GST/HST you paid or owe on your business purchases and expenses, including:

- gasoline, diesel fuel, and propane;
- vehicle repairs, maintenance, and washes; and
- vehicle rentals and purchases.

You cannot claim ITCs for insurance costs or interest as they are not subject to GST/HST.

**Note**

See the instructions and examples in the appendix beginning on page 10 for help in completing your GST/HST return using the **regular method**.

## **Quick Method of tax calculation**

To reduce paperwork, most small businesses can use the Quick Method to calculate their net tax. You can use this method if your annual taxable sales, including those of your associates, are \$200,000 or less, including GST/HST, in any four consecutive quarters over the last five quarters.

You still charge and collect 6% GST or 14% HST on your taxable sales and services (your metered-in fares and other taxable sales and services may already include GST/HST). But, to calculate your net tax, you multiply your total sales and services (including GST/HST) for the reporting period by the Quick Method remittance rate for those sales and services.

Special rules apply to certain supplies such as zero-rated supplies and supplies of capital property.

The Quick Method remittance rates have changed effective July 1, 2006; the new rates were used in revising this pamphlet. Both the old and new rates are in the booklet RC4058, *Quick Method of Accounting for GST/HST*.

For example, if you provide mainly services:

- If you are located in Nova Scotia, New Brunswick, or Newfoundland and Labrador, and 90% or more of your services are provided in these provinces, you will use the 9.4% Quick Method remittance rate.
- If you are located in the rest of Canada, and 90% or more of your services are provided in the rest of Canada, you will use the 4.3% Quick Method remittance rate.



You are also entitled to deduct a 1% credit on the first \$30,000 (including GST/HST) of your annual sales and services on which you must charge GST or HST. To qualify for the 1% credit, you have to use the Quick Method at the beginning of your fiscal year or, if you are a new GST/HST registrant, on the day you became a registrant.

When you use the Quick Method, you still have to keep a daily trip sheet or similar information. Record your total meter readings at the end of the day or individual fares (added daily) and other taxable sales and services such as charges for parcel deliveries. You do **not** have to keep track of the GST/HST you pay on your business purchases and expenses. However, you still have to keep records of your purchases.

You cannot claim ITCs when you use the Quick Method because the remittance rate takes this into account. However, capital purchases and sales are treated differently. If you make a **capital purchase** (for example, you buy a new taxi or a meter), you can claim an ITC for the GST/HST you paid or owe for these goods on line 106 (Input tax credits) of your GST/HST return. There are special rules for claiming ITCs for capital property. For more information, see the guide RC4022, *General Information for GST/HST Registrants*. If you **sell** capital property, you have to account for the GST/HST at the usual rate in your net tax calculation; you cannot use the Quick Method remittance rate.

### **How to choose the Quick Method**

You can tell us you want to use the Quick Method when you register. If you qualify, you can start using this method the day you register. If you are already registered and you decide to use this method, call us at **1-800-959-5525**. You can start using it at the beginning of any reporting period. For more information, see the booklet RC4058, *Quick Method of Accounting for GST/HST*.

#### **Note**

See the instructions and examples beginning on page 12 for help in completing your GST/HST return using the **Quick Method**.

## Appendix

The following examples will help you complete Form GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*.

### Note

The instructions and examples in this appendix are for taxi business operators who have only GST/HST-included (**metered-in**) fares. They do not apply if you have other taxable sales or revenues or if you make a capital purchase (such as the purchase of a taxi or a meter). For information on how to report other taxable sales or revenues or a capital purchase, see the guide RC4022, *General Information for GST/HST Registrants* or the pamphlet RC4058, *Quick Method of Accounting for GST/HST* if you are using that method.

### If you use the regular method

- Total your metered-in fares for the reporting period.
- If your fares include GST, multiply the total by 6 (by 7 for fares paid or owed before July 1, 2006) and divide the result by 106 (by 107 for fares paid or owed before July 1, 2006). If your fares include HST, multiply the total by 14 (by 15 for fares paid or owed before July 1, 2006) and divide the result by 114 (by 115 for fares paid or owed before July 1, 2006). Enter the result on line 103 of your return (GST/HST collected and collectible).
- Subtract this result from your metered-in fares above and enter this amount on line 101 (Sales and other revenue).
- If you do not have any adjustments on line 104, enter the amount from line 103 on line 105.
- Total the GST/HST you paid or owe on your business purchases and expenses for the reporting period. Enter the total on line 106 (Input tax credits).
- If you do not have any adjustments on line 107, enter the amount from line 106 on line 108.

- Subtract the amount on line 108 from the amount on line 105 and enter the result on line 109 (Net tax). If line 108 is less than line 105, you have to remit the difference. If it is more, you will get a refund.
- File your GST/HST return by the due date and include your remittance for any GST/HST you owe.

### Example 1 (GST)

You file your GST/HST return once a year. You work in Manitoba and 6% GST is included in all your taxi fares.

Total your metered-in fares (GST included)	\$ 35,000.00
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Total GST on business purchases and expenses	\$ 650.47
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#### Line 103

$\frac{\$35,000 \times 6}{106} =$	\$ 1,981.13
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#### Line 101 (metered-in sales less GST)

$\$35,000 - \$1,981.13 =$	\$ 33,018.87
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<b>Line 105</b> (line 103 above if no adjustments)	\$ 1,981.13
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<b>Line 106</b> (ITCs)	\$ 650.47
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<b>Line 108</b> (line 106 above if no adjustments)	\$ 650.47
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#### Line 109 (line 105 – line 108)

$\$1,981.13 - \$650.47 =$	\$ 1,330.66
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In this example, you would owe \$1,330.66.

### Example 2 (HST)

You file your GST/HST returns every three months. You work in Nova Scotia and 14% HST is included in all your taxi fares.

Total your metered-in fares (HST included)	\$ 15,000.00
Total HST on business purchases and expenses	\$ 521.74

#### Line 103

$$\frac{\$15,000 \times 14}{114} = \$ 1,842.11$$

#### Line 101 (metered-in sales less HST)

$$\$15,000 - \$1,842.11 = \$ 13,157.89$$

$$\text{Line 105 (line 103 above if no adjustments)} \quad \$ 1,842.11$$

$$\text{Line 106 (ITCs)} \quad \$ 521.74$$

$$\text{Line 108 (line 106 above if no adjustments)} \quad \$ 521.74$$

$$\text{Line 109 (line 105 - line 108)} \\ \$1,842.11 - \$521.74 = \$ 1,320.37$$

In this example, you would owe \$1,320.37.

### If you use the Quick Method

- Total your metered-in fares for the reporting period and enter this amount on line 101 of your GST/HST return (Sales and other revenue).
- Multiply the amount on line 101 by the Quick Method remittance rate for taxi services. The rate is 4.3% if you are **not** located in Nova Scotia, New Brunswick, or Newfoundland and Labrador, and 90% or more of your services are provided outside those provinces. The rate is 9.4% if you **are** located in one of those provinces and 90% or more of your services are provided in those provinces. Enter the result on line 103 of your GST/HST return (GST/HST collected and collectible).
- If you have no adjustments on line 104, enter the amount from line 103 on line 105.

- You can deduct a 1% credit on your first \$30,000 of taxable sales and services (GST/HST included) each year. Multiply your metered-in fares up to \$30,000 by 1%. Enter the result on line 107 of your GST/HST return (Adjustments).
- Copy the amount from line 107 to line 108.
- Subtract line 108 from line 105 and enter the result on line 109 (Net tax). If line 108 is less than line 105, you will have to remit the difference. If it is **more**, you will get a refund.
- File your GST/HST return by the due date and include your remittance for any GST/HST you owe.

**Note**

For instructions on how to report capital sales and purchases, see the guide RC4058, *Quick Method of Accounting for GST/HST*.

**Example 1 (GST)**

You file your GST/HST returns once a year. You work in Saskatchewan and 6% GST is included in your taxi fares.

Total your metered-in fares, including GST.

**Line 101** \$ 25,000.00

**Line 103**

$\$25,000 \times 4.3\% = \$1,075$  (Quick Method rate of 4.3%)

**Line 107**

$\$25,000 \times 1\% = \$250$  (1% credit on first \$30,000)

**Line 109 (line 105 – line 108)**

$\$1,075 - \$250 =$  \$ 825.00

In this example, you would owe \$825.00.

### Example 2 (HST)

You file your GST/HST returns every three months. You work in Newfoundland and Labrador and 14% HST is included in all your taxi fares.

Total your metered-in fares, including HST.

**Line 101** \$ 10,000.00

**Line 103**

$\$10,000 \times 9.4\% = \$940.00$  (Quick Method rate of 9.4%)

**Line 107**

$\$10,000 \times 1\% = \$100$  (1% credit on first \$30,000)

**Line 109** (line 105 – line 108)

$\$940.00 - \$100 =$  \$ 840.00

In this example, you would owe \$840.00.

**Note**

In the examples 1 and 2 above, you will continue to deduct the 1% credit of your metered-in fares until you reach \$30,000 or the end of your fiscal year, whichever comes first.

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## Filing your returns

Remember to copy the amounts from the top part of your GST/HST return to the bottom part. Keep the top part and any working copy for your records.

You have to sign and date your return. Your completed GST/HST return (the bottom part) and any amount you owe must be **received** by the due date at either of the following locations:

- your bank or other participating financial institution in Canada; or
- the address shown on your GST/HST return.