



GST/HST Rebate for Partners

Includes Form GST370

Before you start

Is this guide for you?

This guide contains information for members of a partnership that is a GST/HST registrant on how to apply for the GST/HST partner rebate.

Note

This guide is only for the 2006 tax year. If you need a previous version of the guide, you can get one from our Web site at www.cra.gc.ca or call us at 1-800-959-2221.

If you are a member of a partnership that is a GST/HST registrant, this rebate may be available to you for the GST/HST you paid on certain expenses that you deducted from your share of the partnership income on your income tax return. The rebate may also apply to GST/HST paid on motor vehicles, musical instruments, and aircraft for which you deducted capital cost allowance for income tax purposes.

If you are an employee and want to claim a rebate for the GST/HST you paid on employment expenses that you deducted on your income tax return, see our guide T4044, *Employment Expenses*. It also includes Form GST370, *Employee and Partner GST/HST Rebate Application*.

Note

If you are employed as an apprentice mechanic and you deducted expenses for **apprentice mechanic tools** on your income tax return, you may be eligible to claim a rebate for the GST/HST you paid on these expenses. For more information, see our guide T4044, *Employment Expenses*.

What's new

Effective July 1, 2006, the GST rate is reduced from 7% to 6%, and the HST rate from 15% to 14%.

Forms and publications

To claim this rebate, you have to file Form GST370, *Employee and Partner GST/HST Rebate Application*. You will find a copy of the form in the middle of this guide. Throughout this guide, we also refer to other forms and publications, which you can get from our Web site at www.cra.gc.ca/forms or by calling us at 1-800-959-2221.

Internet

Visit our Web site at www.cra.gc.ca. You may want to bookmark this address for easier access to our Web site in the future.

Teletypewriter (TTY) users

If you have a hearing or speech impairment and use a TTY, you can call our bilingual enquiry service at 1-800-665-0354 during regular business hours.

Visually impaired persons can get publications in braille, large print, or etext (computer diskette), or on audio cassette by visiting our Web site at www.cra.gc.ca/alternate or by calling 1-800-959-2221 weekdays from 8:15 a.m. to 5:00 p.m. (Eastern Time).

This guide uses plain language to explain some of the most common tax situations. If you need more help after you read this guide, call our Business Enquiries line at 1-800-959-5525.

La version française de cette publication est intitulée *Remboursement de la TPS/TVH à l'intention des associés*.

Table of contents

	Page		Page
What is GST/HST?	4	How to complete your rebate application	7
GST/HST rebate for partners	4	Area A – Identification	7
Definitions of registrant, allowance, and reimbursement	4	Area B – Rebate calculation.....	7
Do you qualify for the rebate?	4	Situation 1 – The only expenses you deducted for income tax purposes are union, professional, or similar dues.....	7
Eligible expenses.....	5	Situation 2 – You deducted only GST expenses on your income tax return	7
Non-eligible expenses	5	Situation 3 – You deducted only HST expenses on your income tax return	8
Capital cost allowance (CCA) on motor vehicles, musical instruments, and aircraft	5	Situation 4 – You deducted both GST and HST expenses on your income tax return	8
Allowances	5	Situation 5 – Property and services brought into a participating province	9
General information on filing your rebate application	6	Area C – Declaration by claimant’s employer or partnership	9
Filing deadline	6	Area D – Certification	9
Rebate restriction	6	After completing your rebate application.....	9
Overpayment of a rebate	6	Examples	10
How a rebate affects your income tax.....	6		
Keeping records	6		

What is GST/HST?

GST is a tax that applies on most taxable supplies 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.

On or after July 1, 2006, the GST rate is 6% and HST rate is 14% (6% federal part and 8% provincial part). Before July 2006, the GST rate was 7% and the HST rate was 15% (7% federal part and 8% provincial part).

GST/HST registrants who make taxable supplies (other than zero-rated 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 (other than zero-rated supplies). For more information on HST, see our guide RC4022, *General Information for GST/HST Registrants*.

GST/HST rebate for partners

This rebate may be available to you if you are an individual who is a member of a partnership that is a GST/HST registrant. The rebate is for the GST/HST you paid on expenses you deducted from your share of the partnership income on your income tax return. However, special rules apply if your partnership paid you an allowance in respect of those expenses. See the section "Allowances" on page 5 for more information.

The GST/HST rebate is limited to the amount of the input tax credit (ITC) that would have been available to your partnership if the partnership had incurred the expenses directly. Normally, the partnership can claim an ITC for GST/HST paid or payable on business expenses it incurs for consumption, use, or supply in the course of its commercial activities (i.e., in making GST/HST taxable supplies). In effect, the rebate allows an individual partner, who personally pays GST/HST on expenses related to the partnership, to recover that GST/HST in a way similar to the way the partnership recovers the GST/HST it pays on its expenses.

The rebate is calculated as a fraction of those expenses you deducted from your share of the partnership income on your income tax return, and on which you paid GST/HST.

The following fraction only applies to the 2006 tax year:

- 6.5/106.5 for expenses on which you paid GST; and
- 14.5/114.5 for expenses on which you paid HST.

You may also be entitled to a rebate if you purchased property or services outside a participating province and brought them into a participating province. An additional calculation may be required in these circumstances. For more information, see the section "Situation 5 – Property and services brought into a participating province" on page 9.

Definitions of registrant, allowance, and reimbursement

A **registrant** is a person who is registered, or who is required to be registered, for GST/HST purposes.

An **allowance** means any payment, periodic or otherwise, which you as a member of a partnership receive from the partnership, in addition to your partnership income, without having to account for its use. A reasonable allowance is not included in your income for income tax purposes. For example, you usually do not include an allowance for a motor vehicle in your income when it is based solely on a reasonable per-kilometre rate.

Note

If your partnership pays you an allowance, special rules apply with respect to this rebate. See the section "Allowances" on page 5 for details.

A **reimbursement** means a payment you receive from your partnership as a repayment for amounts you spent in connection with your partnership's business. Generally, you complete an expense report detailing the amounts you spent. Usually, a reimbursement is not taxable for income tax purposes, unless it is for payment of your personal expenses.

For purposes of the GST/HST rebate, if you receive an allowance or reimbursement from the partnership, we will treat that allowance or reimbursement the same way we would if you were an employee. For more information on allowances and reimbursements, see Interpretation Bulletin IT-522, *Vehicle, Travel and Sales Expenses of Employees*.

Do you qualify for the rebate?

As an individual who is a member of a partnership, you may qualify for the GST/HST partner rebate if:

- the partnership is a GST/HST registrant; and
- you personally paid GST/HST on expenses that:
 - you did not incur on the account of the partnership; and
 - you deducted from your share of the partnership income on your income tax return.

As a partner, you can only claim a rebate to the extent that the partnership could have otherwise claimed an ITC if it had incurred the expense directly. Therefore, if a partnership provides only exempt goods and services, and therefore cannot claim any ITCs (e.g., doctors providing exempt medical services), you would not be eligible to claim a GST/HST partner rebate for the expenses you deducted from your share of the partnership income.

The rebate is limited to the amount that would qualify for an ITC if the partnership had incurred the expenses and paid GST/HST in the last reporting period of its last fiscal year that ended in the calendar year for which you are claiming the rebate.

Eligible expenses

Your partnership agreement may identify expenses that you are required to pay personally. Common examples of such expenses include:

- office expenses;
- travelling expenses;
- food, beverage, and entertainment expenses;
- lodging;
- some motor vehicle expenses;
- leasing costs;
- parking costs;
- miscellaneous supplies (e.g., street maps, stamps, pens, pencils, and paper clips); and
- capital cost allowance on motor vehicles, aircrafts, and musical instruments you acquired after 1990.

Non-eligible expenses

Non-eligible expenses include the following:

- Expenses on which you did not pay GST/HST, such as:
 - most expenses you incurred outside Canada (e.g., gasoline, accommodation, meals, and entertainment);
 - acquisitions of zero-rated goods and services (i.e., goods and services that are subject to GST/HST, but at a rate of 0%), including basic groceries, prescription drugs, medical devices, most agriculture and fish products, and certain expenses that farmers and fishers incur;
 - acquisitions of exempt goods and services (i.e., goods and services that are not subject to GST/HST) including most health and dental care services, most educational services, medical underwriting fees, insurance premiums, bonding premiums, mortgage interest, residential rents, interest, motor vehicle licence and registration fees, and salaries; and
 - payments made for the lease or sub-lease of certain tangible personal property when the payments are made under a written agreement entered into before August 8, 1989.
- Expenses you incurred when your partnership was not a GST/HST registrant.
- Expenses for which your partnership paid you an allowance that is not reported in Area C of Form GST370, *Employee and Partner GST/HST Rebate Application*. See the section “Allowances” on this page for more information.
- Expenses of a partner that relate to the supply of exempt goods or services. If you are a member of a partnership that sells exempt goods or services as well as taxable goods or services, subtract the amount of expenses relating to the exempt sales from the total expenses. The amount of expenses relating to supplies

of exempt goods or services may be calculated on a percentage basis (e.g., by estimating the percentage of the expenses that relate to exempt goods or services) or by specifically identifying those expenses that relate to exempt goods or services supplied by the partnership.

- Any personal-use portion of an eligible expense.
- 50% of the GST/HST paid on eligible expenses for food, beverages, and entertainment.
- An eligible expense, or part of an eligible expense, for which you received, or are entitled to receive, a reimbursement from your partnership.

Capital cost allowance (CCA) on motor vehicles, musical instruments, and aircraft

You can claim a rebate of the GST/HST you paid on the acquisition of a motor vehicle, musical instrument, or an aircraft, **based on the amount of CCA you deducted on that property for a tax year**. If you deduct CCA on more than one property of the same class, you have to calculate the portion of CCA that relates to the property that qualifies for a rebate. For example, you would not have paid GST/HST on motor vehicles, musical instruments, and aircraft acquired before 1991. Therefore, you cannot claim a rebate on the CCA for these properties since you did not pay GST/HST on them.

If you bought your motor vehicle, musical instrument, or aircraft in 2006, and you paid GST, you can claim a rebate of 6.5/106.5 of the amount of CCA you deducted on your income tax return. However, if you paid HST at the time you bought the property, you can claim a rebate of 14.5/114.5 of the amount of CCA you deducted on your income tax return.

Note

Special rules apply if your partnership paid you an allowance in respect of the property. See the section “Allowances” on this page for more information.

You may also be entitled to a rebate if you purchased your motor vehicle, musical instrument, or aircraft outside a participating province and brought the property into a participating province. An additional calculation may be required in these circumstances. See the section “Situation 5 – Property and services brought into a participating province” on page 9 for more information.

Allowances

You cannot claim a GST/HST partner rebate for the GST/HST you paid on expenses for which your partnership paid you a reasonable allowance. If your partnership paid you an unreasonable allowance, you can claim the rebate **only** if the partnership reports it in Area C of the rebate application.

This rule also applies when your partnership pays you an allowance relating to motor vehicles, musical instruments, or aircraft. You cannot claim the rebate based on the CCA you deducted for these properties if the partnership pays you a reasonable allowance.

You can claim the rebate **only** if the partnership pays you an unreasonable allowance and reports it in Area C of the rebate application.

A **reasonable allowance** is not included in your income for income tax purposes. An **unreasonable allowance**, however, is generally included in your income for income tax purposes.

See the section “Area C – Declaration by claimant’s employer or partnership” on page 9 for more information.

General information on filing your rebate application

To file your rebate application, complete Form GST370, *Employee and Partner GST/HST Rebate Application*. You will find a copy of this form in the middle of this guide. If you are claiming a GST/HST rebate for both employee and partner expenses, use only one application form and combine your expenses.

Note

Form GST370, included in this guide, is only for the **2006** tax year. If you need a form for a previous tax year, visit our Web site at www.cra.gc.ca/forms or call us at 1-800-959-2221.

Filing deadline

You should file your rebate application with your income tax return for the year in which you deduct the corresponding expenses for income tax purposes.

However, if you file your rebate application separately from your income tax return, send it along with a letter to your tax centre. Include details such as your social insurance number and the tax year to which the rebate application relates.

If you do not file your rebate application when you file your income tax return, you have up to four years from the end of the year to which the expenses relate to file an application. We use the calendar year in which you take your income tax deduction to calculate the filing deadline. For example, if you incur an eligible expense and deduct it from your share of the partnership income in the 2006 tax year, you have until December 31, 2010, to file the GST/HST rebate application relating to that expense.

Rebate restriction

You can only file one GST/HST rebate application for each calendar year.

You cannot receive a rebate of an amount if:

- the amount was previously rebated, credited, refunded, or remitted to you;
- you are entitled to obtain a rebate (other than this type of rebate), refund, or remission of the amount;

- you received a credit note, or you issued a debit note, for an adjustment, refund or credit that includes the amount; or
- the deadline for filing the rebate has passed.

Overpayment of a rebate

If you receive an overpayment of a GST/HST rebate, you have to repay the excess. We charge interest on any balance you owe.

How a rebate affects your income tax

If you receive a GST/HST partner rebate, you have to include it in your income for the tax year in which you receive it. For example, if in 2006 you receive a GST/HST rebate relating to the 2005 tax year, you have to include the amount of the rebate in your income for 2006.

Report the amount of the rebate you receive that relates to eligible expenses, other than capital cost allowance (CCA), on line 104 of your income tax return.

If any part of the rebate relates to the CCA deduction for a motor vehicle, a musical instrument, or an aircraft, you have to reduce the undepreciated capital cost (UCC) of the related property by that part of the rebate.

Example

In 2006, Myriam, who is a partner in a partnership, received an \$85.00 GST/HST partner rebate. Of the rebate, \$56.28 relates to a CCA deduction for her motor vehicle. At the **end** of 2005, the UCC for her vehicle was \$21,652. Her UCC for the **beginning** of 2006 will be \$21,595.72 (\$21,652 - \$56.28). The remaining \$28.72 (\$85.00 - \$56.28) will be reported as income on line 104 of her 2006 income tax return.

Keeping records

You have to keep adequate books and records to support your claim for a GST/HST rebate. Generally, these are the same records you need to support your deductions for income tax purposes. They include receipts, invoices, credit card statements, cancelled cheques, and written agreements. The records to support your claim should contain the information we need to determine the GST/HST you paid on each purchase you made (e.g., they should provide the amount of GST/HST you paid, or indicate the amount you paid included GST/HST).

A person who sells taxable goods and services to you and charges you GST/HST has to provide, when you request it, enough information to allow you to support your GST/HST rebate claim.

You do not have to send us these records with your GST/HST rebate application. However, you have to keep them for six years after the end of the year to which they relate, in case we ask to see them.

How to complete your rebate application

You have to complete areas A, B, and D of Form GST370, *Employee and Partner GST/HST Rebate Application*. If applicable, an authorized officer of your partnership has to complete Area C (see page 9 for information on when Area C is applicable). Use a separate application form for each tax year.

Area A – Identification

The “Tax year of claim” should be the same year as the income tax return for which you are claiming the GST/HST rebate. You can only file one rebate application per calendar year.

Area B – Rebate calculation

Calculate your rebate based on the expenses you deducted from your share of the partnership income on your income tax return. **These expenses include GST/HST, provincial sales tax, and tips (if the tips are included in your bill and you paid GST/HST on them).**

For the 2006 tax year, you can claim a rebate of 6.5/106.5 of the eligible expenses on which you paid GST and a rebate of 14.5/114.5 of the eligible expenses on which you paid HST.

You may also be entitled to a rebate if you purchased property and services outside a participating province and brought them into a participating province. You may have to do an additional calculation in these circumstances. For more information, see the section “Situation 5 – Property and services brought into a participating province” on page 9.

See the following situations to determine how to calculate your rebate. For purposes of your rebate calculation, use only the expenses you deducted on your income tax return.

Situation 1 – The only expenses you deducted for income tax purposes are union, professional, or similar dues

If these dues are the only expenses you deducted on line 212 of your income tax return, enter the amount of the dues, on which you paid GST/HST, directly into Area B on the front of Form GST370. Do not complete charts 1 and 2 on the back of the form. Your receipt for these dues should indicate if GST/HST was charged. If the dues were not subject to GST/HST, you are not entitled to a GST/HST rebate.

If you paid GST, enter the amount of the dues less any reimbursement you received, or are entitled to receive, directly on lines 1 and 3 of Area B on the front of Form GST370. Multiply the amount of line 3 by 6.5/106.5 and enter the result on line 4.

If you paid HST, enter the amount of the dues less any reimbursement you received, or are entitled to receive, directly on lines 5 and 7 of Area B on the front of

Form GST370. Multiply the amount of line 7 by 14.5/114.5 and enter the result on line 8.

Add lines 4 and 8 and enter the result on line 13. The amount on line 13 is your total rebate claim. Enter this amount on line 457 of your income tax return. Do not forget to sign and date your rebate application in Area D.

Situation 2 – You deducted only GST expenses on your income tax return

Before completing Area B on the front of Form GST370, complete Chart 1 on the back of the form to determine your total expenses eligible for the GST rebate. Do not complete Chart 2, since you did not pay HST on any of your expenses.

Enter in column 1 of Chart 1 the total expenses you incurred while you were a member of the partnership, but that you did not include in your partnership’s net income or loss calculations. You calculated these expenses on the following forms or other documents that you file with your income tax return:

Form T2032, *Statement of Professional Activities*;

Form T2124, *Statement of Business Activities*;

Form T2042, *Statement of Farming Activities*;

Form T1163, *Statement A – CAIS Program Information and Statement of Farming Activities for Individuals*;

Form T2121, *Statement of Fishing Activities*; and

Form T776, *Statement of Real Estate Rentals*.

Also, if applicable, enter the amount of union, professional, or similar dues that you deducted on line 212 of your income tax return, and on which you paid GST, in column 1 of Chart 1. Your receipt for these dues should indicate if GST was charged. If the dues were not subject to GST/HST, you are not entitled to a GST/HST rebate.

Do not enter any amounts in the black areas of Chart 1, as these expenses are not subject to GST and, therefore, are not eligible for the rebate.

Enter in column 2, the portion of any expenses included in column 1 that is not eligible for the rebate. You will find a list of non-eligible expenses on page 5. For each expense, subtract the amount in column 2 from the amount in column 1 and enter the result in column 3. Total the “Expenses other than CCA” in column 3 and enter the result in box A of column 3.

If you deducted CCA for a motor vehicle, musical instrument, or aircraft on which you paid GST, enter in column 1, below “Total eligible expenses other than CCA,” the total CCA you deducted. Subtract any non-eligible CCA in column 2 from your total in column 1 and enter the result in box B of column 3. For more information on CCA, see the section “Capital cost allowance (CCA) on motor vehicles, musical instruments, and aircraft” on page 5.

Copy the amounts from boxes A and B of Chart 1 to lines 1 and 2, respectively, of Area B on the front of the rebate application. Add lines 1 and 2 in Area B and

enter the result on line 3. Multiply line 3 by 6.5/106.5 and enter the result on line 4.

If Situation 5, described on page 9, does not apply to you, copy the amount from line 4 to line 13. This is your total rebate claim. Enter this amount on line 457 of your income tax return. Do not forget to sign and date your rebate application in Area D.

Situation 3 – You deducted only HST expenses on your income tax return

Before completing Area B on the front of Form GST370, complete Chart 2 on the back of the form to determine your total expenses eligible for the HST rebate. Do not complete Chart 1, since you did not pay GST on any of your expenses.

Enter in column 1 of Chart 2 the total expenses you incurred while you were a member of the partnership, but that you did not include in your partnership's net income or loss calculations. You calculated these expenses on the following forms or other documents that you file with your income tax return:

Form T2032, *Statement of Professional Activities*;

Form T2124, *Statement of Business Activities*;

Form T2042, *Statement of Farming Activities*;

Form T1163, *Statement A – CAIS Program Information and Statement of Farming Activities for Individuals*;

Form T2121, *Statement of Fishing Activities*; and

Form T776, *Statement of Real Estate Rentals*.

Also, if applicable, enter the amount of union, professional, or similar dues that you deducted on line 212 of your income tax return, and on which you paid HST, in column 1 of Chart 2. Your receipt for these dues should indicate if HST was charged. If the dues were not subject to GST/HST, you are not entitled to a GST/HST rebate.

Do not enter any amounts in the black areas of Chart 2, as these expenses are not subject to the HST and, therefore, are not eligible for the rebate.

Enter in column 2, the portion of any expenses included in column 1 that is not eligible for the rebate. You will find a list of non-eligible expenses on page 5. For each expense, subtract the amount in column 2 from the amount in column 1 and enter the result in column 3. Total the "Expenses other than CCA" in column 3 and enter the result in box C of column 3.

If you deducted CCA for a motor vehicle, a musical instrument, or an aircraft on which you paid HST, enter in column 1, below "Total eligible expenses other than CCA," the total CCA you deducted. Subtract any non-eligible CCA in column 2 from your total in column 1 and enter the result in box D of column 3. For more information on CCA, see the section "Capital cost allowance (CCA) on motor vehicles, musical instruments, and aircraft" on page 5.

Copy the amounts from boxes C and D of Chart 2 to lines 5 and 6, respectively, of Area B on the front of the

rebate application. Add lines 5 and 6 of Area B and enter the result on line 7. Multiply line 7 by 14.5/114.5 and enter the result on line 8.

If Situation 5, described on page 9, does not apply to you, copy the amount from line 8 to line 13. This is your total rebate claim. Enter this amount on line 457 of your income tax return. Do not forget to sign and date your rebate application in Area D.

Situation 4 – You deducted both GST and HST expenses on your income tax return

Before completing Area B on the front of Form GST370, complete Chart 1 and Chart 2 on the back of the form to determine the total expenses eligible for the GST/HST rebate. Use Chart 1 to calculate the total eligible expenses on which you paid GST and Chart 2 to calculate the total eligible expenses on which you paid HST.

Enter in column 1 of Chart 1 and Chart 2, respectively, the GST expenses and the HST expenses you incurred while you were a member of the partnership, but that you did not include in your partnership's net income or loss calculations. You calculated these expenses on the following forms, or other documents that you file with your income tax return:

Form T2032, *Statement of Professional Activities*;

Form T2124, *Statement of Business Activities*;

Form T2042, *Statement of Farming Activities*;

Form T1163, *Statement A – CAIS Program Information and Statement of Farming Activities for Individuals*;

Form T2121, *Statement of Fishing Activities*; and

Form T776, *Statement of Real Estate Rentals*.

Also, if applicable, enter the amount of union, professional, or similar dues that you deducted on line 212 of your income tax return, and on which you paid GST or HST, in column 1 of Chart 1 and Chart 2, respectively. Your receipt for these dues should indicate if GST or HST was charged. If the dues were not subject to GST/HST, you are not entitled to a GST/HST rebate.

Do not enter any amounts in the black areas, as these expenses are not subject to GST/HST and, therefore, are not eligible for the rebate.

Enter in column 2 of each chart, the portion of any expenses included in column 1 that is not eligible for the rebate. You will find a list of non-eligible expenses on page 5. For each expense, subtract the amount in column 2 from the amount in column 1 and enter the result in column 3. Total the "Expenses other than CCA" in column 3 and enter the result in boxes A and C in column 3 of charts 1 and 2, respectively.

If you deducted CCA for a motor vehicle, musical instrument, or aircraft, enter in column 1, below "Total eligible expenses other than CCA," the total CCA you deducted. Subtract any non-eligible CCA in column 2 from your total in column 1 and enter the result in boxes B and D in column 3 of charts 1 and 2, respectively. For more information on CCA, see the section "Capital

cost allowance (CCA) on motor vehicles, musical instruments, and aircraft” on page 5.

Copy the amounts from boxes A and B of Chart 1 to lines 1 and 2, respectively, of Area B on the front of the rebate application. Copy the amounts from boxes C and D of Chart 2 to lines 5 and 6, respectively, of Area B. Add lines 1 and 2 of Area B and enter the result on line 3. Multiply the amount on line 3 by 6.5/106.5 and enter the result on line 4. Add lines 5 and 6 of Area B and enter the result on line 7. Multiply the amount on line 7 by 14.5/114.5 and enter the result on line 8.

If Situation 5, described below, does not apply to you, add lines 4 and 8 and enter the result on line 13. This is your total rebate claim. Enter this amount on line 457 of your income tax return. Do not forget to sign and date your rebate application in Area D.

Situation 5 – Property and services brought into a participating province

You may be able to claim a rebate of 8/108 of eligible expenses (discussed on page 5) on which you paid the 8% provincial part of the HST separately, and which you deducted from your share of the partnership income on your income tax return. **This excludes any expenses for which you paid HST.**

You may have paid the 8% provincial part of the HST separately in situations where:

- you purchased goods in a non-participating province and brought them into a participating province;
- you imported commercial goods into a participating province from outside Canada; and
- you had goods delivered or made available to you in a participating province, or sent by mail or courier to you at an address in a participating province from a non-registered non-resident of Canada.

If you were not a GST/HST registrant, and one of the situations above applies, you had to pay the 8% provincial part of the HST by filing Form GST489, *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)*.

In the case of a **motor vehicle**, you may have paid the 8% provincial part of HST separately in situations where:

- you paid GST when you purchased the vehicle from a registrant in a non-participating province and brought the vehicle into a participating province; or
- you purchased your vehicle from someone who was outside Canada and we collected GST at the border.

The 8% provincial part of HST was payable when you registered your vehicle at a provincial motor vehicle registry office in a participating province.

Note

If you did not pay GST/HST when you purchased the vehicle, you may have paid a provincial motor vehicle tax when you registered your vehicle in a participating province. **The provincial motor vehicle tax is imposed and administered by provincial governments and is separate from the GST/HST.**

Provincial governments determine the rate of this tax. Since it is not a federal tax, it is not eligible for any GST/HST rebate.

For more information on property and services brought into participating provinces, see the guide RC4022, *General Information for GST/HST Registrants or Form GST489, Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)*.

Enter, directly on line 9 of Area B on the front of Form GST370, the total amount of the expenses you deducted on your income tax return (excluding CCA and the non-eligible portion of the expenses, if applicable). You will find a list of non-eligible expenses on page 5.

If you deducted CCA on your income tax return for a motor vehicle, a musical instrument, or an aircraft (on which you paid the 8% provincial part of HST separately), enter the amount of the CCA, minus the portion that is not eligible for the rebate, directly on line 10 of Area B. You will find a list of non-eligible expenses on page 5. For more information on CCA, see the section “Capital cost allowance (CCA) on motor vehicles, musical instruments, and aircraft” on page 5.

Add lines 9 and 10 and enter the result on line 11. Multiply line 11 by 8/108 and enter the result on line 12. Add any amounts you have on lines 4, 8, and 12, and enter the result on line 13. This is your total rebate claim. Enter this amount on line 457 of your income tax return. Do not forget to sign and date your application in Area D.

Area C – Declaration by claimant’s employer or partnership

You may want to claim a rebate for expenses for which you received an unreasonable allowance (discussed in the section “Allowances” on page 5). If so, an authorized officer of your partnership has to complete Area C of the rebate application. An authorized officer includes an immediate supervisor, controller, office manager, or another partner. If Area C is not completed, you cannot claim a rebate for the GST/HST you paid on the expenses.

Note

When the partnership completes Area C, it is certifying that it did not consider the allowance to have been reasonable for purposes of subparagraphs 6(1)(b)(v), (vi), (vii), or (vii.1) of the *Income Tax Act* at the time it was paid and that it will not include an amount in respect of the allowance in determining its input tax credits or rebates.

Area D – Certification

Sign the certification area. If you do not, it may delay or invalidate your GST/HST rebate claim.

After completing your rebate application

After completing Form GST370, *Employee and Partner GST/HST Rebate Application*, attach a copy to your income tax return and enter the amount of your claim on line 457 of your income tax return. Keep a copy of the completed form for your records.

Examples

This section provides some questions and answers, as well as an example, to help you understand how to calculate the rebate.

- Q. For the 2006 tax year, I incurred eligible automobile leasing expenses of \$5,500. My partnership paid me a reasonable motor vehicle allowance of \$3,100 for the use of my automobile. Can I claim a GST/HST rebate for the leasing costs?
- A. Since you received a reasonable allowance for your automobile, you cannot claim a GST/HST rebate for the leasing cost. In addition, you cannot claim the rebate for any other automobile expenses you incurred, including gasoline and repairs.
- Q. I am a member of a partnership that is a GST/HST registrant, and I have incurred total expenses of \$1,070 (including GST) for which I was not reimbursed or paid an allowance. For the last fiscal year, ending in 2006, the partnership was involved in commercial activities 60% of the time. The partnership spent the remaining 40% of the time providing exempt goods and services. Can I claim the rebate on all my expenses?
- A. You can only claim the GST/HST rebate on the portion of expenses that relates to commercial activities. Since your partnership was involved 40% of the time in providing exempt goods and services, you have to enter a total of \$428 ($\$1,070 \times 40\%$) in column 2 of Chart 1 on the back of Form GST370. This amount represents the non-eligible portion of your expenses as a member of a partnership.

Example

Ian is a partner of the partnership called ABC Contracting. The partnership is registered for GST/HST and has a December 31st year-end. Under the partnership agreement, Ian is required to personally pay his motor vehicle expenses. For 2006, Ian did not receive any allowance or reimbursement for these expenses. All of his expenses were incurred in Ontario. For 2006, Ian's motor vehicle expenses were as follows:

Expenses:	
Licence and registration fees	\$ 260
Fuel.....	\$ 3,230
Insurance	\$ 750
Interest expenses	\$ 1,500
Maintenance and repairs.....	\$ 467
Car washes.....	\$ 84
Capital cost allowance (CCA).....	\$ <u>6,120</u>
Total car expenses	\$ <u>12,411</u>
Kilometres driven to earn his share of partnership income	25,000
Personal kilometres driven	5,000
Total kilometres driven	30,000

Ian is now ready to calculate his GST/HST rebate. To claim the rebate, he has to complete Form GST370, *Employee and Partner GST/HST Rebate Application*. Before Ian can complete Area B, he has to complete Chart 1 on the back of Form GST370 to calculate his GST eligible expenses. Since he did not pay HST on any of his expenses, he does not complete Chart 2. Using the information in this guide, he calculates and reports the expenses not eligible for the rebate in column 2. To calculate the personal-use portion of his motor vehicle expenses, Ian uses the fraction $5,000/30,000$, which represents the personal-use kilometres driven ($30,000 - 25,000$) divided by the total kilometres driven ($30,000$).

He completes Chart 1 as follows: Note the example will be change to reflect the change in the rates and the form.

Chart 1 – Eligible expenses on which you paid GST				
Type of expenses	(1) Total expenses	(2) Non-eligible portion of expenses	(3) Eligible expenses (col. 1 minus col. 2)	
Expenses other than CCA	Accounting and legal fees			
	Advertising and promotion			
	Food, beverages, and entertainment			
	Lodging			
	Parking			
	Supplies			
	Other expenses (please specify)			
	Tradesperson's tools expenses (for employees)			
	Apprentice mechanic tools expenses (for employees)			
	Musical instrument expenses other than CCA			
	Artists' employment expenses			
	Union, professional, or similar dues			
	Motor vehicle expenses: Fuel	3,230.00	538.33†	2,691.67
	Maintenance and repairs	467.00	77.83††	389.17
	Insurance, licence, registration, and interest			
	Leasing			
	Other expenses (please specify) Car washes	84.00	14.00†††	7.00
	Work space in home			
	Electricity, heat, and water			
	Maintenance			
Insurance and property taxes				
Other expenses (please specify)				
Total eligible expenses other than CCA (column 3) ►			3,150.84 (A)	
Capital cost allowance (CCA) on motor vehicles, musical instruments, and aircraft ►	6,120.00	1,020.00††††	5,100.00 (B)	

† $\$3,230 \times 5,000/30,000 = \538.33

††† $\$84 \times 5,000/30,000 = \14.00

†† $\$467 \times 5,000/30,000 = \77.83

†††† $\$6,120 \times 5,000/30,000 = \$1,020.00$

Ian did not enter any amounts in the black areas of the chart, as these expenses were not subject to GST, and are therefore not eligible for the rebate.

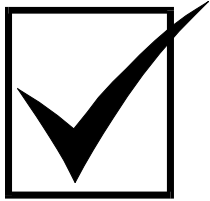
Ian copies the amounts from boxes A and B of Chart 1 to lines 1 and 2 in Area B on the front of Form GST370, and completes it as follows:

Area B – Rebate calculation (to be completed by claimant)			
GST rebate for eligible expenses on which you paid GST			
Eligible expenses, other than CCA , on which you paid GST (from box A of Chart 1 on the back of this form, or enter the amount of union, professional, or similar dues or tradesperson's and/or apprentice mechanic tools eligible for the GST rebate)	3,150.84	1	
Eligible CCA on motor vehicles, musical instruments, and aircraft for which you paid GST (from box B of Chart 1 on the back of this form)	5,100.00	2	
Total expenses eligible for the GST rebate (line 1 plus line 2)	6485	3	8,250.84
Multiply line 3 by 6.5/106.5			503.57
HST rebate for eligible expenses on which you paid HST			
Eligible expenses, other than CCA , on which you paid HST (from box C of Chart 2 on the back of this form, or enter the amount of union, professional, or similar dues or tradesperson's and/or apprentice mechanic tools eligible for the HST rebate)		5	
Eligible CCA on motor vehicles, musical instruments, and aircraft for which you paid HST (from box D of Chart 2 on the back of this form)		6	
Total expenses eligible for the HST rebate (line 5 plus line 6)	6487	7	
Multiply line 7 by 14.5/114.5			
Rebate for property and services brought into a participating province (i.e., Nova Scotia, New Brunswick, and Newfoundland and Labrador) Do not include any expenses for which you paid HST. Read Situation 5 of the applicable guide for more details.			
Eligible expenses, other than CCA , on which you paid the provincial part of HST separately		9	
Eligible CCA on motor vehicles, musical instruments, and aircraft for which you paid the provincial part of HST separately		10	
Total expenses eligible for the rebate (line 9 plus line 10)	6486	11	
Multiply line 11 by 8/108			
Employee and partner GST/HST rebate (add lines 4, 8, and 12). Enter the amount from line 13 on line 457 of your income tax return.			503.57

Ian does not have to complete Area C of Form GST370 as he did not receive an allowance for the use of his motor vehicle. Ian enters \$503.57 on line 457 of his 2006 income tax return. He also attaches Form GST370 to his income tax return and keeps a copy for his records.

On his 2007 income tax return, Ian will include \$192.30 ($\$3,150.84 \times 6.5/106.5$ on line 104). This amount is the part of the rebate he will receive in 2007 that relates to eligible expenses other than CCA. He will then reduce his underappreciated capital cost (UCC) for the beginning of 2007 by \$311.26 ($\$5,100 \times 6.5/106.5$).

Your opinion counts!



We review our publications each year. If you have any comments or 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**