Canada Revenue Agency | Agence du revenu du Canada

General Information for GST/HST Registrants

RC4022(E) Rev. 07

Canada

What's New?

New services

GST/HST Registry – You can now verify if a supplier provided you with a valid GST/HST number by using our new online GST/HST Registry. To use it, visit our Web page at **www.cra.gc.ca/gsthstregistry**.

My Business Account – The Canada Revenue Agency's (CRA's) new online service provides you with convenient and secure access to a growing range of personalized business account information and services. Visit our Web site at the following address for more information: **www.cra.gc.ca/mybusinessaccount**.

GST/HST NETFILE and TELEFILE changes – Beginning in October 2007, we plan to be able to process GST/HST returns filed using GST/HST NETFILE and TELEFILE that have a balance owing. If you are eligible to file your return using GST/HST NETFILE or TELEFILE and do so, make sure to use new Form RC158, *GST/HST Netfile/Telefile Remittance Voucher*, to remit any amount owing on that return. **Do not use the remittance part of your GST/HST return to make your payment if you file using NETFILE or TELELFILE**. See "How to file your return and remit any amount owing" on page 24 for more information.

New remittance forms

The following new forms replace Form GST58, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Remittance*, and Form GST426, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Remittance (non-personalized)*:

RC158, *GST/HST Netfile/Telefile Remittance Voucher* – Beginning in October 2007, use this form to remit any amount you owe on a return you filed using GST/HST NETFILE or TELEFILE. See page 24 for more information.

RC159, *GST/HST Amount Owing Remittance Voucher* – Use this form to remit any amounts you may owe after we assess or reassess your return. See "After you file" on page 26 for more information.

RC160, *GST/HST Interim Payments Remittance Voucher* – Use this form to make your instalment payments. **You will not automatically receive this form for your next instalment payment unless you make the current one**. See "How to make instalment payments" on page 29 for more information.

RC177, *GST/HST Balance Due Remittance Voucher* – Use this form to remit any amount owing on your annual GST/HST return if you are an individual whose remittance is due by April 30 but your return is not due until June 15. See "Are you a sole-proprietor whose annual GST/HST return is due by June 15?" on page 24 for more information.

New account statements

Statement of Arrears – Beginning April 10, 2007, we will send you this statement for the months in which there is any activity in your GST/HST account. If you owe any amounts on your GST/HST account, we will also send you Form RC159, *GST/HST Amount Owing Remittance Voucher*, to make your payment with. See "After you file" on page 26 for more information.

Statement of Interim Payment – Beginning April 10, 2007, we will send you this statement after every instalment payment you make to confirm we received your payment. Your statement will come with two copies of Form RC160, *GST/HST Interim Payments Remittance Voucher.* One copy is for your next instalment payment and the other is for you to keep in case you need it for a future remittance. Note that the terms "instalment payment" and "interim payment" are interchangeable. See "*Statement of Interim Payment*" on page 29 for more information.

Penalty, interest, and refund changes

On April 1, 2007, changes to the law will change the way we apply penalties and interest and administer refunds as follows:

Penalties – A penalty will apply if you file a return late, unless the return has a $0 balance or we owe you a refund on that return. A penalty will no longer apply on late remittances.

Interest – Interest will be calculated differently. This applies to interest we may owe you on refunds and rebates and to interest you may owe us if you have a balance owing. For more information, see page 26.

Refund holds – If you have to file any returns under the *Excise Tax Act*, the *Income Tax Act*, the *Excise Act, 2001*, or the *Air Travellers Security Charge Act,* but have not done so, any GST/HST refund or rebate you are entitled to will be held until all of the outstanding returns are filed.

Automatic offset of refunds – Any GST/HST refund or rebate to which you are entitled will automatically be held to pay any outstanding amounts you owe under the *Excise Tax Act*, the *Income Tax Act*, the *Excise Act, 2001*, or the *Air Travellers Security Charge Act*. Any difference will then be refunded to you.

Before you start

Is this guide for you?

If you own and operate a business in Canada, you need to know about the goods and services tax (GST) and the harmonized sales tax (HST). This guide provides general information such as how to collect, record, calculate, and remit GST/HST. It also includes line-by-line instructions to help you complete your GST/HST return.

This guide does not provide detailed information that may apply to non-residents and certain businesses such as financial institutions, tour operators, builders, and land developers. It does not cover the special rules, exemptions, and rebates that apply to public service bodies. We have other guides, pamphlets, and bulletins that provide information to specific businesses and organizations. For a complete list of forms, guides, and pamphlets, see Appendix 2 on page 53.

Terms we use in this guide

See Appendix 1 on page 52 for a glossary that explains some of the terms we use in this guide.

Internet

You can now find GST/HST information for your type of business or operation by visiting our Web site at **www.cra.gc.ca/gsthst**. You may want to bookmark this address for easier access to our Web site in the future.

How to contact us

If you need more information about GST/HST, call us at **1-800-959-5525**.

Forms and publications

Throughout this guide, you will find references to other publications and forms. We have provided a list of these in Appendix 2.

Many of our forms and publications are available on our Web site at **www.cra.gc.ca**. You can also order most of our publications and forms by calling us at **1-800-959-2221**. However, if you need to order a personalized remittance form, see the next section.

Ordering personalized remittance forms

Effective April 10, 2007, Form GST58, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Remittance*, and Form GST426, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Remittance (non-personalized)* will be replaced by the following personalized remittance forms:

- RC159, *GST/HST Amount Owing Remittance Voucher*;
- RC160, *GST/HST Interim Payments Remittance Voucher*; and
- RC177, *GST/HST Balance Due Remittance Voucher*.

These new remittance forms are not available on our Web site as we can only provide them in a pre-printed format. However, you can order these forms using one of the following options:

- If you have a Government of Canada epass, you can order them online at the following address: **www.cra.gc.ca/mybusinessaccount**.
- You can order them online at **www.cra.gc.ca/requests-business** (you do not need an epass to use this option).
- You can call us to order them at **1-800-959-5525**.

Note
Changes planned in October 2007 will enable us to accept GST/HST returns filed using GST/HST NETFILE and TELEFILE that have an amount owing. **Form RC158**, *GST/HST Netfile/Telefile Remittance Voucher*, will become available **in October 2007** to correspond with these planned changes.

Teletypewriter users

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

Direct deposit

If you are expecting refunds or rebates when you file your GST/HST returns, you can complete and send us Form GST469, *Direct Deposit Request.* This is a safe, convenient, dependable, and time-saving method of receiving your GST/HST refunds and rebates.

Proposed changes

This guide includes proposed changes to GST/HST legislation and regulations that have been announced but were not law when we printed this guide. Once they become law, we will apply the changes beginning on the announced effective date.

GST/HST and Quebec

In Quebec, Revenu Québec administers GST/HST. If the physical location of your business is in Quebec, contact Revenu Québec, at **1-800-567-4692**. Also, see the Revenu Québec publication *General Information Concerning the QST and the GST/HST*.

First Nations taxes (FNGST and FNT)

The First Nations goods and services tax (FNGST) is a tax that replaces GST on the lands of First Nations who have imposed the FNGST.

The First Nations tax (FNT) is a tax on the sale of listed products on some First Nations reserves. The Canada Revenue Agency (CRA) administers FNGST and FNT on behalf of the First Nations. If you need more information on First Nations taxes, see Booklet RC4365, *First Nations Goods* *and Services Tax (FNGST)*, and Booklet RC4072, *First Nations Tax (FNT)*.

Small business seminars

To help you comply with GST/HST, we offer a GST/HST new registrant workshop, and GST/HST seminars. These cover topics such as who has to register, what is taxable, exempt, and zero-rated, how to collect and remit GST/HST, and how to file your GST/HST returns.

Visit our Web site at **www.cra.gc.ca/events** to find out what workshops and seminars are being offered in your area and to find out the location. You can also call us at **1-800-959-5525** for more information. If you are in Quebec, contact Revenu Québec at **1-800-567-4692**.

Excise and GST/HST News

As a GST/HST registrant, you may want to review the quarterly issues of the *GST/HST News*, which discuss different issues that concern a variety of GST/HST registrants. You can also subscribe to our quarterly newsletter by email. Our newsletters and information on how to become a subscriber can be found on our Web site at **www.cra.gc.ca/tax/technical/gsthst-e.html**.

Representatives

You can authorize a representative, such as your accountant, to get information about your GST/HST matters by completing and sending us Form RC59, *Business Consent Form*.

You must clearly indicate that you are authorizing the representative to contact us regarding your GST/HST account. We will also accept a letter signed by an owner that provides the same information as requested on the form. We will only give information to your representative after we are satisfied that you have authorized us to do so.

Problem Resolution Program

Our Enquiries staff is committed to resolving your tax-related problems by giving you accurate, timely, courteous, fair, and confidential answers to your questions. However, if a problem cannot be resolved, you can contact the Problem Resolution Program of your tax services office.

Our goal under this program is to resolve the problem within 15 working days. If we cannot do so (such as if your case is complex), a representative will contact you to confirm that we are working on the problem, to discuss it further (if necessary), and to let you know when we expect to resolve it.

GST/HST electronic filing and remitting

You may be eligible to file your return electronically using GST/HST NETFILE or TELEFILE. Changes planned in October 2007 will enable us to accept returns filed using GST/HST NETFILE and TELEFILE that have an amount owing. This means that you may now be eligible to file using NETFILE and TELEFILE if you were not before. See "Option 3 – using GST/HST NETFILE and TELEFILE" on page 24 for more information.

You may also be able to file returns and make remittances electronically through a participating financial institution. See "Option 4 – using Electronic Data Interchange (EDI)" on page 24 for more information

You can also visit our Web site at **www.cra.gc.ca** and click on "E-services" at the top of the page, or contact your financial institution, to find out more about these electronic filing and remitting options.

My Business Account

Our newest online service provides convenient and secure access to a growing range of personalized business account information and services. Using the Online Requests for Business option offered through My Business Account, you can request the following:

- changes to your mailing instructions;
- payment searches;
- interest reviews;
- credit transfers;
- additional remittance forms; and
- copies of notices and statements.

To use My Business Account, you need a Government of Canada epass. For more information and to apply for your Government of Canada epass, visit our Web page at **www.cra.gc.ca/mybusinessaccount**.

GST/HST rulings and interpretation service

Registrants and other interested parties may request a ruling or interpretation on how the relevant GST/HST legislation applies to a specific transaction for their operations. This service is provided free of charge. For more information, see GST/HST Memoranda 1.4, *Excise and GST/HST Rulings and Interpretations Service*, or contact us at **1-800-959-8287**.

False GST/HST exemptions

Some individuals, businesses, and organizations are falsely claiming to be exempt from paying GST/HST. In some cases, they may even present a fake exemption card to avoid paying the tax on their purchases.

If you do not collect GST/HST from someone who falsely claims to be exempt from paying GST/HST, you still have to remit the tax you should have collected.

> **Note**
> Indians and some groups and organizations, such as many provincial and territorial governments, do not always pay GST/HST on their purchases. For more information, see "Supplies to diplomats, Indians, and governments," on page 47.

Some provinces exempt farmers, municipalities, and other businesses from paying the provincial sales tax (PST). **However, these provincial exemptions do not apply to GST/HST**.

The law allows Statistics Canada to access business taxpayer information collected by the CRA. Statistics Canada can now share with provincial or territorial statistical agencies, for research and analysis purposes only, data concerning business activities carried out in their respective province or territory.

If you have a visual impairment, you can get our publications in braille, large print, or etext (CD or diskette), or on audio cassette or MP3. For details, visit our Web site at **www.cra.gc.ca/alternate** or call **1-800-959-2221**.

This guide uses plain language to explain 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 *Renseignements généraux sur la TPS/TVH pour les inscrits*.

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What is GST/HST?

GST/HST is a tax that applies on most supplies of goods and services made in Canada. The GST rate is 6% and the HST rate is 14%.

The three participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) harmonized their provincial sales tax with GST to create the 14% harmonized sales tax (HST). The 14% HST rate (6% federal part and 8% provincial part) applies to the same base of goods and services as GST.

GST/HST registrants who make taxable supplies (other than zero-rated supplies) in the three participating provinces collect tax at the 14% HST rate. Registrants collect tax at the 6% GST rate on taxable supplies they make in the rest of Canada (other than zero-rated supplies). See page 30 for more information on HST.

Who pays GST/HST?

Almost everyone has to pay GST/HST on purchases of taxable supplies of goods and services (other than zero-rated supplies). However, Indians and some groups and organizations, such as many provincial and territorial governments, do not always pay GST/HST on their purchases. See page 47 for more information.

Who charges GST/HST?

Generally, GST/HST registrants have to collect GST/HST on all taxable (other than zero-rated) supplies of goods and services they provide to their customers. However, there are some exceptions for sales of taxable real property. See "Real property" on page 40 for more information.

Taxable goods and services

Most goods and services you supply in or import into Canada are subject to 6% GST, 14% HST, or are zero-rated.

Examples of goods and services for which you charge and collect 6% GST or 14% HST include:

- commercial real property and newly built residential real property;
- rentals of commercial real property;
- sales and leases of automobiles;
- gasoline;
- car repairs;
- soft drinks, candies, and potato chips;
- clothing and footwear;
- advertising (unless provided to a non-resident of Canada who is not registered for GST/HST);
- taxi and limousine fares;
- legal and accounting fees;
- franchise fees;
- hotel accommodation; and
- barber and hairstylist services.

Examples of goods and services taxable at 0% (zero-rated) include:

- basic groceries such as milk, bread, and vegetables;
- agricultural products such as grain, raw wool, and dried tobacco leaves;
- most farm livestock;
- most fishery products such as fish for human consumption;
- prescription drugs and drug-dispensing fees;
- medical devices such as hearing aids and artificial teeth;
- exports (most goods and services for which you charge and collect GST/HST in Canada, are zero-rated when exported);
- many transportation services where the origin or destination is outside Canada; and
- any supply of property or a service that is for the use of the Governor General.

For more information on zero-rated supplies, see GST/HST Memoranda Series Chapter 4, *Zero-Rated Supplies*.

Exempt goods and services

A small number of goods and services are exempt from GST/HST—that is, no GST/HST applies to them. This means that you do not charge your customers GST/HST on your supplies of goods and services, and you do not claim input tax credits (ITCs).

Examples of exempt goods and services include:

- used residential housing;
- long-term residential accommodation (of one month or more), and residential condominium fees;
- most health, medical, and dental services performed by licensed physicians or dentists for medical reasons;
- child-care services (day-care services provided usually for less than 24 hours a day) provided primarily to children 14 years old and younger;
- bridge, road, and ferry tolls (ferry tolls are zero-rated if the ferry service is to or from a place outside Canada);
- legal aid services;
- many educational services such as courses supplied by a vocational school leading to a certificate or a diploma which allows the practice of a trade or a vocation, or tutoring services made to an individual in a course that follows a curriculum designated by a school authority;
- music lessons;
- most services provided by financial institutions such as arrangements for a loan or mortgage;

- arranging for and issuing insurance policies by insurance companies, agents, and brokers;
- most goods and services provided by charities; and
- certain goods and services provided by non-profit organizations, governments, and other public service bodies such as municipal transit services and standard residential services such as water distribution.

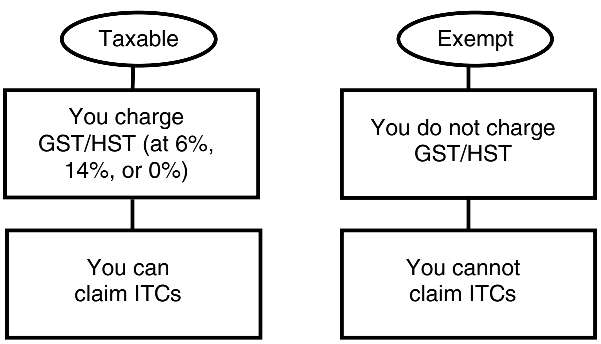
How does GST/HST work?

If you are a GST/HST registrant, you have to charge and collect GST/HST on taxable supplies you make in Canada and file regular GST/HST returns to report that tax.

You can claim an input tax credit (ITC) on your GST/HST return to recover GST/HST you pay or owe on purchases and expenses you use, consume, or supply in your commercial activities. Usually, commercial activities are those undertaken to provide taxable (including zero-rated) goods and services.

From a consumer's point of view, there is no difference between zero-rated and exempt goods and services, because tax is not charged in either case. However, the difference for you, as a registrant, is that although you do not collect GST/HST on zero-rated goods and services, you can still claim ITCs for the GST/HST you pay on purchases used to provide them.

Taxable and exempt goods and services



When you complete your GST/HST return, deduct your ITCs (GST/HST you paid or owe) from the GST/HST you charged your customers. The result is your net tax.

If the total amount of tax you charged is more than the amount of your ITCs, send us the difference. If the total amount of tax you charged is less than the amount of your ITCs, you can claim a refund. For more information on ITCs, see "Input tax credits," on page 14.

Should you register?

You have to register for GST/HST if:

- you provide taxable supplies in Canada; and
- you are not a small supplier.

You do not have to register if:

- your only commercial activity is the sale of real property, otherwise than in the course of a business; or
- you are a non-resident who does not carry on business in Canada. If you are a non-resident, see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*.

Small supplier

You are a small supplier and do not have to register if you meet **one** of the following conditions:

- If you are a **sole proprietor**, your total revenues from taxable supplies (before expenses) from all your businesses are $30,000 or less in the last four consecutive calendar quarters and in any single calendar quarter.
- If you are a **partnership or a corporation**, the total revenues from taxable supplies (before expenses) of the partnership or corporation are $30,000 or less in the last four consecutive calendar quarters and in any single calendar quarter.
- If you are a **public service body** (charity, non-profit organization, municipality, university, public college, school authority, or hospital authority), the total revenues from taxable supplies from all of the activities of the organization are $50,000 or less in the last four consecutive calendar quarters and in any single calendar quarter. A gross revenue threshold of $250,000 also applies to charities and public institutions. For more information, see Guide RC4082, *GST/HST Information for Charities*.

In all cases, total revenues from taxable supplies means your worldwide revenues from your supplies of goods and services that are subject to GST/HST (including zero-rated supplies), or that would be subject to the tax if supplied in Canada. However, it does not include goodwill, financial services, and sales of capital property. You also have to include the total revenues from taxable supplies of all your associates in this calculation. Call us if you need help to determine if you are associated to another person.

In summary, if your total revenues from taxable supplies exceed $30,000 ($50,000 for public service bodies) in a single calendar quarter or over four consecutive calendar quarters, you are no longer a small supplier and you have to register for GST/HST. Call us if this happens.

> **Exception**
> Taxi and limousine operators, for their taxi operations, and non-resident performers selling admissions to seminars and other events must register for GST/HST, even if they are small suppliers.

Effective date of registration

The effective date of your GST/HST registration depends on when you exceed the small supplier threshold amount of $30,000 ($50,000 if you are a public service body). If you exceed the threshold amount in one calendar quarter, you are considered a registrant and must collect GST/HST on the supply that made you exceed the threshold amount. Your effective date of registration would be the day you made the supply that made you exceed the threshold amount. You have 29 days from this day to apply for registration.

However, if you do not exceed the threshold amount in one calendar quarter, but you do over four consecutive calendar quarters, you are considered to be a small supplier for those four calendar quarters and a month following those quarters. Your effective date of registration would be the day the first supply was made after you cease being a small supplier. You have 29 days from this day to register for GST/HST.

Voluntary registration

If you are a small supplier and you are engaged in a commercial activity in Canada, you can **choose** to register voluntarily, even though you are not legally required to do so. If you register voluntarily, you have to charge and remit GST/HST on your taxable supplies of goods and services, and you can claim ITCs for the GST/HST you paid or owe on purchases related to these supplies. You have to stay registered for at least one year before you can ask to cancel your registration. For more information on cancelling your registration, see page 50.

If you choose not to register, you cannot charge your customers GST/HST, and the GST/HST you pay on your business purchases becomes a cost for which you cannot claim ITCs.

How to register

Before you can register for a GST/HST account, you need a Business Number (BN). Your BN will be your business identification for all your dealings with us. For more information, see Guide RC2, *The Business Number and Your Canada Revenue Agency Accounts*.

If you incorporate, your business may automatically be registered for a BN and a corporate income tax account. Contact us to find out if your corporation already has these.

To set up a BN, a GST/HST account, and any other account you may need (for example, a payroll deduction or import account), visit our Web site at **www.businessregistration.gc.ca**. You can also call us and provide the necessary information over the telephone or request Form RC1, *Request for a Business Number (BN),* to complete and return to us.

> **Note**
> It is the person or business entity that registers for GST/HST. For example, it is the partnership that registers and not each partner.

If the physical location of your business is in Quebec, contact Revenu Québec at **1-800-567-4692**.

Fiscal year

Your fiscal year is the financial year of your business. Usually, your fiscal year for GST/HST purposes is the same as your tax year for income tax purposes. Generally, the tax year of the following persons is a calendar year:

- individuals and certain trusts;
- professional corporations that are members of a partnership (such as a corporation that is the professional practice of an accountant, a lawyer, or a doctor); and
- partnerships, where at least one member of the partnership is an individual, professional corporation, or other affected partnership.

However, some persons use non-calendar tax years. If you are an individual or a trust that uses a non-calendar tax year, you may want to use that same year as your GST/HST fiscal year. Also, if you are an individual or a trust that uses a non-calendar tax year, and if you are a member of a partnership, you may want to use the same fiscal year for GST/HST as your business's tax year.

A corporation can either use its tax year for income tax purposes as its GST/HST fiscal year, or it can elect to use a calendar year as its GST/HST fiscal year. These are the only two GST/HST fiscal year choices available to corporations. If a corporation changes its non-calendar tax year to another non-calendar tax year and its GST/HST fiscal year was the same as the original non-calendar tax year, the corporation has two choices:

- it can advise us of a change in GST/HST fiscal year as a result of a change in tax year; or
- it can make an election to change its GST/HST fiscal year to the calendar year.

Why use a non-calendar fiscal year?

Businesses use non-calendar fiscal years for many reasons. An example is when the calendar year-end is during the business's busy season. In this case, the business owners may wish to have a fiscal year end to be during a less busy time of the year. Another example is if the business is seasonal and there is no business activity at calendar year-end. Some business owners are absent during their off-season, and do not wish to be responsible for preparing records at that time of year.

How to change your fiscal year

If your business has a non-calendar year for GST/HST purposes, you may elect to have a fiscal year that is a calendar year. Also, if you are an individual or a trust and you want to change your GST/HST fiscal year, you need to elect to have an approved non-calendar tax year that would be the same as for income tax purposes. In either case, call us or complete and send us Form GST70, *Election, or Revocation of an Election, to Change a GST/HST Fiscal Year*. However, if you want to apply to have both your tax year and your GST/HST fiscal year changed to a non-calendar fiscal year, call our Business Enquiries line at **1-800-959-5525**.

Reporting periods

Reporting periods are the periods of time for which you file your GST/HST returns. For each reporting period, you have to prepare and send us a GST/HST return showing the amount of GST/HST you charged or collected from your customers and the amount of GST/HST you paid or owe to your suppliers.

Your reporting period is based on your total taxable supplies of goods and services made in Canada in your previous fiscal year, including supplies of zero-rated goods and services and those of your associates, if applicable. When calculating this amount, do not include supplies made outside Canada, zero-rated exports of goods and services, zero-rated financial services, taxable sales of capital real property, or goodwill.

When you register for GST/HST, we assign you the reporting period that requires you to file your GST/HST returns the least frequently. You may be able to choose, based on the amount of your taxable supplies from your previous fiscal year, one of the optional reporting periods. The chart below explains the assigned reporting periods and the choices available to you.

If you qualify for an optional reporting period and you want to change your assigned reporting period, call us or complete and send us Form GST20, *Election for GST/HST Reporting Period*.

Assigned and optional reporting periods

Annual taxable supplies threshold amounts	Assigned reporting periods	Optional reporting periods
$500,000 or less	Annual	Monthly, Quarterly
More than $500,000 up to $6,000,000	Quarterly	Monthly
More than $6,000,000	Monthly	Nil

If you exceed the threshold amount for your fiscal year (if you have an annual reporting period) or your fiscal quarter (if you have a quarterly reporting period), you have to report more frequently beginning with the first fiscal quarter after you exceeded the threshold amount. For instance, if the threshold amount of a registrant with a quarterly reporting period exceeds $6,000,000 in a fiscal year, the registrant is required to report monthly beginning with the first fiscal quarter after exceeding the threshold amount.

We assign an annual reporting period to most financial institutions. If they qualify, they can choose to file monthly or quarterly GST/HST returns using Form GST20.

We assign an annual reporting period to charities, regardless of their revenues. They can choose to file monthly or quarterly returns using Form GST20. For more details, see Guide RC4082, *GST/HST Information for Charities*.

Accounting periods

If your business uses accounting periods other than calendar months or quarters, you have to notify us of the periods you have chosen. For example, if your business uses an exact 52-week fiscal period, the date of your fiscal year-end will differ from year to year.

Usually, your accounting periods have to meet the following guidelines:

- Each fiscal month has to be shorter than 36 days and, except for the first and the last month in a fiscal quarter, longer than 27 days. You can apply to us to have one fiscal month per quarter that is longer than 35 days. You can also apply to have fiscal months, other than the first or last month of the quarter, that are shorter than 28 days.
- A fiscal quarter has to be shorter than 120 days and, except for the first and last fiscal quarters in the fiscal year, longer than 83 days.

If your business is using accounting periods other than calendar months or quarters, or if you want to use fiscal months that do not meet the guidelines, complete and send us Form GST71, *Notification of Accounting Periods*, or send us a written request before the first day of each fiscal year to which it relates.

If you do not notify us of your accounting periods, we will assign fiscal months and fiscal quarters based on calendar months and calendar quarters, and you will have to wait until your next fiscal year to have this option again.

Making changes to your GST/HST account

Address changes

If your business or mailing address changes, you can update us online through My Business Account at **www.cra.gc.ca/mybusinessaccount**, by calling our Business Enquiries line at **1-800-959-5525**, or by writing your tax services office.

The business address is the actual physical location of your business. If a street address is not available, use the legal description of the location of the business. For example, Lot 1, Concession 2.

The mailing address can be different from the business address. For example, you may have a post office box or you might have your business mail delivered to your home or your accountant instead of to your place of business.

You can have a different mailing address for each of your registered business accounts (for example, the mailing addresses for your GST/HST account, corporate income tax account, and payroll account can all be different.)

Telephone and fax number changes

If the telephone and/or fax numbers change for any owners, contacts, or representatives of the business, contact us.

Changes to authorized representatives or contacts

An **authorized representative** is usually a third party, such as an accountant, bookkeeper, or lawyer, who is not an owner or employee of a business, but represents it. You can add, change, or cancel the authorized representative named on your GST/HST account by completing Form RC59, *Business Consent Form*, and sending it to your tax services office or by sending us a letter that provides the same information as Form RC59.

You can only make changes to your authorized representative in writing.

A **contact** for a business is usually the owner or an employee of the business. If you want to add, change, or cancel the contact person named on your GST/HST account, call Business Enquiries at **1-800-959-5525** or send the new information to your tax services office.

Direct deposit changes

To change your direct deposit information, send us the new information on Form GST469, *Direct Deposit Request*. The information you provide will stay in effect until you request another change by sending us another Form GST469 or until you cancel your direct deposit.

You can cancel your direct deposit using Form GST469 or you can call us. However, this is the only change we can make to your direct deposit information over the telephone.

Changes to legal entity type

If the legal status of your business ownership changes, you have to get a new BN with a new GST/HST account for the new legal entity. This applies, for example, when a business changes from a sole proprietorship to a partnership, or a partnership changes to a corporation. For more information, call our Business Enquiries line at **1-800-959-5525**.

Legal name changes

If you change the legal name of your business, it is important to notify us and send us the proper documents showing the name change. The legal name of your business will change, for example, if you are:

- a sole proprietor whose own personal legal name changes;
- a partnership that takes on a new partner, or loses a partner; or
- a corporation that changes its legal name and receives articles of amendment to show this change.

For more information, call our Business Enquiries line at **1-800-959-5525**.

Collecting GST/HST

As a GST/HST registrant, you are responsible for collecting GST or HST from your customers when you sell or provide taxable goods and services in Canada. You hold this tax in trust until you remit it to us.

Informing your customers

You need to let your customers know if GST/HST is being applied to their purchases. For taxable supplies (other than zero-rated supplies), you have to either:

- indicate that the total amount paid or payable for a supply includes the GST/HST payable for that supply; or
- indicate the following amounts separately:
  - the amount paid or payable by the customer for the supply; and
  - the amount of GST/HST paid or payable for the supply in a way that clearly indicates the amount of tax.

Where you choose to indicate the tax payable or the tax rate on invoices, receipts, or written contracts, you have to indicate:

- the total dollar amount of the tax payable; or
- the 6% GST rate or the 14% HST rate that applies to the supply. This means that if HST applies to the supply, do not indicate the federal and provincial parts of HST separately. You have to indicate the **total** HST rate of 14%.

You can use cash register receipts, invoices, or contracts to inform your customers, or you can post signs at your place of business.

Sales invoices for GST/HST registrants

In addition to the general rules described above, you have to give customers who are GST/HST registrants specific information on the invoices, receipts, contracts, or other business papers that you use when you supply taxable goods and services. This information allows them to substantiate their claims for ITCs or rebates for the GST/HST you charged. Similarly, when you make business purchases, the invoices from your suppliers will substantiate your claims for ITCs. If your customers ask you for an invoice or receipt for purposes of claiming ITCs, you have to give them specific information, depending on the amount of the sale. For details of the information required, see the following chart.

Information required	Total sale under $30	Total sale of $30 to $149.99	Total sale of $150 or more
Your business or trading name or your intermediary's name	✓	✓	✓
Invoice date or, if you do not issue an invoice, the date on which the GST/HST is paid or payable	✓	✓	✓
Total amount paid or payable	✓	✓	✓
An indication of the total amount of GST/HST charged or that the amount paid or payable for each taxable supply (other than zero-rated supplies) includes GST/HST at the applicable rate.		✓	✓
When you supply items taxable at the GST rate and the HST rate, an indication of which items are taxed at the GST rate and which are taxed at the HST rate.		✓	✓
Your Business Number or your intermediary's Business Number		✓	✓
The buyer's name or trading name or the name of their duly authorized agent or representative			✓
A brief description of the goods or services			✓
Terms of payment			✓
Note: Intermediary of a person for a particular supply means a registrant who, under an agreement with the person, causes or facilitates the making of the supply by the person.			

Provincial sales tax (PST)

When you have to charge GST and PST, calculate GST on the price excluding PST. For more information on how to calculate PST, contact your provincial sales tax office. Remember, in the participating provinces, HST includes both the federal and provincial parts.

Rounding off fractional amounts

Round off GST/HST to the nearest cent:

- if the amount is less than half a cent, round down; or
- if the amount is equal to or more than half a cent, round up.

If your customer is buying more than one item and tax applies at the same rate on all items, you may total the prices of all taxable goods and services, calculate the GST/HST payable, and then round off the amount.

Early-payment discounts and late-payment surcharges

If you offer an early-payment discount on credit sales, you have to charge GST/HST on the full invoice amount even if your customer takes the discount. If you charge late-payment surcharges, you do not charge GST/HST on the surcharge. GST/HST is payable only on the original invoiced amount.

Example
You operate a business in Manitoba and the invoice shows the price of goods as $100 plus GST. The credit terms of the invoice give the customer a 2% discount if the customer pays within 10 days. GST is charged on $100, even if your customer takes the discount.

If you charge $5 for late payment of goods invoiced at $100, GST does not apply to the late charge.

Early payment discount:
Customer pays $104
($100 + $6 GST – $2 discount = $104)

Late payment surcharge:
Customer pays $111
($100 + $6 GST + $5 late charge = $111)

When you invoice an amount that is already net of the early payment discount, charge GST/HST on the invoiced amount.

Example
You send a customer an invoice with instructions to pay $100 plus tax if payment is made by March 23, or to pay $110 plus tax if payment is made after March 23. You charge GST/HST on the reduced invoiced amount of $100, even if the customer makes the payment after the March 23 due date.

Volume discounts

When you offer volume discounts to reduce the sale price, you can reduce the GST/HST payable. If you offer your customers volume discounts—that is, you reduce the price if they buy a certain quantity of goods—the amount of GST/HST you charge depends on whether you offer the discount at the time you make the sale or after you make the sale.

At the time of sale

If you offer a discount at the time of sale, you collect GST/HST on the net amount—the sale price less the discount. The following sample invoice shows how to treat a volume discount at the time of sale.

Dodd Company
123 ABC Street
Edmonton AB T0K 2B2

Sold To: Flint Company
Date: May 3, 2007
Business Number: 123456789

Description	Amount	Net amount
10 tables @ $150.00 ea.	$1,500.00	
Volume discount (10%)	(150.00)	$1,350.00
40 chairs @ $50.00 ea.	2,000.00	
Volume discount (10%)	(200.00)	1,800.00
Lamp	75.00	75.00
Subtotal		$3,225.00
GST ($3,225 × 6%)		193.50
Total		$3,418.50

Terms of payment: Net 30 days

After the sale

Some businesses give volume discounts after they make the sale and collect or charge GST/HST. The customer usually earns this type of volume discount over a period of time (e.g., over a year) and not on a sale-by-sale basis. In this case, you have to choose whether or not to credit the GST/HST related to the amount of the discount.

If you choose to adjust, refund, or credit GST/HST for the volume discount amount and the customer is a registrant, you have to issue a credit note to the customer to explain the adjustment, which is the discount and the related amount of GST/HST. Alternatively, the customer can issue a debit note to you to indicate the adjustment. Treat credit or debit notes for this purpose the same way as you treat credit or debit notes for returned goods (see page 44).

If you charge or collect GST/HST on a sale and later offer a price reduction or volume discount, you can deduct the amount of GST/HST you adjust, refund, or credit to the customer when you calculate your net tax on your GST/HST return. You can make this adjustment only if you included the GST/HST charged in your net tax calculation for a previous reporting period. Your customer will have to repay any rebate claimed or add the amount of GST/HST adjustment to his or her net tax if an ITC or rebate was claimed for the amount.

If you choose not to adjust the amount of GST/HST you charged, you do not have to adjust your net tax calculation. This is sometimes done when the customer is a GST/HST registrant and has already claimed an ITC. Any price reduction you make does not include a refund, adjustment, or credit of GST/HST, and you or the customer do not have to issue a credit or debit note for GST/HST purposes or make any adjustment on your GST/HST return.

Input tax credits

As a registrant, you recover the GST/HST you paid or owe on your purchases and expenses related to your commercial activities by claiming an ITC on **line 106** of your GST/HST return.

If you keep track of the GST/HST you paid or owe by adding a column for GST/HST to the purchases and expenses side of your records, total this column to calculate your ITCs for each reporting period. For example, Gilson Company calculates that it paid GST during April as shown in the following charts.

Gilson Company
Purchases and expenses for April 2007

Date	Cheque no.	Description	Amount excluding GST	GST paid
Apr. 5	354	insurance	$ 150	
Apr. 7	355	wages	1,000	
Apr. 10	356	office supplies	200	$ 12
Apr. 18	357	inventory	2,000	120
Apr. 20	358	advertising	500	30
Apr. 21	359	wages	1,000	
Apr. 27	360	Utilities	200	12
Apr. 30	361	rent	1,500	90
Total			**$6,550**	**$264**

If you use double-entry accounting, you can keep track of your ITCs by creating an account called "input tax credits" or "GST/HST paid." You would debit this account with the amount of GST/HST you paid or owe on your purchases and expenses.

You can claim ITCs only to the extent that your purchases and expenses are for consumption, use, or supply in your commercial activities (that is, in making taxable supplies).

However, there are some purchases and expenses for which you **cannot** claim an ITC, such as:

- certain capital property (for more information, see "Claiming ITCs for capital property" on page 17);
- taxable goods and services bought or imported to provide exempt goods and services;
- membership fees or dues to any club whose main purpose is to provide recreation, dining, or sporting facilities (including fitness clubs, golf clubs, and hunting and fishing clubs), unless you acquire the memberships to resell in the course of your business; and
- goods or services you bought or imported for your personal consumption, use, or enjoyment.

To claim an ITC, the expenses or purchases must be reasonable in quality, nature, and cost in relation to the nature of your business. Also, an ITC must be based on a reasonable purchase price.

If you are a new registrant, you may be able to claim an ITC for the GST/HST you paid or owe on goods such as capital property and inventory that you have on hand on the day you register. For more details, see "New registrants" on page 17.

Claiming your ITCs

Most registrants claim their ITCs when they file their GST/HST return for the reporting period in which they made their purchases. However, you may have ITCs that you did not claim when you filed the return for the corresponding reporting period.

If so, you can claim those ITCs in a future GST/HST return as long as it is filed by the due date of the return for the last reporting period that ends within four years after the end of the reporting period in which the ITC could have first been claimed.

To support your claim for ITCs, the invoices or receipts you use must contain specific information. See the chart on page 13 for details on what is required.

Example
You are a quarterly filer and you buy office furniture in the reporting period October 1, 2006, to December 31, 2006, for which you can claim an ITC. The due date of the return for this reporting period is January 31, 2007.

You have up to four years from January 31, 2007, to claim ITCs for tax that was paid or that became payable in the October 1 to December 31, 2006, reporting period. This means that you can claim those ITCs in any following return due to be filed before January 31, 2011.

The time limit for claiming ITCs for a reporting period is reduced from four to two years for:

- listed financial institutions; and
- persons with annual taxable supplies of goods and services of more than $6 million for each of the two preceding fiscal years.

However, the two-year time limit does not apply to the following persons even if they fall into the second category listed above (these persons have four years to claim their ITCs):

- charities; and
- persons whose supplies of goods and services (other than financial services) during either of the two preceding fiscal years are at least 90% taxable supplies.

Under the two-year limit, you can claim your ITCs in any future return that is filed within two years of the end of the fiscal year that includes the return in which the ITC could have first been claimed.

Example
You are a monthly filer with a fiscal year-end of December 31. You buy goods in the reporting period September 1, 2007, to September 30, 2007, for which you can claim an ITC. The fiscal year that includes the September 2007 return ends on December 31, 2007. You can claim the ITC in any subsequent return until December 31, 2009.

Operating expenses

Examples of operating expenses for which you may claim an ITC are: commercial rent, equipment rentals, advertising, utilities, and office supplies such as postage, computer disks, paper, and pens.

If you intend to use at least 90% of an operating expense for your commercial activities, you can claim a full ITC for the GST/HST you pay on that expense.

If you intend to use at least 90% of an operating expense for an exempt activity, you cannot claim an ITC for the GST/HST you pay on that expense. For example, if you hire a waste disposal company to remove refuse from an apartment building that you rent out (an exempt activity), you cannot claim an ITC for the GST/HST you pay to the waste disposal company.

Exception
Financial institutions must use 100% of an expense in commercial activities before they can claim a full ITC. But, they can claim a partial ITC even where they use less than 10% of an expense in commercial activities.

If you provide both taxable and exempt goods and services and you cannot attribute at least 90% of an expense to a taxable or exempt activity, you can only claim ITCs for the part of the expense you use in your commercial activities.

Example
You own a building in Nova Scotia where you operate your retail store (a commercial activity), and you rent an apartment on the upper floor to a residential tenant on a long-term basis (an exempt activity). The rent includes utilities. Your utility bill for the building that is used for both commercial and exempt activities includes $80 HST. If you determine that 70% of the utility bill relates to the store and 30% to the apartment, you can claim an ITC for 70% of the HST you pay on your utility bill:

$$\$80 \times 70\% = \$56$$

The method you use to determine the percentage of operating expenses you use in commercial activities has to be fair and reasonable and used consistently throughout the year. For example, a method commonly used is the number of square metres of space used in commercial activities relative to the total space of the building.

Procurement cards

Procurement cards, or purchasing cards, are charge cards with pre-set spending limits. These cards allow your employees to make business purchases more efficiently than through the normal purchase order or invoice cycle.

The statements and reports provided by the procurement card issuers may not provide enough documentary information about your purchases to support your claim for ITCs. If you use procurement cards to purchase goods and services for use in your commercial activities, you may qualify for an exemption from this documentary information.

Provided certain conditions are met, eligible registrants may apply to the CRA to use ratios to claim ITCs for purchases under $1,000 made using procurement cards.

For details on this policy, see Notice 199, *Procurement cards-Documentary requirements for claiming input tax credits*. You will find this Notice on our Web site at **www.cra.gc.ca/tax/technical/gsthst-e.html**.

Meal and entertainment expenses

You can claim an ITC for the GST/HST you pay on reasonable meal and entertainment expenses that relate to your commercial activities by using, in most cases, the same limitation rules as those for income tax purposes. When the deduction for income tax purposes is limited to 50% of the cost of meals and entertainment, then 50% of the GST/HST you pay on those expenses qualifies for an ITC.

> **Note**
> The above rule does not apply to charities or public institutions. These persons do not have to reduce the amounts by 50% when they are entitled to claim an ITC for meal and entertainment expenses.

You can choose one of the following two ways to calculate your ITCs for meal and entertainment expenses:

- You can claim 100% ITCs for these expenses throughout your fiscal year. If you file monthly or quarterly GST/HST returns, add the 50% adjustment for the excess ITCs you claimed during the year to your net tax calculation for the first reporting period after the end of your fiscal year. If you file annually, add the 50% adjustment to your net tax calculation for that fiscal year. Enter the adjustment on **line 104** of your return.
- You can claim 50% of the actual GST/HST you pay on these expenses during each reporting period. By choosing this method, you do not have to make any adjustments at the end of your fiscal year.

You can claim an ITC for the GST/HST you reimburse to your employees and partners for meal and entertainment expenses they incurred in Canada. However, these expenses are also subject to the 50% limit.

Employee, partner, and volunteer expenses

Reimbursements

You can generally claim ITCs for the GST/HST included in reimbursements you pay to your employees or partners for expenses they incurred in Canada on your behalf for your commercial activities. If you are a charity or public institution, you can also claim ITCs for the GST/HST included in reimbursements you pay to your volunteers.

You can choose one of the following methods to calculate your ITCs:

Method 1
Calculate an ITC for a reimbursement you paid before July 1, 2006, as follows:

- if 90% or more of the total amount you reimbursed for expenses were charged GST, multiply by 6/106; or
- if 90% or more of the total amount you reimbursed for expenses were charged HST, multiply by 14/114.

Calculate an ITC for a reimbursement you paid on or after July 1, 2006, as follows:

- if 90% or more of the total amount you reimbursed for expenses were charged GST, multiply by 5/105; or
- if 90% or more of the total amount you reimbursed for expenses were charged HST, multiply by 13/113.

Method 2
Determine the actual GST or HST you incurred on reimbursed expenses using the following formula:

$$\mathbf{A \times B}$$

A is the GST/HST paid by the employee, partner, or volunteer on the goods or services;

B is the lesser of the following amounts:

- the percentage of the cost to the employee, partner, or volunteer that you reimburse (reimbursement divided by cost); and
- the extent to which the employee, partner, or volunteer acquired, imported, or brought into a participating province the goods or services for consumption or use in relation to your commercial activities.

Example
Your employee incurs an expense of $570 ($500 plus $30 GST and $40 provincial sales tax) for use 100% in your commercial activity. You reimburse your employee $345 for this expense. You can claim an ITC equal to the lesser of the following amounts:

$$A \times B = \$30 \times \frac{\$345}{\$570} = \$18.16$$

and

$$A \times B = \$30 \times 100\% = \$30$$

You can claim an ITC of $18.16 for the reimbursement.

The method you choose to calculate your ITCs for reimbursements must be used consistently throughout your fiscal year. For example, if you use method 1 to calculate your ITCs for meal and entertainment expenses reimbursed to one employee, you have to use this method to calculate your ITCs for the same types of reimbursements made to other employees.

Allowances

In general, you can claim an ITC equal to the GST or HST part of a reasonable allowance you pay to your employees or partners (or volunteers if you are a charity or a public institution) if you meet the following conditions:

- the allowance is used to pay for expenses of which 90% or more are incurred in Canada and are charged GST/HST (other than zero-rated);
- the allowance is or would be deductible for income tax purposes; and
- the expenses incurred by your employees, partners, or volunteers would have been eligible for ITCs if you had incurred them.

To claim an ITC for the HST part of the allowance, at least 90% of the expenses must be incurred in participating provinces.

You claim an ITC for a reasonable allowance you paid before July 1, 2006, as follows:

- multiply the allowance by 7 and divide the result by 107 for GST; or
- multiply the allowance by 15 and divide the result by 115 for HST.

You claim an ITC for a reasonable allowance you paid on or after July 1, 2006, as follows:

- multiply the allowance by 6 and divide the result by 106 for GST; or
- multiply the allowance by 14 and divide the result by 114 for HST.

A motor-vehicle allowance that is reasonable for income tax purposes also qualifies for an ITC. In order to claim an ITC for the HST part of the allowance, the use of the motor vehicle must be in the participating provinces.

Home office expenses

You can claim ITCs for your home office expenses only if the work space is:

- your principal place of business; or
- used 90% or more to earn income from your business and used on a regular and continuous basis for meeting your clients, customers, or patients.

This restriction for home office expenses is similar to that used for income tax purposes.

New registrants

If you are a new registrant, you can claim an ITC for the GST/HST you paid or owe on property such as capital property, real property, and inventory that you had on hand to use in your commercial activities at the time you became a registrant. We consider that you bought the property at that time and paid GST/HST equal to the basic tax content of the property. The basic tax content formula is explained in the next section, "Claiming ITCs for capital property."

You can also claim an ITC for any GST/HST you prepaid for rent, royalties, or similar payments that relate to the period after you became a registrant. You cannot claim an ITC for the GST/HST you paid or owe on services or accommodation you consumed, used, or supplied during a period before you became a registrant, even if you paid that GST/HST after you became a registrant.

Example
You prepaid 3 months rent for office space for use in your commercial activities for the period January 1, 2007, to March 31, 2007. If you became a registrant on March 1, 2007, you can claim an ITC for the GST/HST you paid on rent for the month of March. You cannot claim an ITC for the GST/HST you paid for rent from January 1 to February 28, because that amount relates to the period before you became a registrant.

Claiming ITCs for capital property

Capital property for GST/HST purposes is based on the meaning of the term for income tax purposes. It is:

- any depreciable property. This means property that is eligible or would be eligible for a capital cost allowance for income tax purposes; and
- any property, other than depreciable property, from which any gain or loss if you disposed of the property would be a capital gain or capital loss for income tax purposes.

In general, capital property is property you buy for investment purposes or to earn income. It may include:

- real property, such as land or a building (see "Claiming ITCs" on page 40 for information on claiming ITCs for real property); and
- personal property such as equipment or machinery that you use in your business.

Other examples of capital personal property include:

- photocopiers, computers, and cash registers;
- furniture and appliances used to furnish places such as offices, lobbies, and hotel rooms; and
- free-standing refrigerators, ovens, and other large appliances (built-in appliances are fixtures that are usually considered to be part of the real property).

> **Note**
> Capital property for GST/HST purposes does not include property described for income tax purposes in class 12 (such as chinaware, cutlery, or other tableware costing less than $200), class 14 (certain patents, franchises, concessions, or licences for a limited period), or class 44 (a patent or a right to use patented information for a limited or unlimited period). You can claim ITCs for these items based on the rules for operating expenses explained on page 14.

Capital personal property

The general rules for claiming ITCs for capital personal property such as computers, equipment, and office furniture are as follows:

- If you use the capital personal property primarily (more than 50%) in your commercial activities, you can claim a full ITC.
- If you use the capital personal property 50% or less in your commercial activities, you cannot claim an ITC.

Example
You buy a computer for $2,000 plus GST/HST. You will use the computer 60% in your commercial activities and 40% for personal use. Since you will use the computer more than 50% in your commercial activities, you can claim an ITC for the full amount of the GST/HST you pay for the computer.

Exception
Financial institutions have to claim their ITCs for capital property based on the actual extent of their use of the property in commercial activities.

Passenger vehicles and aircraft
Corporations follow the above rule for claiming ITCs on passenger vehicles and aircraft.

However, individuals and partnerships have to claim ITCs for passenger vehicles and aircraft based on the capital cost allowance (CCA) claimed for income tax purposes. If the use in commercial activities is less than 10% or more than 90%, see the chart on page 19 for the rules.

You usually calculate your CCA for income tax purposes at the end of your fiscal year.

Once you have calculated your CCA, calculate your ITC by using one of the following formulas:

When your tax year ends before July 1, 2006

- CCA × 7/107 if you paid GST on the purchase;
- CCA × 15/115 if you paid HST on the purchase; or
- CCA × 8/108 if you brought the vehicle or aircraft into a participating province.

When your tax year includes July 1, 2006

- CCA × 6.5/106.5 if you paid GST on the purchase;
- CCA × 14.5/114.5 if you paid HST on the purchase; or
- CCA × 8/108 if you brought the vehicle or aircraft into a participating province.

When your tax year ends after July 1, 2006

- CCA × 6/106 if you paid GST on the purchase;
- CCA × 14/114 if you paid HST on the purchase; or
- CCA × 8/108 if you brought the vehicle or aircraft into a participating province.

Example
You are self-employed and use your vehicle in your commercial activities and for personal use. The use in commercial activities is 60%. The CCA that you claimed for income tax purposes for your vehicle is $3,000. The ITC you can claim is as follows:

When your tax year ends before July 1, 2006

- $3,000 × 7/107 = $196.26 if you paid GST
- $3,000 × 15/115 = $391.30 if you paid HST

When your tax year includes July 1, 2006

- $3,000 × 6.5/106.5 = $183.10 if you paid GST
- $3,000 × 14.5/114.5 = $379.91 if you paid HST

When your tax year ends after July 1, 2006

- $3,000 × 6/106 = $169.81 if you paid GST
- $3,000 × 14/114 = $368.42 if you paid HST

Improvement to capital personal property
An improvement to capital personal property means any property or service supplied or goods imported to improve the capital personal property, to the extent that the price paid for those supplies is included in determining the adjusted cost base of the capital personal property for income tax purposes.

You can claim an ITC for the GST/HST you paid for the acquisition or importation of an improvement to such property, if you are using the capital personal property itself primarily (more than 50%) in your commercial activities.

If the improvement is to a passenger vehicle or aircraft, you can add the cost of the improvement to the adjusted cost base of the passenger vehicle or aircraft. You cannot include any amount for improvements to a passenger vehicle that will make the adjusted cost base exceed the capital cost limitation. The capital cost limitation is $30,000 for 2003, 2004, 2005, and 2006, and does not include GST/HST and provincial sales tax.

Musical instruments
If you are a registered individual or member of a partnership and you use a musical instrument for employment purposes or in a business carried on by the partnership, we consider that use to be in your commercial activities, and you can follow the general rules for claiming ITCs for capital personal property.

Change-of-use rules for capital personal property

From non-commercial to commercial use
When you change the primary use of capital personal property from non-commercial to commercial, we consider you to have sold the property, reacquired it, and paid GST/HST at that time. This means you can claim an ITC based on the basic tax content of the property at that time.

We have simplified the **basic tax content** formula to accommodate most registrants. It may not apply to some registrants such as selected listed financial institutions. Call us if you need more information.

The basic tax content formula is as follows:

$$(\mathbf{A} - \mathbf{B}) \times \mathbf{C}$$

A is the GST/HST payable at last acquisition and the GST/HST payable on improvements to the property (if your last acquisition of the property and the acquisition of any improvements you made to it, took place **before** July 1, 2006, **A** is the GST/HST payable at 7% or 15%);

B is any rebate or refund you are entitled to (not including ITCs);

C is the lesser of:

- 1; and
- the fair market value of the property at the time of the change in use **divided by** the cost of the property at the last acquisition of the property and the cost of any improvements to the property.

Example
You operate several commercial and residential rental buildings in Ontario. You pay GST on the purchase of a tractor for use primarily for the residential buildings (non-commercial activity). You cannot claim an ITC for this purchase and you are not entitled to any refunds or rebates.

Cost of tractor $10,000
GST payable ($10,000 × 6%) $600

Later, you change the primary use of the tractor to the commercial buildings (commercial activity). If the fair market value of the tractor was $7,000 when you changed the use, you can claim an ITC based on the basic tax content of the tractor at the time of the change in use as follows:

Basic tax content = (A – B) × C

= ($600 – $0) × ($7,000/$10,000)

= $420

Enter this amount on **line 106** of your GST/HST return.

From commercial to non-commercial use
If you change the primary use from commercial to non-commercial, you have to self-assess and pay GST/HST based on the basic tax content of the capital personal property.

Example
You are the operator described in the previous example. After changing the use of the tractor to primarily commercial activities, you now change the use back to primarily non-commercial activities. The tractor's fair market value is now $4,000. You have to add GST based on the basic tax content of the tractor in your net tax calculation as follows:

Basic tax content = (A – B) × C

= ($420 – $0) × ($4,000/$7,000)

= $240

You add GST of $240 in your net tax calculation because of the change in primary use to non-commercial. Include this amount on **line 103** of your GST/HST return.

Sale of capital personal property
If you sell capital personal property that was used more than 50% in your commercial activities, you have to charge GST/HST on the sale. However, you do not charge GST/HST on the sale if the property was used 50% or less in your commercial activities.

The chart below is a quick reference to the rules for claiming ITCs on capital personal property.

ITCs for acquisition of capital personal property

	Percentage of use in commercial activities	Corporations	Partnerships	Individuals	Public service bodies	Financial institutions
Personal property	≤ 50%	None	None	None	None	% of use
	> 50%	100%	100%	100%	100%	% of use
Passenger vehicles[1] and aircraft	≤ 10%	None	None	None	None	% of use
	> 10% to 50%	None	CCA[2]	CCA[2]	None	% of use
	> 50% to < 90%	100%	CCA[2]	CCA[2]	100%	% of use
	≥ 90%	100%	100%	100%	100%	% of use

[1] The part of the cost of passenger vehicles eligible for an ITC is limited to the capital cost limitation, which is $30,000 for 2003, 2004, 2005, 2006, and 2007 (the amount does not include federal or provincial sales taxes).

[2] CCA refers to the capital cost allowance for income tax purposes. You determine your ITC annually using the following formulas:

For tax years ending before July 1, 2006
CCA × 7/107 if you paid GST, CCA × 15/115 if you paid HST,
For a tax year that includes July 1, 2006
CCA x 6.5/106.5 if you paid GST, CCA x 14.5/114.5 if you paid HST, or
For tax years ending after July 1, 2006
CCA × 6/106 if you paid GST, CCA × 14/114 if you paid HST.

When you pay the 8% provincial part of HST for a vehicle or aircraft you brought into a participating province for business purposes, you may claim an ITC by using the formula CCA x 8/108. If you use the vehicle or aircraft in both commercial and non-commercial activities, only the part of the CCA attributable to the commercial activities may be used to calculate your ITC.

Capital real property

The rules for claiming ITCs for capital real property, such as a building, depend on whether you are a corporation, a partnership, an individual, a financial institution, or a public service body. See "Real property" on page 40 for more information.

Simplified Method for claiming ITCs

The Simplified Method for claiming ITCs is an alternative way for eligible registrants to calculate their input tax credits.

When you use the Simplified Method, you do not have to show GST/HST separately in your records. You only need to total the amount of your taxable purchases for which you can claim an ITC. However, you have to keep the usual documents to support your ITC claims for audit purposes.

You can use the Simplified Method if your annual worldwide revenues from taxable goods and services (including those of your associates) are $500,000 or less in your last fiscal year.

Your total taxable supplies (including those of your associates) for all preceding fiscal quarters of the current fiscal year must also be $500,000 or less. These limits do not include goodwill, zero-rated financial services, or sales of capital real property.

Also, you must have $2 million or less in taxable purchases made in Canada in your last fiscal year to qualify to use this method. The $2 million purchase limit does not include zero-rated purchases, but includes purchases imported into Canada or brought into a participating province.

If you are a public service body, you must be able to reasonably expect that your taxable purchases in the current fiscal year will not be more than $2 million.

Exception
Listed financial institutions cannot use the Simplified Method to calculate ITCs.

If you qualify, you can start using the Simplified Method at the beginning of a reporting period. You do not have to file any forms to use it. Once you decide to use this method, you have to use it for at least one year if you continue to qualify.

How does the Simplified Method work?

If you make purchases in both participating and non-participating provinces, you have to separate your purchases that are taxable at the GST rate from those taxable at the HST rate.

You can use the Simplified Method to calculate ITCs only for purchases you use to provide taxable goods and services. If you use your purchases for personal use, or to provide both taxable and exempt goods and services, only the portion used for providing taxable goods and services can be included in the ITC calculation. If you use a purchase at least 90% to provide taxable goods and services, you can include the total purchase price in your ITC calculation.

To calculate ITCs using the Simplified Method, follow these steps:

Step 1

Add up your business expenses for which you can claim an ITC. When you make purchases in both participating and non-participating provinces, you have to separately add up your purchases that are taxed at 6%, 7%, 14% and 15%.

Include capital personal property purchases and improvements to such property if you use the property more than 50% in your commercial activities. Your totals will include:

- GST or HST;
- non-refundable PST (only for GST-taxable purchases);
- taxes or duties on imported goods;
- reasonable tips;
- interest and late penalty charges related to purchases taxable at GST or HST; and
- reimbursements paid to employees, partners, and volunteers for taxable expenses.

Do **not** include:

- expenses on which you have not paid GST/HST such as employees' salaries, insurance payments, interest, exempt or zero-rated purchases, and purchases from a non-registrant;
- purchases you made outside Canada which are not subject to GST/HST;
- real property purchases;
- refundable or rebatable PST;
- purchases for which you are not entitled to claim an ITC such as:
  - the part you use for personal use or to provide exempt goods and services;
  - capital personal property that you do not use more than 50% in your commercial activities; and
  - the part of the cost of a passenger vehicle that exceeds the capital cost limitation for income tax purposes (for more information, see the chart on page 19);
- 50% of the meal and entertainment expenses (you may include 100% of the expenses and make the 50% adjustment at the end of your fiscal year);
- if you are an individual or a partnership, passenger vehicles or aircraft you bought or imported that you will not use 90% or more in commercial activities (see the chart on page 19 for more information); and
- amounts paid or payable in reporting periods before you started using the Simplified Method to calculate your ITCs.

Note
If you also use the Quick Method of accounting, only include business purchases for which you are entitled to claim ITCs, such as purchases of capital equipment.

Step 2
Multiply the amount(s) you calculated in step 1 by:

- 6 and divide the result by 106 for purchases on which you paid 6% GST;
- 7 and divide the result by 107 for purchases on which you paid 7% GST;
- 14 and divide the result by 114 for purchases on which you paid 14% HST; and
- 15 and divide the result by 115 for purchases on which you paid 15% HST.

Step 3
Add the following amounts, if they apply, to your ITC amount calculated in step 2:

- ITCs you did not claim before you started using the Simplified Method, as long as the time limit for claiming them has not expired;
- ITCs for the GST/HST you paid or owe on real property purchases. See "Claiming ITCs" on page 40 to find out the ITC you can claim for real property purchases; and
- if you are an individual or a partnership, the ITC you may claim for a passenger vehicle or an aircraft used less than 90% in your commercial activities.

Enter this total on **line 106** of your GST/HST return.

The following example shows you how to calculate your ITC for various purchases and expenses step by step.

Example (includes 6% GST and 8% PST)

Description	Expenses*
Rent	$ 1,070
Employees' salaries**	3,000
Insurance**	50
Capital property used more than 50% in commercial activities	575
Advertising	214
Office supplies	230
Inventory purchases	1,150
Land***	21,400
Total purchases and expenses	**$27,689**

* Includes GST and any non-refundable PST.
** GST does not apply.
*** Does not include any PST.

Step 1

Add all purchases and expenses including GST and PST	$27,689.00
Subtract employees' salaries, insurance, and land ($3,000 + $50 + $21,400)	($24,450.00)
Taxable expenses	$3,239.00

Step 2

Multiply taxable expenses by 6/106 ($3,239 × 6/106)	$183.34

Step 3

ITCs on taxable expenses	$ 183.34
Add ITC on land ($21,400 × 6/106)	1,211.32
ITC	**$1,394.66**

Calculating your net tax

You need to calculate your business's net tax for each GST/HST reporting period and report this on your GST/HST return. To do so, calculate:

- the GST/HST collected and collectible on your taxable supplies made during the reporting period; and
- the GST/HST paid and payable on your business purchases and expenses for which you can claim an ITC.

The difference between these two amounts, including any adjustments, is called your **net tax**. It is either your GST/HST remittance or your GST/HST refund. If you charged more GST/HST than you paid or owe, send us the difference. If you paid or owe more GST/HST than you charged, you can claim a refund of the difference.

For most businesses, this calculation is straightforward. However, to help reduce paperwork and bookkeeping costs, most small businesses can use the Quick Method of accounting to calculate their GST/HST remittance. See the next page for more information.

GST/HST charged and not collected

You are liable for the GST/HST you charge on goods or services on the day you receive payment or the day the payment is due, whichever is earlier. We usually consider payment to be due on the date you issue an invoice or the date specified in an agreement, whichever comes first. Therefore, if you issue an invoice before you receive the payment, you have to include the GST/HST charged on this invoice in the reporting period that includes the date of the invoice, even if you have not yet collected the tax. Include the GST/HST you charged for both paid and unpaid invoices on **line 103** of your GST/HST return for the reporting period in which you issued the invoices.

GST/HST payable and not paid

When you calculate your ITCs, you can include the GST/HST for purchases and expenses for which you have been invoiced but not yet paid. This means that you can get a credit for the GST/HST you owe to your suppliers before you pay the invoice.

Bad debt adjustments

If you already included the GST/HST on a credit sale on your GST/HST return, you remitted any outstanding net tax, and that sale became in whole or in part a bad debt, you can recover the GST/HST as a tax adjustment on **line 107** of your return. To do this, the debt has to be written off as a bad debt in your records, and you have to deal with the person at arm's length.

Use the following formula to calculate the tax adjustment. This formula is based on the tax that was payable at the time of the supply.

$$\mathbf{A} \times \frac{\mathbf{B}}{\mathbf{C}}$$

A is the GST/HST payable on the sale;

B is the total amount that remains unpaid for the supply that was written off as a bad debt, including GST/HST and applicable provincial sales taxes (PST); and

C is the total amount of the sale, including GST/HST and applicable PST.

The following example uses the 7% rate for GST, which was in effect prior to July 1, 2006.

Example
You receive only a partial payment of $800 towards a credit sale of $1,150, including $70 GST and $80 PST. The remaining unpaid balance of $350 later proves to be uncollectible and you write it off as a bad debt. You can recover GST of $21.30 as a tax adjustment on **line 107** of your GST/HST return:

$$\text{Tax adjustment} = \$70 \times \frac{\$350}{\$1{,}150}$$

$$= \$21.30$$

You have to make the tax adjustment in a reporting period that ends within **four years** of the due date of the return for the reporting period in which you wrote off the bad debt.

Bad debt recovered

If you claimed a bad debt adjustment on **line 107** and you later receive a payment towards that debt, you have to include the GST/HST portion of that amount as an adjustment on **line 104** of your GST/HST return for the reporting period in which the amount is recovered.

Use the following formula to calculate this tax adjustment:

$$\mathbf{A} \times \frac{\mathbf{B}}{\mathbf{C}}$$

A is the amount of the bad debt you recovered;

B is the GST/HST payable for the supply to which the bad debt relates;

C is the total amount of the sale, including GST/HST and applicable PST.

The following example uses the 7% rate for GST, which was in effect prior to July 1, 2006.

Example
In 2003, you made a credit sale of $1,150, including $70 GST and $80 PST. The amount later proved to be uncollectible and you wrote it off as a bad debt. You recovered $70 GST as a tax adjustment on **line 107** of your GST/HST return.

In 2005, you receive a payment of $400 towards the debt. You now have to include GST in the amount of $24.35 on **line 104**:

$$\text{Tax adjustment} = \$400 \times \frac{\$70}{\$1{,}150}$$

$$= \$24.35$$

Quick Method of accounting

The Quick Method of accounting is a simple way to calculate the GST/HST you have to remit. You may begin to use this method if your annual worldwide taxable supplies and those of your associates (including zero-rated supplies) are no more than $200,000 (including GST/HST) in any four consecutive fiscal quarters over the last five fiscal quarters. The $200,000 limit does not include the following:

- supplies of financial services;
- sales of real property;
- sales of capital assets; and
- goodwill.

Certain businesses cannot use the Quick Method, including:

- accountants;
- bookkeepers;
- financial consultants;
- lawyers (or law offices);
- actuaries;
- notaries public;
- listed financial institutions;
- audit services; and
- tax return preparation services or tax consultants.

See Booklet RC4058, *Quick Method of Accounting for GST/HST* for more information on who can use the Quick Method of accounting.

How does the Quick Method work?

With the Quick Method, you charge and collect GST or HST on taxable goods and services you supply to your customers in the usual way. But, to calculate the net GST/HST to remit, you multiply your taxable supplies including GST and your taxable supplies including HST made during the reporting period by the Quick Method remittance rate or rates that apply to those supplies.

The remittance rates depend on whether you are in the service, retail, or manufacturing business, the province in which your permanent establishment is located, and on where your services are provided.

> **Note**
> There are several remittance rates. See Booklet RC4058, *Quick Method of Accounting for GST/HST* to help you determine which rate or rates apply to your supplies.

The remittance rates are less than the GST/HST rates of tax that you charge. This means that you remit only a part of the tax that you collect, or that is collectible.

If you use this method, you have to continue using it for at least a year. There are other exceptions as well. For more information on how it works and what remittance rate(s) to use, see Booklet RC4058, *Quick Method of Accounting for GST/HST*.

Input tax credits (ITCs)

When you use the Quick Method, you do not need to keep track of the GST/HST you pay or owe on your operating expenses (such as utilities, rent, and telephone expenses), meal and entertainment expenses, and inventory purchases. The Quick Method remittance rates take into account the GST/HST you pay on these purchases and expenses. As such, you cannot claim ITCs for your operating expenses. However, you still have to keep records of your purchases and expenses.

You can claim ITCs for certain purchases such as purchases of land and purchases for which you can claim a capital cost allowance for income tax purposes, such as computers, vehicles, other large equipment and machinery.

How do I start using the Quick Method?

To use the Quick Method, see Booklet RC4058, *Quick Method of Accounting for GST/HST*. The booklet includes Form GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting*. You can complete Form GST74 and send it to us, or call us to elect to start using the Quick Method. See Appendix 3 for instructions on how to complete your GST/HST return when you use the Quick Method.

If you are an annual filer, you have to file the election within three months of the beginning of the fiscal year in which you want to use the Quick Method. If you are a monthly or quarterly filer, you have to file the election by the due date of the return for the reporting period in which you want to start using the Quick Method.

Different simplified accounting methods are available for charities, qualifying non-profit organizations, and other public service bodies. For information on these simplified accounting methods, see the following guides:

- RC4247, *The Special Quick Method of Accounting for Public Service Bodies;*
- RC4082, *GST/HST Information for Charities;*
- RC4081, *GST/HST Information for Non-Profit Organizations*; and
- RC4049, GST/HST Information for Municipalities.

Filing your GST/HST returns

We will automatically send you Form GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, which includes pre-printed information about your account.

> **Note**
> Beginning in April 2007, Form GST34 will have a new look. It will now be two pages long, however the information you need to provide is the same as before.

The personalized return we send you for each reporting period is not available on our Web site as we can only provide it in a pre-printed format. If you do not receive a personalized return within 15 working days of the end of your reporting period, or if you misplace it, you can use Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized)* instead. This non-personalized form is the same as the personalized return, except you have to enter your personal data.

To order non-personalized Form GST62, you can:

- visit our Web site at **www.cra.gc.ca/orderforms**; or
- call us at **1-800-959-2221**.

You still have to file your return by the due date even if you do not receive your personalized return on time.

We have included a sample of Form GST34 at the end of this guide. See Appendix 3 on page 56 for instructions on how to complete your return.

> **Note**
> If you are a non-resident, complete your GST/HST return in Canadian-dollar amounts and remit any amounts owing in Canadian funds.

Filing and remitting due dates

Monthly and quarterly filers

If your reporting period is monthly or quarterly, you have to file your GST/HST return and remit any amount owing no later than one month after the end of your reporting period.

Annual filers

If your reporting period is annual, you usually have to file your return and remit any amount owing no later than three months after the end of your fiscal year.

> **Exception**
> If all of the following apply to you, then your GST/HST return is due by June 15. However, any GST/HST remittance is due by April 30. These different due dates apply if:
>
> - you are an individual with business income for income tax purposes;
> - you file annual GST/HST returns; and
> - you have a December 31 fiscal year-end.

As an annual filer, you may also have to pay quarterly instalments. If so, they are due no later than one month after the last day of each fiscal quarter. See "Instalment payments" on page 28 for more information.

How to file your return and remit any amount owing

Depending on your situation, you may have up to four different options for filing your GST/HST return and remitting any amount owing.

> **Note**
> If it applies to you, also see "Are you a sole-proprietor whose annual GST/HST return is due by June 15?" on page 24 for information on which form to use to remit an amount owing on your GST/HST return.

Option 1 – by mail

You can mail your return and your remittance, if any, to the address shown on the GST/HST return.

Print your Business Number on your cheque and make it payable to the Receiver General. Do not send cash in the mail. To avoid processing delays, do not staple or attach receipts or other supporting documents to your return.

> **Note**
> You have to make your remittance at your financial institution if it is more than $50,000.

Option 2 – at your financial institution

If you are remitting an amount owing, you can take your return and remittance to your participating financial institution in Canada, **unless**:

- you are offsetting an amount owing on the return by a rebate or refund;
- you are claiming a refund; or
- you are filing a nil return.

In these cases, you have to mail your return and remittance to the address shown on your return. **You cannot claim a refund or rebate at your bank or financial institution**.

If you are paying at a financial institution and your return requires attached documentation, you will have to send us these documents separately.

Option 3 – using GST/HST NETFILE and TELEFILE

You may be eligible to file your return electronically using GST/HST NETFILE or TELEFILE if you have a four-digit access code printed on the working copy of your personalized GST/HST return and all of the following conditions are met:

- your return has a nil balance or a refund of $10,000 or less (See "Changes planned for GST/HST NETFILE and TELEFILE," below, to find out more);
- your Business Number, name, address, and reporting period printed on your return are correct;
- your return does not include an amount at line 111; and
- you do not need to file a rebate application with your return.

A four-digit access code will be printed on your return if all of the following conditions are met:

- your account has at least a one-year history of filing GST/HST returns;
- your account is not a joint filer;
- your account is not in bankruptcy proceedings; and
- Revenu Québec does not administer your account.

Changes planned for GST/HST NETFILE and TELEFILE

Changes planned in October 2007 will enable us to accept returns filed using GST/HST NETFILE and TELEFILE **that have an amount owing**. To correspond with these planned changes, we will begin sending new **Form RC158**, *GST/HST Netfile/Telefile Remittance Voucher*, along with the GST/HST return in October 2007 to all registrants who may be eligible to use either of these filing methods.

Use Form RC158 to remit any amount owing on a return that you file using GST/HST NETFILE or TELEFILE. **Do not use the remittance part of your GST/HST return**.

You will be able to order this personalized form once the planned changes to GST/HST NETFILE and TELEFILE take place in October 2007 using one of the following options:

- If you have a Government of Canada epass, order it online at the following address: **www.cra.gc.ca/mybusinessaccount**.
- Order it online at **www.cra.gc.ca/requests-business** (you do not need an epass to use this option).
- Call us to order it at **1-800-959-5525**.

Form RC158 will not be available on our Web site as we can only provide it in a pre-printed format.

Option 4 – using Electronic Data Interchange (EDI)

Returns and remittances can also be filed electronically through a participating financial institution. For more information, visit our Web site at **www.cra.gc.ca/gsthst-edi** or contact your financial institution.

Are you a sole-proprietor whose annual GST/HST return is due by June 15?

If this applies to you, use the applicable form to remit any amount owing as follows:

- use Form GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, if you remit the amount owing and file the return **together**. You can also use Form GST62, which is the non-personalized version of Form GST34.
- use Form RC177, *GST/HST Balance Due Remittance Voucher*, if you remit the amount owing and file the return **separately**. For example, use Form RC177 to remit an amount owing by April 30 if you file the return separately on June 15. Also use Form RC177 to remit the amount you owe if you file the return separately using GST/HST NETFILE or TELEFILE.

Form RC177 is not available on our Web site as we can only provide it in a pre-printed format. If you need to order this personalized form, you can use one of the following options:

- If you have a Government of Canada epass, you can order it online at the following address: **www.cra.gc.ca/mybusinessaccount**.
- You can order it online at **www.cra.gc.ca/requests-business** (you do not need an epass to use this option).
- You can call us to order it at **1-800-959-5525**.

Date received

When a due date falls on a Saturday, Sunday, or a public holiday, we consider your return and remittance to be on time if we receive them on the next business day.

We will charge a penalty if we do not receive your return on time, unless there is a $0 balance or we owe you a refund on the return. We will also charge interest on any outstanding amounts you owe.

Returns

If you send your return by mail, we consider the date of the postmark to be the date we received it.

Payments and remittances

We do not consider that you have paid or remitted an amount you owe on a return until we or a participating financial institution actually receive it. To avoid interest charges on a late payment, make sure we receive any amount due by the due date of the return.

If you make your remittance through an automated teller machine (ATM) at your participating financial institution, we do not consider that we have received your payment until the financial institution processes the ATM transaction. Please allow sufficient time (generally two or three days) for the financial institution to process the payment and credit the Receiver General account.

See "What penalty and interest do we charge" on page 27 for more information.

Direct deposit

We can also deposit your refunds or rebates directly into your bank account. This can save you time and be more convenient. If you want to use this option, complete and send us Form GST469, *Direct Deposit Request.*

Branches or divisions filing separate returns

Although you have to register your business as a single entity, you can apply to have your branches or divisions file their own returns. To do this, use Form GST10, *Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions.*

To qualify to file separately, your branches or divisions have to be separately identified either by their location or the nature of their activities, and separate records must be kept. The branches and divisions have to keep the same reporting periods as the parent company.

Using a rebate or refund to decrease an amount owing on your GST/HST return

You can offset the net tax you owe on your GST/HST return with certain GST/HST rebates to which you are entitled. The application forms for these rebates contain a section where you choose to either send the rebate application to us directly or choose to apply the rebate amount to the net tax on your GST/HST return on **line 111**. For more information on the types of rebates that can be applied to an amount owing on your GST/HST return, call us at **1-800-959-5525**.

If you file your return and rebate application together, remit only the difference (if any) between the amount of the rebate and the GST/HST you owe on your return. If the rebate is more than the amount of GST/HST you owe, we will refund you the difference.

For example, if you are applying for a rebate of the GST/HST you paid in error, and at the same time you owe net tax on your return, you can offset the net tax you owe by the rebate amount. Write the amount of your rebate on **line 111** of your return, and include your completed rebate application, Form GST189, *General Application for Rebate of GST/HST,* with the return.

You can also file two or more returns together, offsetting the net tax you owe on one return with a refund claimed on the other. For example, if your business has branches that file separate returns, you can offset your GST/HST remittance by the amount of any refund to which any of your branches are entitled. To do so, file the returns together.

If you are offsetting a remittance by the amount of a refund or rebate, mail all applicable GST/HST returns and rebate applications together to the address shown on your return. Make sure we receive your return, rebate application, and any remittance by the due date.

Although financial institutions will accept GST/HST remittances along with returns, you cannot offset amounts owing at your financial institution.

Filing nil returns

You have to file a GST/HST return for every reporting period, even if you have no net tax to remit and are not expecting a refund. In other words, even if you have no business transactions in a reporting period, you still have to file a return. Otherwise, you may experience delays in getting refunds for later reporting periods and you can expect to receive a failure to file reminder notice.

How to temporarily stop filing GST/HST returns for specific reporting periods

You may be eligible to stop filing returns for reporting periods during which you have little or no GST/HST to report (for example, if you operate a seasonal or part-time business, or if you are a non-resident who carries on business in Canada only for a short period of time each year).

These reporting periods are called **designated reporting periods**. To temporarily stop filing GST/HST returns, send us a written request. Once we approve your request, you will not have to file GST/HST returns for all designated reporting periods within a fiscal year, as long as you continue to meet the following criteria:

- you expect that the amount of GST/HST you will charge and other amounts that you must add to your net tax in a reporting period will be $1,000 or less;
- you have met all your obligations with us (Customs, income tax, and GST/HST); and
- you did not revoke a designation for reporting periods in the current fiscal year.

Once approved, a designation for a reporting period may be revoked if you no longer meet the above criteria.

If consecutive reporting periods are to be designated, the total of all the amounts to be added to your net tax for those reporting periods must be $1,000 or less. Any amount owing in a designated reporting period is carried forward to the next reporting period.

You cannot temporarily stop filing GST/HST returns if you are an annual filer or a branch of a registrant, unless the registrant as a whole applies for designated reporting periods.

After you file

Our notices and statements

Notice of (Re)Assessment

Once we have processed your GST/HST return, we will send you a *Notice of (Re)Assessment*. This notice explains the results of our assessment of your GST/HST return. It also explains any changes that we made to your return. If there is an amount owing after we assess or reassess your return, we will send Form RC159, *GST/HST Amount Owing Remittance Voucher,* with your statement. Use this form to pay any outstanding amount.

> **Note**
> Form RC159 is not available on our Web site as we can only provide it in a pre-printed format. If you need to order this personalized form, you can use one of the following options:
>
> - If you have a Government of Canada epass, you can order it online at the following address: **www.cra.gc.ca/mybusinessaccount**.
> - You can order it online at **www.cra.gc.ca/requests-business** (you do not need an epass to use this option).
> - You can call us to order it at **1-800-959-5525**.

Statement of Arrears

We will send you a *Statement of Arrears* whenever there is any activity in your GST/HST account. This statement will provide you with details of your GST/HST account transactions. If there is an amount owing on your account, we will send Form RC159, *GST/HST Amount Owing Remittance Voucher*, with your statement. Use this form to pay any outstanding amount.

When can you expect your refund?

As long as you have included all necessary information and completed your return correctly, your refunds of net tax claimed on GST/HST returns will be processed with the least possible delay.

Beginning April 1, 2007

Refund holds

If you have to file any returns under the *Excise Tax Act*, the *Income Tax Act*, the *Excise Act, 2001*, or the *Air Travellers Security Charge Act*, but have not done so, any GST/HST refund or rebate you are entitled to will be held until all required returns are filed.

Refund off-sets

If you owe any outstanding amounts under the *Excise Tax Act*, the *Income Tax Act*, the *Excise Act, 2001*, or the *Air Travellers Security Charge Act*, any GST/HST refund or rebate to which you are entitled will automatically be used to pay that outstanding amount. Any difference will be refunded to you.

Before April 2007

If you had outstanding GST/HST returns, any GST/HST refunds and rebates you were entitled to were held until you filed all of the required GST/HST returns.

What interest do we pay on refunds?

Beginning April 1, 2007

We will pay you interest on a refund of net tax claimed on a GST/HST return **beginning** on the day that is 30 days after the later of:

- the day you file the return in which you claim the refund; and
- the day after the end of the reporting period that is covered by that return.

The calculation of interest we pay **ends** on the day the refund is paid.

The interest rate we will pay is equal to the basic rate plus 2%. The basic rate is based on the rate charged on 90-day Treasury Bills, adjusted quarterly, and rounded up to the nearest whole percentage.

Before April 2007

We paid interest on a refund of net tax claimed on a GST/HST return beginning on the day that was 21 days after the later of:

- the day you filed all your previous outstanding returns; and
- the day you filed that GST/HST return with us.

What penalty and interest do we charge?

Penalties

Failure to file

Beginning April 1, 2007, a penalty will apply to any return you file late, unless there is a $0 amount owing or we owe you a refund on that return. We will calculate the penalty as follows:

- 1% of the amount owing; plus
- 0.25% of the amount owing multiplied by the number of months the return is overdue, to a maximum of 12 months.

Also beginning April 1, 2007, we will no longer charge a 6% penalty on overdue GST/HST amounts owing.

Demand to file

Beginning April 1, 2007, if you receive a demand to file a return and do not do so, a penalty of $250 will be charged.

Before April 2007, if you did not file a return for a period after receiving a demand to do so, a penalty equal to the greater of $250 and 5% of the overdue amount was charged.

You cannot claim an income tax deduction for any penalty you paid or owe for failing to file a GST/HST return.

Interest

Beginning April 1, 2007

Interest will be charged on an overdue amount equal to the basic rate plus 4%.

The basic rate is based on the rate charged on 90-day Treasury Bills, adjusted quarterly, and rounded up to the nearest whole percentage.

We charge interest on:

- any overdue balance owing on a GST/HST return;
- late or insufficient instalment payments; and
- any other overdue GST/HST amount that you have to remit to the Receiver General.

> **Note**
> For tax years that begin on or after April 1, 2007, you can no longer claim an income tax deduction for arrears interest you paid or owe for outstanding GST/HST amounts.

Before April 2007

Interest was charged at the prescribed rate on any net tax outstanding beginning the day the remittance was due and ending the day we received the outstanding amount. The prescribed rate was adjusted quarterly to reflect interest rates current for each quarter.

How do you change a return?

If you need to make a change to any return you have sent us, do not file another return.

If you forgot to include an amount in your ITCs, simply add the omitted amount on **line 106** of your next GST/HST return. In most cases, you have up to four years to claim your ITCs. For more information, see "Input tax credits" on page 14.

If you need to increase the amount of GST/HST collected or collectible, send a letter to your tax centre indicating your Business Number, the GST/HST reporting period to be amended, and the corrected amounts per line number on your GST/HST return. Make sure an authorized representative signs the letter and includes the name and telephone number of a person we can contact if needed.

What is the Voluntary Disclosures Program?

The Voluntary Disclosures Program encourages taxpayers to come forward to correct inaccurate or incomplete tax-related information or to disclose similar information not previously reported. Taxpayers who make a valid disclosure will have to pay the tax owing, plus interest. In this situation, the CRA can provide relief from penalties and possible prosecution. Information must generally be one year past due.

Call us at **1-800-959-5525** to find out about making a voluntary disclosure. You can discuss your situation without giving your name or on a hypothetical basis to begin with.

See our Web site or Information Circular 00-1R, *Voluntary Disclosures Program* for more information.

Director's liability

When a corporation fails to remit net GST/HST owing, the directors may be liable to remit that amount. Call us if you need more information.

What records should you keep?

Usually, you have to keep all sales and purchase invoices and other records related to your business operations and GST/HST for six years from the end of the year to which they relate. However, we may ask you to keep the invoices longer than six years. If you want to destroy your records before the time limit expires, you have to send us a written request and wait for our written approval to do so.

As a registrant, you also need the correct information on the invoices you **receive** from your suppliers to support your ITC claims. Registered businesses should give you invoices showing their Business Number and other required information as described in the chart on page 13.

> **Note**
> You can now verify if a supplier provided you with a valid GST/HST number by using our new online GST/HST Registry at **www.cra.gc.ca/gsthstregistry**.

We administer an audit program. Our auditors may ask to see your records. During an audit, we will make sure that you have charged and reported GST/HST when required, and that you are entitled to all the ITCs that you claimed on your returns.

If you are audited

If we audit your records, you will receive a preliminary statement of audit adjustments. You have 30 days to analyze and discuss the adjustments with the auditor, and make any representations. After that period, we will issue a *Notice of (Re)Assessment*.

The *Notice of (Re)Assessment* explains the results of any assessment or reassessment of your GST/HST return(s). It will also explain any changes that we made to your return. If there is an amount owing after we assess or reassess your return, we will send Form RC159, *GST/HST Amount Owing Remittance Voucher,* for you to use to make your remittance.

An assessment is valid and binding. However, if you do not agree with the assessment, you can file Form GST159, *Notice of Objection (GST/HST)*, no later than 90 days after the date we sent you the *Notice of (Re)Assessment*.

Other returns and forms

There are special tax returns for purchasers who have to pay GST/HST in certain circumstances. For example, Form GST60, *GST/HST Return for Acquisition of Real Property*, is used for certain acquisitions of real property. For more information on Form GST60, see "Purchases" on page 40.

Special forms are available for GST/HST rebates. There are also a variety of election and application forms to complete if you want to adapt the administrative requirements of GST/HST to your particular business operation. See Appendix 2 for a list of election and application forms.

Instalment payments

Who has to make instalment payments?

If you are an annual filer and your net tax for a fiscal year is **$1,500 or more**, you have to make instalment payments throughout the following fiscal year.

These quarterly payments are due one month after the end of each of your fiscal quarters and are usually equal to ¼ of your net tax from the previous year.

> **Note**
> You may also choose to base your quarterly instalment payments on an estimate of your net tax for the **current** year if you expect that your net tax for the current year will be less than it was for the previous year. However, if you estimate your instalments and the instalment payments you make are less than the amount you actually should have paid, we will charge instalment interest on the difference.

When you file your GST/HST return at the end of the fiscal year, deduct the instalment payments you made throughout the year from the net tax you owe for that year. You can do this by claiming the instalments you made on line 110 of your return.

In general, if the instalments you paid are less than your net tax, you have to remit the difference. If the instalments you paid are more than your net tax, you can claim the difference as a refund.

Instalment interest

If the instalment payments you make are equal to ¼ of your net tax from your last fiscal year and you make those payments in full and on time, we will not charge instalment interest.

Interest on the part of any instalment payment that was not paid or that was paid late will be charged **at the end** of the fiscal year.

> **Note**
> If you realize at any time during the fiscal year that you paid less than your required instalment payment or that you did not pay an instalment on time, you can reduce or eliminate your instalment interest by overpaying your next instalment payment or by paying it early.

Beginning April 1, 2007

Instalment interest will be charged beginning the day after the instalment was due and ending on the later of the following dates:

- the day the overdue instalment amount and any accrued interest is paid; and
- the day your net tax owing for the year is due.

Instalment interest is equal to the basic rate plus 4%.

The basic rate is based on the rate charged on 90-day Treasury Bills, adjusted quarterly, and rounded up to the nearest whole percentage.

Before April 2007

A penalty of 6% per year was charged on the part of any instalment amount that was paid late, or that was unpaid, plus interest.

New registrants and instalments

If you are a **new registrant**, an annual filer, and your first year of filing for GST/HST is less than a full fiscal year, you may have to make instalments payments during your next fiscal year. To determine if you have to do this, estimate what your net tax will be for your first full year by prorating your net tax from your short filing year.

To prorate your net tax, divide the net tax for the first short fiscal year by the number of months in that fiscal year. This will give you an approximate monthly net tax. To estimate the next year's net tax, multiply the monthly net tax by 12. If the estimated amount is $1,500 or more, you need to make instalment payments in the next year.

To start making instalment payments, you need to order Form RC160, *GST/HST Interim Payments Remittance Voucher.*

Note
You will not automatically receive Form RC160 for your next instalment payment unless you make the current payment.

To find out how to order Form RC160, see "If you don't have a remittance form" later on this page.

Example
Your first year as an annual filer began on May 1, and ended on December 31, 2006. Your net tax for those eight months was $1,200. To determine if you have to make instalment payments in 2007, prorate your net tax for 2006 as follows:

$1,200 (net tax) ÷ 8 (months) = $150 (net tax per month)

Estimated annual net tax in 2007:

$150 (net tax per month) × 12 (months) = $1,800 per year

Since your estimated annual net tax exceeds $1,500, you have to make equal quarterly instalment payments in the 2007 fiscal year. Based on your estimated net tax, calculate the amount of each instalment payment as follows:

$1,800 ÷ 4 = $450

If your net tax for the current or previous year is **less than $1,500**, you do not have to make quarterly instalment payments in the current year. In this case, you have to file your GST/HST return and send us any GST/HST owing once a year.

Note
Businesses with branches or divisions that file separate returns should note that this $1,500 limit applies to the total net tax for the whole business, including all branches and divisions.

Instalment due dates

Instalment payments are due within one month after the end of each of your fiscal quarters.

Example
You are an annual filer and you have a December 31 fiscal year-end. Your net tax on your previous year's GST/HST return was $1,500. This means you have to make instalment payments in the current year. Your instalment due dates are as follows:

Fiscal Quarter	Due Date
January 1 – March 31	April 30
April 1 – June 30	July 31
July 1 – September 30	October 31
October 1 – December 31	January 31

For more information on when instalment payments are due, call us.

How to make instalment payments

Beginning April 10, 2007, use Form RC160, *GST/HST Interim Payments Remittance Voucher*, to make your instalment payments.

Note
You will not automatically receive Form RC160 for your next instalment payment unless you make the current payment.

After every instalment payment you make, we will send a *Statement of Interim Payment* to confirm that we received the payment. We will also send **two** copies of Form RC160. One copy is for your next instalment payment and the other is for you to keep in case you ever need a spare.

If you do not have a remittance form, see the next section to find out how you can order one.

Note
New Form RC160 replaces Form GST58, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Remittance*, and Form GST426, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Remittance (Non-personalized)*, which you used to use to pay your instalments.

If you don't have a remittance form

Form RC160 is not available on our Web site as we can only provide it in a pre-printed format. If you need to order this personalized form, you can use one of the following options:

- If you have a Government of Canada epass, you can order it online at the following address: **www.cra.gc.ca/mybusinessaccount**.
- You can order it online at **www.cra.gc.ca/requests-business** (you do not need an epass to use this option).
- You can call us to order it at **1-800-959-5525**.

Statement of Interim Payment

We will send you this statement after each instalment payment you make to:

- confirm we received your payment;
- provide your instalment credit balances by period;
- show transfers in and out of your instalment account; and
- show how we applied your instalment credits to assessments.

Along with this statement, we will send **two** copies of Form RC160, *GST/HST Interim Payments Remittance Voucher*.

Note
You will not automatically receive Form RC160 for your next instalment payment unless you make the current payment.

Harmonized sales tax (HST)

Three participating provinces—Nova Scotia, New Brunswick, and Newfoundland and Labrador—harmonized their provincial sales tax with GST to create HST. The HST rate is 14% (6% federal part and 8% provincial part).

HST has the same basic operating rules as GST and is applied at a single rate on the same base of goods and services that are taxable under GST. Therefore, the previous sections on GST also apply to HST. This section covers specific issues related to HST.

HST registration

If your business is registered for GST, your business is also registered for HST. As a GST/HST registrant, you have to collect and remit HST on taxable (other than zero-rated) supplies you make in the participating provinces. You can also claim an ITC for the HST you pay when you buy goods and services to use in your commercial activities, even if your business is not located in a participating province.

Note
You have to continue to collect GST on taxable (other than zero-rated) supplies of goods and services you make in Canada, but outside the participating provinces.

Tax on supplies of goods and services made in participating provinces – place of supply rules

Specific rules apply to determine whether a supply is made in or outside a participating province. The following pages explain the place of supply rules for various types of goods and services.

Note
Sometimes, we refer to the **place of negotiation** to determine the place of supply. This is the location of the supplier's permanent establishment, where an individual (such as an employee, partner, officer, or other representative of the supplier) principally involved in negotiating the agreement for the supplier ordinarily works or reports.

Goods

Sales

You supply goods in a participating province and collect HST if:

- you deliver or make the goods available to the customer in that province;
- you ship the goods to that province or transfer them to a common carrier that you retain on behalf of the customer to ship the goods to that province; or
- you send the goods by courier or mail to an address in that province.

Example
You are a supplier of office furniture in P.E.I. You sell a desk to a customer in Nova Scotia and you deliver it to the customer there. The HST rate applies to the furniture.

Rentals and leases – three months or less

When you rent or lease goods and the customer has continuous possession or use of the property for **three months or less**, all rent or lease payments are made in a participating province when:

- you deliver or make the goods available to the customer in that province;
- you ship the goods to that province or transfer them to a common carrier that you retain on behalf of the customer to ship the goods to that province; or
- you send the goods by mail or courier to that province.

Example
You rent a video camera in Truro, Nova Scotia, to use while traveling through several provinces. The rental agreement is for two weeks. Nova Scotia is the place of supply, and HST applies on the rental.

Rentals and leases – more than three months

When you rent or lease goods (other than most motor vehicles) for a period of **more than three months**, the agreement is treated as a series of separate supplies for each period (i.e. lease interval) to which a particular payment is attributable.

We consider each lease interval to be made in the province where the good is ordinarily located as indicated at the beginning of each lease interval.

Example
A national leasing company leases a photocopier for a four-year period to a consulting firm operating in New Brunswick. The photocopier is usually stored and maintained at the firm's office in New Brunswick. During the second lease interval, the firm expands its operations to Ontario and relocates the photocopier to the firm's new office in Ontario. In this case, the payment for the first two lease intervals is subject to HST and the third lease interval is subject to GST.

Note
See "Rules for motor vehicles" on page 31 for information on sales, rentals, or leases of motor vehicles that have to be registered in a particular province.

Services

Generally, when you provide a service that is performed at least 90% in a province, we consider the service to be provided in that province.

When you provide a service partly in and partly outside Canada, we consider it to be provided in Canada. For HST purposes, a service is made in a participating province if the portion of the service that is performed in Canada is performed at least 90% in that province.

A special place of supply rule applies when a service is performed in two or more provinces and at least 90% of the service is not performed in any one province. The service is provided in the province where the negotiation took place, as long as more than 10% of the service is performed in that province. Therefore, if the place of negotiation is located in a participating province, HST applies on the service.

Example
An accounting firm in Halifax, Nova Scotia, is hired to audit a company with its headquarters in Halifax and offices in Ontario, Quebec, and New Brunswick. The agreement is negotiated with one of the firm's partners working out of the Halifax office. The audit is performed 60% in the Nova Scotia office. The remaining 40% is evenly distributed between the other three provinces. HST applies on this service, since the place of negotiation is in a participating province and more than 10% of the service is performed in that province.

Note
Other rules apply to determine the place of supply if you are not in one of the situations described above. In this case, call us or see Technical Information Bulletin B-078, *Place of Supply Rules Under the HST*. This bulletin also gives the place of supply rules for transportation, postage, and telecommunication services.

Real property and services related to real property

Generally, a sale of real property is made in a participating province if the property is situated entirely in that province.

Example
The sale of a warehouse situated in Goose Bay, Newfoundland and Labrador, is subject to HST.

A service related to real property is made in a participating province if at least 90% of the real property is situated in that province.

Example
A service of painting a warehouse in Goose Bay, Newfoundland and Labrador, is subject to HST.

Special rules apply for real property situated partly in and partly outside a participating province. For more information, see Technical Information Bulletin B-078, *Place of Supply Rules Under the HST*.

Intangible personal property

In general, a supply of intangible personal property such as franchise rights is made in a participating province if:

- in the case of Canadian rights (rights that can be used in Canada), at least 90% of the rights that may be used or exercised in Canada can be used only in that province;
- where the intangible property relates to real property, at least 90% of the real property in Canada is situated in that province;
- where the intangible property relates to goods, at least 90% of the goods ordinarily located in Canada are in that province; or
- where the intangible property relates to services, at least 90% of the services to be performed in Canada are to be performed in that province.

Example
The sale of a franchise to operate a retail establishment and sell the franchiser's product in Sydney, Nova Scotia, is subject to HST.

See Technical Information Bulletin B-078, *Place of Supply Rules Under the HST*, if the intangible property is for use less than 90% in a participating province.

Rules for motor vehicles

Sales

The general place of supply rules described on page 30 for sales of goods apply to sales of new and used motor vehicles by registrants. Therefore, HST applies to new or used vehicles sold by registrants when the sale is made in a participating province.

If you buy a motor vehicle from a registrant in a non-participating province and the registrant collects GST and you bring the vehicle into a participating province, you have to pay the 8% provincial part of HST when you register the vehicle at a provincial licensing office in a participating province.

Similarly, if you buy a motor vehicle outside Canada, and you bring the vehicle into a participating province, GST is collected at the border by the Canadian customs office. You pay the 8% provincial part of HST when you register the vehicle in that province.

On the other hand, if you buy a motor vehicle from a non-registrant in a non-participating province and the sale is not taxable, and you bring the vehicle into a participating province, you have to pay a special provincial levy when you register the vehicle in the participating province. The province determines the rate of the levy. Similarly, if you buy a motor vehicle under these circumstances in a participating province, you will have to pay the provincial levy when you register the vehicle in that province. For more information, see the pamphlet RC4100, *Harmonized Sales Tax and the Provincial Motor Vehicle Tax*.

Note
You cannot recover the provincial levy as an ITC, even if the vehicle is used in your commercial activities.

Rentals

The general place of supply rules described on page 30 for a rental of goods for **three months or less** also applies to rentals of motor vehicles.

Leases

A lease of a motor vehicle for **more than three months** is treated as a series of separate supplies for each "lease interval" for which a lease payment is required. A lease of a motor vehicle required to be registered in a province is made in a participating province if, at the beginning of the lease interval, the vehicle has to be registered in that province.

Example
A car-leasing company in Ontario leases you a car for 24 months with monthly lease payments. You register the vehicle in Newfoundland and Labrador. Each of the lease payments is subject to HST if the car stays registered in Newfoundland and Labrador at the beginning of each lease interval, for example, each month. If, in the middle of the 18th month, you move to Ontario, the six remaining monthly lease payments are subject to GST.

Tax on goods and services brought into a participating province

You may have to self-assess the 8% provincial part of HST if you buy goods or services in a non-participating province, but you use, consume, or supply them within the participating provinces. This rule applies in the following situations:

- a person in a participating province buys goods in a non-participating province and brings these goods into the participating provinces;
- a resident in a participating province arranges for a person in a non-participating province to perform a service (such as advertising or legal services) that is rendered outside the participating province but consumed, used, or supplied more than 50% in the participating provinces;
- a resident in a participating province acquires intangible property (such as rights to operate a franchise) in a non-participating province that is consumed, used, or supplied more than 50% in the participating provinces.

Exception
You do not have to self-assess the provincial part of HST if you are a registrant and the property or service is consumed, used, or supplied at least 90% in your commercial activities.

The above exception does not apply to motor vehicles required to be registered in a participating province. See the previous section, "Rules for motor vehicles" for more details. This exception also does not apply to persons using a streamlined accounting method or to listed financial institutions that have to use the attribution method to determine their net tax remittance.

The following explains in more detail when you may have to self-assess the provincial part of HST for purchases of goods, services, and intangible property.

Goods

You have to self-assess the 8% provincial part of HST when you buy taxable (other than zero-rated) goods in a non-participating province and you later bring, or cause someone else to bring, the goods into a participating province **if you consume, use, or supply the goods less than 90% in your commercial activities**.

If you purchased the goods (other than a motor vehicle) from someone with whom you are dealing at arm's length, you have to remit the 8% provincial part of HST on the lesser of the following amounts:

- the amount paid or payable for the goods; and
- the fair market value of the goods when they are brought into a participating province.

If you purchased goods (other than a motor vehicle) from someone with whom you are not dealing at arm's length, you have to remit the 8% provincial part of HST on the fair market value of the goods when they are brought into a participating province.

The tax is payable when the goods are brought into a participating province. Enter this amount on **line 405** of your GST/HST return. You may be entitled to claim an ITC for the tax you self-assess on the good depending on the percentage of use in your commercial activities. For more details on claiming ITCs, see page 14.

Example
You are a registrant located in Newfoundland and Labrador. You buy a $2,000 computer in Alberta, which you bring back to Newfoundland and Labrador. At that moment, the fair market value of the computer is $2,000. You use the computer 40% in your business. You have to self-assess the 8% provincial part of HST and remit $160 ($2,000 × 8%). You cannot claim an ITC for this tax since you are using the computer 50% or less in your commercial activities.

Motor vehicles

For motor vehicles that require registration under the laws of a participating province, the tax is payable to the Receiver General, but collected by the provincial licensing authorities on the earlier of:

- the day you register the vehicle in the participating province; or
- the day on or before which you have to register the vehicle.

For more information on motor vehicles, see "Rules for motor vehicles" on page 31.

Services and intangible property

You have to self-assess the 8% provincial part of HST if you are a resident of a participating province and you receive a taxable supply made in a non-participating province (other than a zero-rated supply) of services or intangible property that you use, consume, or supply more than 50% in the participating provinces.

Note
You do not have to self-assess the 8% provincial part of HST when, as a registrant, you purchased the property or service to use 90% or more in your commercial activities. You also do not have to self-assess the 8% part of HST on transportation and telecommunication services, certain legal services, or where the service is for goods that are removed from the participating province as soon as the service has been performed.

The amount of tax to be self-assessed is determined by the formula:

$$A \times B \times C$$

A is 8% (the provincial part of HST);

B is the value for the service or property that is paid or payable at that time; and

C is the extent (expressed as a percentage) to which you consume, use, or supply the service or property in a participating province.

The tax is payable when the payment for the service or intangible property is paid or becomes due. Enter the amount on **line 405** of your GST/HST return. You can also claim an ITC for the tax you self-assessed on these services and intangible property to the extent that they are consumed, used, or supplied in your commercial activities.

Example
You are a registrant who lives in Nova Scotia. You operate two retail stores, one in Nova Scotia and one in Prince Edward Island (P.E.I.). You buy accounting services from FML Accounting Ltd., located in P.E.I., for a yearly fee of $1,500 + GST. You negotiate the agreement in P.E.I. Though the place of supply is in P.E.I., the accounting firm will perform 55% of the services at your store in Nova Scotia, 25% at your store in P.E.I., and 20% for your personal records in Nova Scotia. You have to self-assess the 8% provincial part of HST for the services used in the participating province (business and personal) in the amount of $90 (8% × $1,500 × 75%). In addition to your regular ITCs, an ITC in the amount of $66 may also be claimed:

$$\$90 \times \frac{.55}{.75}$$

Coin-operated machines

Generally, any goods or services you sell through vending machines or coin-operated machines are subject to GST/HST. This includes products such as milk and fruits that are usually zero-rated.

As the price of these goods and services includes GST/HST, we consider you to have collected GST/HST when you remove the money from the vending or coin-operated machine.

Example
You collect $100 from your coin-operated machine in Ontario. Multiply that amount by 6/106 to determine the GST collected:

$$\$100 \times 6/106 = \$5.66 \text{ GST}$$

However, GST/HST is equal to zero on a supply of a good or service made through a coin-operated machine if it is designed to accept only a single coin of 25¢ or less as the total amount payable for the good or service. This rule does not apply to machines that accept coins of more than 25¢ (such as $1 or $2 coins) and machines that accept more than one coin as the amount payable for the good or service. For example, if you sell a lollipop in a vending machine for 25¢, and the vending machine only accepts one 25¢ coin, the GST/HST is equal to zero.

Note
The right to use a coin-operated washing machine and clothes dryer located in a common area of a residential building is exempt from GST/HST.

Coupons, rebates, gifts, and promotional allowances

Reimbursable coupons

Reimbursable coupons are usually called "manufacturers' coupons". Their value includes GST/HST, and they entitle the customer to a reduction of a **fixed dollar amount** on the purchase price of taxable supplies. Vendors can expect to be reimbursed by a third party (e.g. the manufacturer) for accepting these coupons from customers.

As a vendor, you treat reimbursable coupons the same as cash. If the purchase is subject to tax, you charge GST/HST on the full price of the item and then deduct the value of the coupon. We consider you to have collected a portion of the GST/HST equal to the tax fraction of the value of the coupon. For instance, a coupon for $1.00 off the selling price includes:

- 6¢ for GST ($1.00 × 6/106); or
- 12¢ for HST ($1.00 × 14/114).

The manufacturer reimburses you for the coupon value of $1.00, which includes GST or HST.

Example
You operate a pharmacy in Ontario. A customer buys shampoo for $10.00 and has a reimbursable coupon for $1.00. You charge and remit 60¢ GST and get $1.00 reimbursed by the manufacturer, which includes 6¢ GST. Your invoice would show:

Price of the shampoo	$10.00
GST ($10.00 × 6%)	.60
Subtotal	$10.60
Less coupon	1.00
Customer pays	**$ 9.60**

As a GST/HST registrant, if you use coupons to make business purchases, you can claim an ITC equal to the total GST/HST paid on the purchases less the tax fraction of the coupon value. You can claim an ITC of 54¢:

[60¢ – ($1.00 × 6/106)]

If you are the manufacturer, you can also claim an ITC (other than for zero-rated supplies) for the tax fraction of the coupon value. However, the vendor who accepts the reimbursable coupons from the customer cannot claim any ITCs for these coupons since you reimburse the vendor the tax.

Non-reimbursable coupons

These are coupons that you, as the vendor, issue and accept, and for which no one reimburses you. They entitle the customer to a reduction on the price for **a fixed dollar amount or percentage amount**. As the issuer, you can either include a reduction of GST/HST in the face value of these coupons, or reduce the purchase price of the good or service.

If you choose to include GST/HST in the value of the coupons, you treat them the same way as reimbursable coupons explained above. This means that you charge and remit GST/HST on the full price of the good or service. Since these coupons are non-reimbursable, you can claim an ITC calculated as follows:

- for GST, 6/106 of the coupon value; or
- for HST, 14/114 of the coupon value.

If you choose not to include GST/HST in the value of your coupons, deduct the coupon value from the selling price before calculating GST/HST.

Example
A client buys an item in your store. He gives you a non-reimbursable coupon that does not include GST. You calculate the tax as follows:

Price of the item	$25.00
Less coupon value	5.00
Subtotal	$20.00
GST ($20 × 6%)	1.20
Customer pays	**$21.20**

In this case, when you file your GST/HST return, report the GST/HST you charged on your sale after you deducted the coupon from the purchase price ($1.20 GST in the above example). You cannot claim any ITCs for coupons you issue that do not include GST/HST.

Other coupons

Other coupons (whether reimbursable or not) that are not for one specific monetary discount may:

- offer a different percentage off the price of an item (such as 10% off the purchase of 5 or less boxes and 20% off the purchase of 6 or more);
- offer an item for no charge if another item is purchased (such as two-for-one coupons); or
- contain more than one monetary discount such as 25¢ off a 750 ml soft drink, or 50¢ off a 1.5 litre soft drink.

These coupons reduce the selling price of an item before GST/HST is added. Therefore, deduct the value of the coupons from the selling price before calculating GST/HST.

Manufacturers' rebates

GST/HST rules for manufacturers' rebates apply when:

- a customer purchases taxable goods or services and then claims a manufacturer's rebate for that purchase;
- the supply of those goods or services to the customer is made either directly by the manufacturer or by another person such as a retailer; and
- the customer receives a rebate from the manufacturer for purchasing the goods or services, and is made aware in writing that the rebate includes GST/HST.

Some manufacturers include a rebate application with the goods or services they sell. After buying the item from the retailer, the customer completes the application and mails it directly to the manufacturer. Since the payment of the rebate is a separate arrangement between the manufacturer and the customer, the retailer has to remit GST/HST collected on the full selling price of the item without deducting the value of the manufacturer's rebate.

Example
A customer buys a package of batteries in your hardware store in Ontario for $10 plus GST. Inside the package is an application to complete and mail to the manufacturer for a $2 rebate. You collect and remit tax on $10, the full price of the batteries. The customer completes and mails in the rebate application to the manufacturer. Once the manufacturer receives the application they will send the customer a cheque for $2.

Some manufacturers give rebates to their customers through the retailer when the customer buys the goods. Even if the retailer applies the rebate toward the retail price of the goods, the retailer collects GST/HST on the full retail price before deducting the rebate amount.

Example
An automobile dealership sells an automobile to a customer for $20,000, plus $1,200 GST. The dealer informs the customer that the manufacturer is providing a $1,070 rebate. The customer chooses to use the rebate to reduce the payment for the automobile. The dealer charges $1,200 GST.

Selling price	$20,000
GST ($20,000 × 6%)	1,200
Subtotal	$21,200
Less rebate	1,070
Customer pays	**$20,130**

Manufacturers who pay rebates may claim an ITC for GST/HST equal to the following portions of the rebate amount in the reporting period in which they paid the rebate:

- 6/106 for GST purposes; or
- 14/114 for HST purposes.

Special rules apply if the customer receiving the rebate is a registrant who is entitled to claim an ITC or a GST/HST rebate on the purchase. The manufacturer has the option of not indicating in writing that the rebate includes GST/HST. This means that the manufacturer will not claim an ITC and the customer will ignore the rebate for GST/HST purposes. Otherwise, if GST/HST is indicated as included in the rebate, the customer, if a registrant, will have to remit GST/HST equal to the following percentages of the rebate amount:

- 6/106 for GST purposes; or
- 14/114 for HST purposes.

Gift certificates

A gift certificate is generally a voucher, receipt, or ticket:

- that has a stated monetary value;
- that can be redeemed as a partial or full payment against the purchase price of a good or service from a specific supplier (the supplier treats the redeemed certificate as if it were cash);
- for which the person purchasing the certificate gives money or other consideration to the vendor selling the certificate; and
- that has no intrinsic value. For example, commemorative gold or silver coins have an intrinsic value.

You do not collect GST/HST on the sale of a gift certificate. When a customer gives you a gift certificate towards a purchase, calculate GST/HST on the price of the item and deduct the amount of the gift certificate as if it were cash.

Example
You sell a taxable item for $100, and the purchaser gives you a $20 gift certificate toward the purchase.

Price of item	$100
GST ($100 × 6%)	6
Subtotal	$106
Less gift certificate	20
Customer pays	**$ 86**

Promotional gifts and free samples

You do not charge GST/HST on promotional gifts you give your customers or that you distribute as a bonus with another item for no additional charge. You can claim an ITC for the GST/HST you pay or owe on your purchases to supply these gifts as long as they relate to your commercial activities. For example, if the free gift is to promote an exempt service, you will not be able to claim an ITC to recover the GST/HST you paid or owe on any purchases related to that free gift.

Promotional allowances

Promotional allowances are amounts given by a manufacturer to a retailer who has purchased taxable goods from that manufacturer, exclusively for resale in the course of its commercial activities, for the promotion of these goods. The retailer does not consider a promotional allowance as payment for a supply made to the manufacturer providing the allowance. However, there may be tax implications depending on how the allowance is paid, credited, or allowed as a discount.

Example
A manufacturer sells 12 cases of goods to a retailer and gives the retailer 2 free cases to promote the goods. The deduction appears on the face of the invoice, and the GST/HST applies on the reduced price.

12 cases @ $10	$120
Less 2 free cases	20
Subtotal before tax	$100
Retailer pays GST/HST on	**$100**

If the allowance is given as a discount or credit against the price of a previous purchase for which tax has been charged or collected, the manufacturer has a choice of either giving the credit without adjusting the tax or adjusting the tax and issuing a credit/debit note. See "Returned goods" on page 44.

If the allowance is given as a discount against the goods at the time of purchase, GST/HST applies on the reduced price.

If the payment or credit is not a price reduction attributable to any invoice, it is considered to be a manufacturers' rebate. For more information, refer to "Manufacturers' rebates" on page 34.

Deposits and conditional sales

Deposits

You do not collect GST/HST when a customer gives you a deposit towards a taxable purchase. Collect GST/HST on the deposit when you apply it to the purchase price.

If the customer does not make the purchase and loses the deposit, the forfeited deposit is subject to GST/HST. If the customer is a GST/HST registrant, the customer may be entitled to claim an ITC for the GST/HST paid on the forfeited deposit. You calculate the GST/HST on the forfeited deposits as follows:

- GST is equal to 6/106 of the forfeited amount; and
- HST is equal to 14/114 of the forfeited amount.

Example
A customer gives you a deposit of $50 towards the purchase of an item that is taxable at 6% GST, but does not pay the balance owing and forfeits the deposit. We consider you to have collected GST equal to 6/106 of the forfeited deposit. As a result, you have to include GST of $2.83 ($50 × 6/106) in your net tax calculation. If the customer is a GST/HST registrant, that person may be entitled to claim an ITC for the GST you collected on the forfeited deposit. If you are in a participating province, HST collected is equal to $6.14 ($50 × 14/114).

Exception
These rules do not apply to deposits for returnable containers. For more information, see "Returnable beverage containers" on page 43.

Conditional and instalment sales

A conditional sale takes place when you transfer possession of goods to a customer, but ownership passes only after the sale meets certain conditions, such as full payment of the purchase price. In this type of sale, the customer agrees to make payments for the goods over a period of time. The customer takes possession of the goods, but you keep title or ownership of the goods until the customer has met the specified conditions.

In an instalment sale, the ownership passes immediately but the customer pays the purchase price in instalments. You transfer title or ownership and possession of the goods at the time the agreement is entered into, and the customer agrees to make payments over a period of time.

In both cases, you include the GST/HST on the entire amount in your net tax calculation for the reporting period that includes the last day of the month following the month during which you transferred possession or ownership of the goods (whichever is earlier). If you issue an invoice before this time, the customer pays GST/HST on the full invoiced amount and you have to include the tax in your net tax for the reporting period during which you issued the invoice.

Employees and partners

Employee benefits

You may be considered to have collected the GST/HST on supplies of non-cash taxable benefits provided to your employees. However, you are not considered to have collected the GST/HST on salaries, wages, commissions, and other cash remuneration, including gratuities, you pay to employees.

Employers who are GST/HST registrants may have to remit GST/HST on certain benefits provided to employees such as the personal use of an employer's automobile, board and lodging, incentives, and gifts worth more than $500. If you do, you have to calculate GST/HST for the taxable employee benefits at the end of February following the year in which you gave the benefit. This corresponds with the deadline for calculating employee benefits and issuing T4 slips for income tax purposes. You have to include the GST/HST on the benefits in the GST/HST return for the reporting period that includes the last day of February.

To find out if you have to account for the GST/HST on employee benefits, see the income tax publication T4130, *Employers' Guide – Taxable Benefits.*

Employee and partner GST/HST rebate

The employee and partner GST/HST rebate allows employees to recover the GST/HST they paid on eligible employment expenses. These are deducted from their employment income on their income tax return. It also allows partners (who are individuals) to recover the GST/HST they paid on expenses they deducted from their share of the partnership income on their income tax return. Such expenses include travel, meals, professional dues, legal, and accounting fees.

If you do not provide a reasonable allowance or do not reimburse all your employees' or partners' expenses, or if employees have to include allowances in their income, you should tell them about the employee and partner GST/HST rebate.

Employees and partners can apply for the rebate by completing Form GST370, *Employee and Partner GST/HST Rebate Application,* and filing it with their income tax return within four years after the end of the year or a date agreed by the Minister. For more information and a copy of the form, see our guide for employees T4044, *Employment Expenses,* and our guide for partners RC4091, *GST/HST Rebate for Partners.*

Exception
Employees of a listed financial institution cannot claim the employee and partner GST/HST rebate.

Exports and imports

Exported goods

Goods (other than excisable goods such as beer, spirits, wine, and tobacco products) that are ordinarily GST/HST taxable supplies are zero-rated (taxed at 0%) if the purchaser takes delivery of the goods in Canada, **and all of the following conditions are met**:

- the purchaser is not a consumer (a consumer is usually an individual who is buying the goods for his or her personal use);
- the purchaser exports the goods as is reasonable in the circumstance after you deliver them;
- the purchaser does not buy the goods to consume, use, or supply in Canada before exporting them;
- after buying the goods and before exporting them, the purchaser does not further process, transform, or alter the goods in Canada, unless it is reasonably necessary or incidental to transport them;

- you keep satisfactory evidence, for audit purposes, that the purchaser has exported the goods; and
- if the property being exported is electricity, crude oil, natural gas, or any good that can be transported by means of a wire, pipeline or other conduit, the purchaser is not registered for GST/HST purposes.

If your supply of goods does not meet all of these conditions, your supply of the goods may still be zero-rated if you:

- ship the goods to a destination outside Canada that is specified in the contract for carriage of the property;
- transfer possession of the goods to a common carrier or consignee that either you retained for the purchaser or the purchaser's employer retained, to ship the goods to a destination outside Canada; or
- send the goods by mail or courier to an address outside Canada.

If you do not meet any of the above conditions for zero-rating, you generally have to charge (and the purchaser has to pay) GST or HST on taxable supplies.

Rebate for exported goods

A non-resident purchaser may be able to apply for a rebate to recover the tax paid on goods acquired for commercial use primarily (more than 50%) outside Canada (other than gasoline and excisable goods, such as beer, wine, spirits, and tobacco products). To qualify for the GST/HST rebate, the non-resident purchaser has to export the goods from Canada within 60 days of delivery, as well as meet other conditions. For more information on the eligibility requirements, see Guide RC4033, *General Application for GST/HST Rebates*, which includes Form GST189, *General Application for Rebate of GST/HST*.

Export trading house program

A purchaser (other than a consumer) who is registered for GST/HST purposes and is an authorized export trading house can issue an export certificate, which, when provided to the supplier, will cause the goods to be zero-rated. For more information on the export trading house program and export certificates, see GST/HST Memoranda 4.5.2, *Exports – Tangible Personal Property*.

Export Distribution Centre Program (EDCP)

Under the EDCP, authorized export-oriented, non-manufacturing businesses are able to use a certificate to acquire or import most inventory and parts, or import a customer's goods for processing, without payment of GST/HST. Eligible registrants who want to use the EDCP certificate must apply to us for authorization. Authorizations will remain in effect for three years, unless revoked earlier, and can be renewed. For authorization to use an EDCP certificate, complete and send us Form GST528, *Authorization To Use an Export Distribution Centre Certificate*. For more information on the EDCP, see Technical Information Bulletin B-088, *Export Distribution Centre Program*.

Exported services

Generally, you do not charge GST/HST on services you perform totally outside Canada, or on services that relate to real property situated outside Canada.

Services you perform on temporarily imported goods are zero-rated (except transportation services). The goods must be brought into Canada for the sole purpose of having the service performed on them and must be exported as soon as possible. Any parts supplied along with these services are also zero-rated.

Certain services provided to a non-resident person that are performed all or partly in Canada may be zero-rated, such as:

- certain advisory, professional, or consulting services;
- advertising services to an unregistered non-resident person;
- advisory, consulting, or research services to help a non-resident person establish a residence or business in Canada;
- services and parts for goods or real property under warranty for an unregistered non-resident person;
- custodial or nominee services for the non-resident person's securities or precious metals;
- training services supplied to an unregistered non-resident person (but not to individuals) to teach non-resident individuals or to give examinations for courses leading to certificates, diplomas, licences, or similar documents, or classes or licence ratings that attest to the individual's competence or to give an exam to practise or perform a trade or vocation;
- services to an unregistered non-resident person of destroying or discarding goods, or the services of dismantling goods for the purpose of exporting them;
- services to an unregistered non-resident person of testing or inspecting goods acquired or brought into Canada for this service and the goods are to be destroyed or discarded in the course of providing the service or on its completion; and
- services of an agent acting for a non-resident person or services of arranging for, procuring, or soliciting orders for supplies by or to the person when the service relates to a zero-rated property or service, or if the supply to or by the non-resident person is made outside Canada.

For more information, see GST/HST Memorandum 4.5.3, *Exports – Services and Intellectual Property*.

> **Note**
> Remember that you can claim ITCs to recover the GST/HST you paid or owe on purchases and expenses related to your zero-rated supplies of goods and services. For more information, see "Input tax credits" on page 14.

Imported goods

Goods you import into Canada are subject to GST or the federal part of HST, except for items specified as non-taxable importations. Examples of non-taxable importations are:

- certain zero-rated goods (goods that are specifically zero-rated when supplied in Canada, for example, prescription drugs, medical devices, and basic groceries);
- medals, trophies, and other prizes won outside Canada in competition (but not saleable goods such as an automobile);
- tourist literature imported by governments or specified organizations for public distribution free of charge;
- goods imported by a charity or public institution that have been donated to the charity or institution;
- goods imported for the sole purpose of maintenance, overhaul, or repairs, if neither title nor use of the goods passes, or is intended to pass, while they are in Canada, and the goods are exported within a reasonable amount of time after the services are completed;
- goods imported by manufacturing service companies where the goods are processed for non-residents and later exported without being used in Canada. Any parts to be used in or attached to, and materials directly consumed or expended in the processing of those goods, are also non-taxable. The manufacturing service companies must apply in writing for an import certificate to be able to import goods on a non-taxable basis. For more information on this application and the conditions that must be met, see Technical Information Bulletin B-069, *Goods and Services Tax Treatment of Imports by Exporters of Processing Services (Inward Processing)*;
- warranty replacement property and replacement parts supplied by a non-resident at no charge except for shipping and handling; and
- goods valued at $20 or less sent to a person by mail or courier at an address in Canada, except for the following prescribed goods:
  - excisable goods (such as beer, spirits, wine, and tobacco products); and
  - books, newspapers, magazines, periodicals, or other similar publications, where the vendor was required to register for GST/HST, but did not do so.

GST/HST is calculated on the Canadian dollar value of the goods, including duty and excise tax, and is collected at the border at the same time as these duties. The owner or importer of record is responsible for paying the tax on imported goods. Generally, if you are the importer (the person who caused the goods to be imported into Canada), you can claim an ITC for the tax you paid on the imported goods, as long as you meet the requirements for claiming ITCs.

Taxable non-commercial goods imported into a participating province by a resident of such a province are subject to HST on importation, except for motor vehicles required to be registered in a participating province, or a mobile home or floating home that has been used or occupied in Canada by an individual. The provincial part of HST on imported motor vehicles is paid at the time the vehicle is registered in a participating province.

Although the provincial part of HST is not payable when you import commercial goods that are destined for the participating provinces, you may have to self-assess the provincial part. See "Tax on goods and services brought into a participating province" on page 32 for more information.

Imported services and intangible property

If you buy services (such as architectural services for a building in Canada) or intangible property (such as the right to use a patent in Canada) from an unregistered non-resident person outside Canada, you do not pay GST or HST if you acquire them to use at least 90% in your commercial activities (although the figure is 100% in the case of financial institutions). You also do not have to self-assess the provincial part of HST if the imported services or intangible property are for consumption, use, or supply more than 50% in a non-participating province.

If you do not use the imported services or intangible property at least 90% in your commercial activities, you have to report GST or the federal part of HST on **line 405** of your GST/HST return and remit the tax directly to us. The tax is calculated on the amount you were charged for the service or intangible property and is payable in the reporting period in which the amount for the service or the intangible property was paid or became payable.

If you are a resident in a participating province who does not use the imported services or intangible property at least 90% in your commercial activities and the services or intangible property are for consumption, use, or supply more than 50% in the participating provinces, you also have to pay the 8% provincial part of HST on the services or intangible property. The tax you have to self-assess is payable each time an amount for the supply is paid or becomes due, and is calculated by using the formula:

$$A \times B \times C$$

A is the 8% provincial part of HST;

B is the value of the imported service or intangible property that is paid or becomes due at that time; and

C is the extent (expressed as a percentage) to which the person acquired the property or service for consumption, use, or supply in the provinces.

The tax is payable in the reporting period in which the amount for the services or intangible property was paid or became payable, and should be reported on **line 405** of your GST/HST return.

If the non-resident person from whom you buy the services or the intangible property is registered for GST/HST, that person will charge you GST/HST on the value of the services they perform or the intangible property used all or partly in Canada. Generally, you can claim an ITC for the GST/HST you pay on the services or intangible property to the extent that you imported them for consumption or use in your commercial activities.

If you are not a registrant

If you are not registered for GST/HST, you still have to pay tax on imported services or intangible property. Use Form GST59, *GST/HST Return for Imported Taxable Supplies*, to remit the tax. The tax is due by the end of the month following the calendar month in which the amount for the services or intangible property was paid or became payable.

Financial services

Generally, financial services are exempt for GST/HST purposes. You do not charge GST/HST on most supplies of financial services. Generally, you cannot claim ITCs on purchases or acquisitions related to exempt financial services. Examples of exempt financial services include:

- the exchange, payment, issue, receipt, or transfer of money;
- the operation or maintenance of a savings, chequing, deposit, loan, charge, or other account;
- the issue, transfer of ownership or repayment of a financial instrument, such as:
  - the right to be paid money;
  - the deposit of money;
  - any share or an interest in a share of the capital stock of a corporation;
  - an insurance policy;
  - an interest or right for an interest in a partnership, a trust or estate of a deceased individual;
  - a precious metal; and
  - an option for future supply of a commodity where the option is traded on a recognized commodity exchange;
- the payment or receipt of money as dividends, interest, principal, or benefits;
- the making of any advance, the granting of any credit, or the lending of money; and
- the payment or receipt of an amount in full or partial satisfaction of a claim arising under an insurance policy.

For more information on financial services, see GST/HST Memorandum 17.1, *Definition of "Financial Instrument,"* GST/HST Memorandum 17.2, *Products and Services of a Deposit-Taking Financial Institution*, GST/HST Memorandum 17.6, *Definition of "Listed Financial Institution"*, GST/HST Memorandum 17.8, *Credit Unions*, GST/HST Memorandum 17.10, *Tax Discounters*, and GST/HST Memorandum 17.14, *Election for Exempt Supplies*.

Insurance claims

Generally, when an insurance company pays out benefits to compensate a claimant under the terms of an insurance policy, it is providing an exempt financial service. There are two kinds of insurance claims:

- life and health insurance claims; and
- property and casualty insurance claims.

Life and health insurance claims

Under life and health insurance contracts, the settlement of a claim is usually limited to payment of financial benefits. These payments are financial services and are generally exempt from GST/HST.

Property and casualty insurance claims

Under property and casualty insurance contracts, the insurer agrees to settle a claim for loss or damage to property either by making a cash settlement with the insured, paying the cost of repairs to the damaged property, or paying the cost of replacing the damaged property.

Cash settlements

A cash settlement is a financial service and is generally GST/HST exempt.

Repairs and replacements

There are two ways an insurer can settle a loss related to damaged property:

- the insurer repairs or replaces the damaged property; or
- the insurer compensates the insured for the cost of repairing or replacing the damaged property.

The insurer repairs or replaces the damaged property

The insurer purchases repair services or replacement property directly. The insurer would pay GST/HST and would not be entitled to claim an ITC as the insurer would not be acquiring the property or service for consumption, use, or supply in the course of a commercial activity.

The insurer compensates the insured for the cost of repairing or replacing the damaged property

You, as the insured, acquire the repair services or replacement property directly, and are the recipient of the services or property. If you are a registrant, you may be eligible to claim an ITC. If you are a public service body, you may be eligible to claim a rebate. In this situation, it may be appropriate for the insurer to use the net-of-GST/HST method for settling the property and casualty insurance claim.

The **net-of-GST/HST method** results in an insurer making a payment for an insurance claim only to the extent of the actual loss suffered by the insured in accordance with the terms of the insurance policy. The amount paid by an insurer to you will be reduced by the amount that you are eligible to claim as an ITC or rebate related to the tax portion of the repair or replacement expense.

For more information on insurance-related subjects, see GST/HST Memorandum 17.9, *Insurance Agents and Brokers*.

For more information on insurance claims, see GST/HST Memorandum 17.16, *GST/HST Treatment of Insurance Claims*.

Example
You are a GST/HST registrant who uses a car exclusively in the course of your commercial activities. You are involved in an accident. You arrange to have the repairs done at the dealership for $5,000 plus $300 GST. Under the car insurance policy, there is a $500 deductible. You make a cheque payable to the dealership and claim $300 in tax payable as an ITC. You forward a copy of the invoice to your insurer and ask for compensation less the tax portion. The insurer pays you the following:

Total of invoice **less** GST/HST **less** $500 deductible = **Total compensation from insurer**

Total of invoice	$5,300
Less GST ($5,000 × 6%)	300
Less deductible	500
Total compensation from insurer	$4,500

Real property

Supplies of real property are generally taxable. However, there are some specific supplies of real property that are **exempt** of the GST/HST. Some examples include:

- the sale of a used house, where the seller is not the builder of the house and has not claimed any ITCs for the acquisition of the house;
- the sale of farmland by an individual to a related individual where the farmland was only used in a commercial activity that is the business of farming and the related individual is purchasing the farmland for personal use and enjoyment;
- the lease of a residential complex to an individual who occupies it for a continuous period of at least one month; and
- the lease of a residential unit to an individual who occupies it for $20 or less a day.

For more information on other exempt supplies of real property, see GST/HST Memoranda Series, Chapter 19, *Special Sectors: Real Property*.

Sales

As a vendor, whether or not you are registered for GST/HST, you have to collect GST/HST from the purchaser on a taxable sale of real property **unless**:

- you are a non-resident of Canada or you are considered to be a resident of Canada for purposes of activities you carry on through your permanent establishment;
- the purchaser is registered for GST/HST and is not an individual buying a residential complex, or a cemetery plot, or similar site; or
- you and the purchaser have made an election using election type 2 on Form GST22, *Real Property – Election to Make Certain Sales Taxable*.

Under these conditions, the purchaser of real property has to pay the GST/HST owing directly to us. For more details, see "Purchases" on page 40.

Note
For taxable sales of real property, other than residential complexes, GST at 6% or HST at 14% applies where ownership and possession under the agreement are transferred to the purchaser after June 30, 2006.

In the case of a sale of a new or substantially renovated residential complex, you are required to collect GST at 7% or HST at 15% if the agreement of purchase and sale, evidenced in writing, was entered into with the purchaser before May 3, 2006, regardless of when ownership and possession are transferred. If ownership and possession are transferred after June 30, 2006, the purchaser will be entitled to claim a transitional rebate to account for the reduction in the GST/HST rate. For more information on the transitional rebate see:

- Form GST193, *GST/HST Transitional Rebate Application for Purchasers of New Housing; or*
- Form GST192, *GST/HST Transitional Rebate Application for Builders of New Housing on Leased Land*.

Purchases

If you buy taxable real property and the vendor does not have to collect GST/HST from you because of the conditions discussed earlier in this section, you have to pay the GST/HST owing on either your GST/HST return or by filing Form GST60, *GST/HST Return for Acquisition of Real Property*.

If you are a registrant who intends to use the real property more than 50% in commercial activities, report the GST/HST owing on the purchase on **line 205** of your GST/HST return in the reporting period in which the tax becomes payable.

In all other cases, you have to pay the GST/HST owing by filing Form GST60. You have to file this form by the end of the month after the month when you bought or took possession of the property, regardless of when your GST/HST return is due.

If you use the real property more than 10% in commercial activities, you can claim an ITC on **line 106** of your return. See the chart entitled "ITCs for capital real property" on page 42 to calculate the ITC you can claim.

Claiming ITCs

Generally, you can claim an ITC equal to either a percentage or the entire amount of GST/HST you paid or owe on purchases of real property (including improvements to real property) that you intend to use in your commercial activities. There are four sets of rules for ITCs on real property, depending on whether you are:

- a corporation or partnership;
- an individual;

- a public service body; or
- a financial institution.

Corporations and partnerships

The rules for claiming ITCs for real property are as follows:

- If the use of the real property in commercial activities is 10% or less, you cannot claim an ITC.
- If the use in commercial activities is more than 10% and less than 90%, you have to apportion your ITC based on the percentage of use in commercial activities.
- If the use in commercial activities is 90% or more, you can claim a full ITC.

Note
These rules do not apply to a corporation or partnership that is a financial institution.

Example
You buy a building in Manitoba and intend to use it 60% in your commercial activity. You can claim an ITC for 60% of the GST you paid.

Cost of building	$500,000
GST payable ($500,000 x 6%)	30,000
ITC = $30,000 × 60%	$18,000

Change in use rules

These rules apply to corporations and partnerships that are registrants. They do not apply to public service bodies unless the body has filed an election to treat the property as taxable real property.

If you increase the use of real property in commercial activities, you may be able to claim an additional ITC for the GST/HST that you were not entitled to claim before. If you decrease the use of real property in commercial activities, you may have to repay part of the ITC you claimed before. The calculations are based on the basic tax content of the property at that time. The basic tax content formula is explained on page 18.

Increasing use in commercial activities

When you increase the percentage of use of real property in commercial activities by 10% or more, you may be able to claim an ITC equal to the **basic tax content** of the property multiplied by the percentage of increase in commercial activities.

Example 1
You buy an office building in Winnipeg to use 60% in your commercial activities.

Cost of building	$500,000
GST	30,000
ITC = $30,000 × 60%	$18,000

Later, you increase the use of the building in commercial activities from 60% to 80% (an increase of 20%). The fair market value of the building at the time of the change was $450,000.

As a result of the increased commercial use of the building, you can claim an additional ITC calculated as follows:

$$\textbf{Basic tax content} = \mathbf{(A - B) \times C}$$
$$= (\$30{,}000 - \$0) \times \frac{\$450{,}000}{\$500{,}000}$$
$$= \$27{,}000$$
$$\textbf{ITC} = \$27{,}000 \times 20\%$$
$$= \$5{,}400$$

Note
If you increase the use in commercial activities to 90% or more, we consider that you are using the property 100% in commercial activities.

Decreasing use in commercial activities

When you decrease (without stopping) the use of real property in commercial activities by 10% or more, we consider you to have **sold** the real property to that extent, and, unless the sale is exempt, to have collected GST/HST on the part of the property that you are no longer using in your commercial activities.

To calculate the amount of GST/HST you have to remit, multiply the basic tax content of the property at the time you change the use by the percentage of the decrease in commercial activities.

Example 2
You buy an office building in Winnipeg to use 60% in your commercial activities.

Cost of building	$500,000
GST	30,000
ITC = $30,000 × 60%	$18,000

Later, you decrease the use in commercial activities of the building from 60% to 30% (a decrease of 30%). The fair market value of the property at the time of the change in use is $550,000.

You remit GST calculated as follows:

$$\textbf{Basic tax content} = \mathbf{(A - B) \times C}$$
$$= (\$30{,}000 - \$0) \times \frac{\$550{,}000}{\$500{,}000}$$
$$= (\$30{,}000 - \$0) \times 1 \text{ (maximum)}$$
$$= \$30{,}000$$
$$\text{GST remittable} = \$30{,}000 \times 30\%$$
$$= \$9{,}000$$

You must add $9,000 GST on **line 103** of your GST/HST return when you calculate your net tax for the reporting period during which the change in use occurred.

Stopping use in commercial activities

When you stop using real property for commercial activities, or when you reduce the use in commercial activities to 10% or less (except for financial institutions) and begin to use the property 90% or more for non-commercial activities, we consider you to have sold and reacquired the property.

If this deemed sale is taxable, you will have to remit the GST/HST on the deemed sale. The amount you have to remit is equal to the basic tax content of the property at the time of the change in use.

Example 3
We continue with example 2 from above. The building was used 30% in commercial activities and is now used less than 10%. The fair market value at the time of this change in use is still $550,000. The deemed sale resulting from the change in use is taxable.

You would remit GST calculated as follows:

Basic tax content = (A – B) × C

$$= (\$30{,}000 - \$0) \times \frac{\$550{,}000}{\$500{,}000}$$

$$= \$30{,}000 \times 1 \text{ (maximum)}$$
$$= \$30{,}000$$

You have to add $30,000 GST on **line 103** of your GST/HST return for the reporting period during which you stopped using the building in your commercial activities.

However, since you are considered to have made a taxable sale of the building, as a registrant, you may be eligible to claim an ITC to recover tax you paid on the building that you could not previously recover. To calculate the amount of the ITC that may be available, multiply the percentage that you used the building in non-commercial activities immediately before the deemed sale by the **lesser** of the following two amounts:

- the basic tax content of the building at the time of the deemed sale; and
- the tax payable on the deemed sale.

In this case, you would be eligible to claim an ITC as follows:

ITC = 70% × $30,000 = $21,000

We use 70% as it is the percentage of use in non-commercial activities immediately before the deemed sale (as you were using it 30% in commercial activities).

We use $30,000 because, in this case, the basic tax content of the building and the tax payable on the deemed sale both equal $30,000.

Since you are no longer using the building in your commercial activities, you are now in the same position you would have been if you initially bought the building to use exclusively in non-commercial activities.

Individuals

The change in use rules for individuals are different from the ones explained above for corporations and partnerships, although the calculations are also based on the basic tax content of the property at the time of the change.

If you use real property more than 50% for your personal use and enjoyment, you cannot claim an ITC for the GST/HST you paid or owe on that property.

Example
You buy a house and intend to use it 40% as a retail store, and 60% as your residence. You cannot claim an ITC for the GST/HST you paid for the house or on any improvements you made to it.

For more information, see GST/HST Memorandum 19.2.3, *Residential Real Property – Deemed Supplies*.

Public service bodies

For information on the rules that apply to public service bodies that buy real property, see the following guides:

- RC4049, *GST/HST Information for Municipalities*;
- RC4081, *GST/HST Information for Non-Profit Organizations*; and
- RC4082, *GST/HST Information for Charities*.

Financial institutions

Financial institutions have to claim their ITCs for capital real property based on the percentage of use in commercial activities, regardless of whether the property is used 10% or less (or more than 90%) in commercial activities.

ITCs for capital real property

Percentage of use in commercial activities	Partnerships and corporations	Individuals	Public service bodies**	Financial institutions
≤ 10%	None	None	None	% of use
> 10% to 50%	% of use	% of use*	None	% of use
> 50% to < 90%	% of use	% of use	100%	% of use
≥ 90%	100%	100%	100%	% of use

* Individuals cannot claim an ITC if the property is used more than 50% for their personal use or that of a related individual.

** Where the body has not made an election to treat property as taxable real property.

Returns and warranties

Returnable beverage containers

Refundable deposits

There is no GST/HST on deposits for returnable beverage containers that are refundable to consumers.

When a bottler or manufacturer sells beverages in sealed returnable containers to you, GST/HST is not charged on the refundable deposit. When you sell the beverages in the sealed containers to your customer, you do not charge GST/HST on the refundable deposit.

When you accept used and empty containers from customers, no part of the refund to the consumer is a refund of tax and, therefore, you would not claim an ITC for that refund. When you return used containers to a depot or a bottler, there is no GST/HST charged on the refund you receive.

Example
You are a retailer in a non-participating province. You sell a beverage in a returnable container to a consumer in a non-participating province and charge a fully refundable deposit.

Beverage	$1.00
Deposit	0.15
Subtotal	$1.15
GST ($1.00 × 6%)	0.06
Total	$1.21

Non-refundable deposits

In some provinces, only a portion of the deposit is refundable to the consumer, or non-refundable amounts such as environmental levies and recycling fees are separately charged in addition to the refundable deposit. In these cases, you only exclude the GST/HST from the amount of the deposit refundable to the consumer.

The non-refundable amounts are subject to GST/HST at the same rate as the beverage.

Example
You are a retailer in a non-participating province. You sell a beverage in a returnable container to a consumer and charge a deposit. Half of the deposit is refundable.

Beverage	$1.00
Deposit	0.15
Container recycling fee	0.10
Subtotal	$1.25
Less: refundable part of the deposit	0.05
Total before tax	$1.05
GST ($1.05 × 6%)	0.06
Total	$1.11

You have to collect and remit GST/HST on non-refundable deposits you charge when you sell beverages. Also, you can claim ITCs for GST/HST you are charged on non-refundable deposits you pay when you purchase beverages, unless you are located in a participating province.

Special rules apply in the participating provinces where the deposits include tax, if applicable, and only part of the deposit on certain beverage containers is refundable. A bottler or manufacturer sells the beverages to you, and charges the deposit. The bottler or manufacturer remits to us the HST included in the deposit. You do not claim an ITC for the HST included in the deposit. When you sell the beverages and containers to your customer, you do not remit the HST included in the deposit.

Example
You are a retailer in a participating province. You sell a beverage in a returnable container to a consumer and charge a deposit that is half refunded.

Beverage	$1.00
Deposit (includes HST)	0.10
Subtotal	$1.10
HST ($1.00 × 14%)	0.14
Total	$1.24

Certain registrants, such as take-out establishments that provide eating areas on their premises, may charge tax on the refundable deposit. If you are such a registrant, and you do not charge tax on the refundable deposit, you will have to pay an amount equal to the tax on the refundable deposit when you collect the empty containers from your premises and redeem them for the refunds.

See Technical Information Bulletin B-089, *Returnable Containers*, for more information.

Returnable containers

GST/HST generally applies to empty returnable containers. However, we consider usual packaging or containers (other than returnable beverage containers) to be part of the goods they cover or contain and tax them on the same basis as the goods they hold. For example, containers filled with medical oxygen are zero-rated.

When a customer returns a container that held goods, you may treat the transaction in one of two ways, depending on the terms of the original agreement as:

- a **sale** by the customer to you (the original supplier); or
- a **refund** you pay to the customer.

If the return of the container is treated as a **sale**, the customer, if a registrant, charges you GST/HST on the return of the container. You can claim an ITC for the GST/HST payable on the purchase of the container.

If the return is treated as a **refund**, you may have to issue a credit note to the customer or, alternatively, the customer may have to give you a debit note. In that case, see the next section "Returned goods."

For more details, see Technical Information Bulletin B-038, *Returnable Containers*.

Returned goods

If you give customers a refund or credit for all or part of an amount they paid or were charged for goods they return, you may adjust, refund, or credit the customer the GST/HST you first charged or collected on these goods. If you do this, you have to issue a credit note to the customer, or have the customer issue a debit note to you. Be sure the following information is included on the credit or debit note:

- a statement or other indication that the document is a credit or debit note;
- your business or trading name, or the name of your intermediary, and your Business Number (BN), or the BN of the intermediary;
- the customer's name or trading name, or the name of the customer's authorized agent or representative;
- the date on which the note is issued; and
- one of the following:
  - the amount of the adjustment, refund, or credit for tax; or
  - a statement that the total amount for which the note is issued includes the adjustment, refund or credit of tax, the tax rate (GST or HST) that applies to each taxable supply for which tax is reduced, and either the total amount and tax reduced for all the supplies to which the same tax rate applies or the total amount and tax reduced for each supply.

You can deduct the amount of GST/HST adjusted, refunded, or credited in determining your net tax for the reporting period in which you issued the credit note or received the debit note, as long as that amount was previously included in your net tax. In turn, if your customer claimed an ITC, he or she will add that amount in calculating his or her net tax. If your customer claimed a rebate, he or she will repay that amount.

You have four years from the end of the reporting period during which you reduced the purchase price to make the adjustment, refund, or credit.

If you refund only a certain percentage of the purchase price (for example, 85%) and keep the balance as a restocking charge, you will refund only 85% of the GST/HST you first collected. You would issue a credit note, or the customer would issue a debit note, for the amount of GST/HST you refunded.

If you and the customer are GST/HST registrants, you can choose not to refund or credit the customer the GST/HST that was previously paid. You may wish to forgo the GST/HST refund if you have already remitted the tax and the customer has already claimed an ITC. In this case, you refund the amount without including the GST/HST that the customer first paid. You and your customer do not have to make any adjustments on your GST/HST returns.

Warranty reimbursements

Warrantors of goods can claim ITCs for the GST/HST portion of reimbursements they make to warranty holders for goods or services such as repairs covered under the terms of a warranty and provided by a third party.

For instance, a warrantor may reimburse a warranty holder when the warranty holder pays for repairs due to an emergency or due to the distance from the warrantor's own authorized repair facility. The ITC you can claim is based on the portion of the total cost that you reimburse the warranty holder. Calculate your ITC using the formula:

$$\mathbf{A} \times \frac{\mathbf{B}}{\mathbf{C}}$$

A is the GST/HST payable by the warranty holder for the goods or services;

B is the amount of the reimbursement;

C is the cost to the warranty holder of the repair.

You must include with the reimbursement a written statement that a portion of the reimbursement represents GST/HST.

Example 1
Michael, a GST/HST-registered sales person, uses his car to meet clients. His car breaks down and he calls for emergency roadside assistance, which is covered under his warranty. There is no dealer nearby, and the only repair shop within towing distance is an independent garage. The garage tows and repairs the car for a total of $636 ($500 plus $100 for remote service charge, plus $36 GST).

Michael sends this bill to the warrantor who agrees to pay the bill, except for the remote service charge, based on the terms of the warranty. There is a $50 deductible plus GST under the warranty. The warrantor reimburses Michael $477.00, calculated as follows:

Total paid by Michael	$636.00
Less $100 remote service charge plus $6 GST	106.00
Less $50 deductible plus $3.00 GST	53.00
Amount reimbursed to Michael	**$477.00**

Using the formula above, the warrantor can claim an ITC of $27.00 calculated as follows:

$$\text{ITC} = \$36.00 \times \frac{\$477.00}{\$636.00}$$

$$= \$27.00$$

If Michael, the warranty holder, is registered for GST/HST, he may be entitled to claim an ITC or a rebate for all or part of the $36 of GST he paid.

However, part of the reimbursement Michael received from the warrantor is for some of the GST he paid. In this case, we consider Michael to have made a taxable supply to the warrantor.

Michael has to remit an amount calculated using the following formula:

$$A \times \frac{B}{C}$$

A is the amount of the GST/HST reimbursed;

B is the total of ITCs and rebates that the warranty holder was entitled to claim for the goods or services;

C is the GST/HST the warranty holder paid or owes for the goods or services.

Example 2
Michael uses his car 80% in commercial activities. He claims an ITC of $28.80 ($36 × 80%) for the GST he paid on the car repair charges described in example 1. The warrantor later reimburses him for some of these expenses. The reimbursement amount includes GST. This means that Michael has received a reimbursement for some of the tax he claimed as an ITC.

We consider Michael to have made a taxable supply of the reimbursed goods and services to the warrantor. This means that he has to remit GST calculated as follows:

$$\text{GST to remit} = \$27.00 \times \frac{\$28.80}{\$36.00} = \$21.60$$

Michael remits $21.60 by adding this amount to **line 103** of his GST/HST return for the reporting period in which he received the reimbursement.

Selling goods for others

Auctioneers

If you are a registrant auctioneer selling goods for a person (who may be referred to as a vendor, owner or principal), you are considered to have made a sale of taxable goods. This means that whether the vendor is registered for GST/HST or not, it is you as the auctioneer who must charge and remit GST/HST on the sale of the vendor's goods. However, you do not charge or remit GST/HST on your commission or other services provided to the vendor that relate to the sale of the goods, such as storage and advertising.

For more information, see GST/HST Info Sheet, GI-010, *Auctioneers*, available on our Web site at **www.cra.gc.ca/tax/technical/gsthst-e.html**.

Election

Sometimes a registered vendor (who may also be referred to as an owner or principal) and an auctioneer make a joint election to have the vendor remit GST/HST on the sale of auctioned goods.

Certain conditions must be met in order to make an election:

- both the vendor and auctioneer must be GST/HST registrants;
- the sale of the goods would be taxable supplies if sold by the vendor;
- the goods are prescribed in the *Property Supplied by Auction*) (GST/HST Regulations); and
- at least 90% of the value of the goods sold at auction on a particular day on behalf of the vendor is attributable to sales of prescribed goods.

Prescribed goods include:

- motor vehicles designed for highway use;
- cut flowers, potted plants, plant bulbs;
- horses; and
- machinery and equipment designed for use in certain industries.

Once the vendor and auctioneer have made a joint election, the auctioneer collects GST/HST on the sale of the goods and gives it to the vendor. The vendor remits the GST/HST. The auctioneer charges the vendor GST/HST on his or her commission and on any services provided to the vendor, such as storage and advertising.

To make an election, complete Form GST502, *Election and Revocation of an Election Between Auctioneer and Principal.* Both the vendor and auctioneer must keep a signed copy of the election in their records.

Agents

If you are acting as an agent (excluding auctioneers) in selling taxable goods and services on behalf of a person (who may also be referred to as a vendor, owner or principal), different rules apply to determine who has to charge GST/HST on the sale. These rules depend, in part, on whether the vendor would have had to charge GST/HST if he or she sold the goods or services directly to the purchaser.

When the vendor has to charge GST/HST

If a vendor would have had to charge GST/HST if he or she had sold taxable goods and services directly to the purchaser, then it is the vendor who must charge and remit the GST/HST on the taxable goods and services sold through you as the agent.

If you are a registrant, you have to charge and remit GST/HST on your commission and on any other services provided to the vendor that relate to the sale of the goods or services. Vendors who are registrants may be eligible to claim an ITC to recover the GST/HST they pay for your services.

Example
Daniel, a registered vendor, gives a painting to an art gallery (agent) in Alberta to sell on his behalf. As Daniel's agent, the art gallery sells the painting for $2,000 plus GST.

Transaction summary

Amount agent charges purchaser

Painting	$2,000
GST ($2,000 × 6%)	120
Amount purchaser pays	$2,120

Amount agent charges vendor

Commission	$400
Advertising	50
Subtotal	$450
GST ($450 × 6%)	27
Total	$477

Amount agent gives vendor

Amount purchaser pays	$2,120
Less agent's charges	477
Amount due to Daniel	$1,643

GST to report and remit

Agent	Vendor
GST charged to vendor: $27	GST charged to purchaser: $120
Agent includes this amount in his/her net tax	Vendor includes this amount in his/her net tax

Joint election

A joint election can be made between a vendor (who may also be referred to as an owner or principal) and an agent when a vendor is required to collect tax, but would prefer the agent to do so. By making this joint election, the agent becomes responsible for collecting, reporting, and remitting the tax on the supply of taxable goods or services made by the vendor. The joint election is made by completing and signing Form GST506, *Election and Revocation of an Election Between Agent and Principal*. Both the vendor and the agent must keep a copy of Form GST506 in their records. Agents who make this election must charge and remit GST/HST on the commission and other services they provide to the vendor that relate to this supply. The agent must also include the tax in their GST/HST return.

Note

- Under proposed amendments, the rules pertaining to bad debt adjustments and recovery of bad debt now apply to agents who have made the election. For more information on bad debt, see "Bad debt adjustments" on page 21 and "Bad debt recovered" on page 22.
- It is also proposed that billing agents of a vendor be able to use this election.

When the vendor does not have to charge GST/HST

If a vendor would not have had to charge GST/HST if he or she had sold goods (other than zero-rated or exempt goods) directly to the purchaser, then it is you, the registrant agent, who must charge and remit GST/HST on the sale of the goods. However, you do not charge or remit GST/HST on your commission or any other services provided to the vendor that relate to the sale of the goods.

Example
Marie, a non-registrant vendor, gives a used car to an agent in Nova Scotia to sell for her. The agent, a registrant, sells the used car for $6,000 plus HST. The agent charges Marie a commission of $600 plus an advertising fee of $25. The agent does not charge HST on the commission and advertising.

Transaction summary

Amount agent charges purchaser
Purchaser pays $6,000 plus $840 HST to sales agent.

Amount agent charges vendor

Commission	$600
Advertising	25
Total	$625

Amount agent gives vendor

Selling price excluding HST	$6,000
Less agent's charges	625
Amount due to Marie (vendor)	$5,375

HST to report

Agent	Vendor
Agent includes $840 HST charged to purchaser in his/her net tax.	Vendor does not report any HST collected for this supply

Exception
Generally, an agent has to charge and remit GST/HST on goods sold for a registrant vendor that were not used in commercial activities. However, sometimes a registrant vendor may want to charge and remit the tax. In these situations, the vendor and agent may jointly elect in writing to make the sale of those goods taxable. When the goods are sold, the vendor charges tax and includes it in their net tax. The vendor also pays GST/HST on the services provided by the agent and may be able to claim an ITC for this tax. However, the vendor cannot claim an ITC for other expenses related to the supply that were not charged to the vendor by the agent.

Zero-rated and exempt goods

When zero-rated or exempt goods are sold, neither the agent nor the vendor charges the purchaser GST/HST. Whether the vendor is a registrant or not, the agent charges GST/HST on their commissions and other services, such as advertising, provided in relation to the sale.

Example
As an agent of a vendor, you sell zero-rated medical supplies in Ontario for $2,000. Your commission is 20% of the selling price and you charge an advertising fee of $100.

Transaction summary

Amount agent charges vendor

Commission ($2,000 × 20%)	$400
Advertising	100
GST ($500 × 6%)	30
Total	$530

Amount agent gives vendor

Amount purchaser pays	$2,000
Less agent's charges	530
Amount due to vendor	$1,470

GST to report and remit

Agent	Vendor
Agent includes GST of $30 charged to vendor in his/her net tax.	GST charged to purchaser $0

Consignment sales

A consignment sale is a transaction in which one party, the consignor, delivers goods to a second party, the consignee, who tries to sell the goods for the consignor.

If you, as a consignee, sell goods on consignment, the consignor still owns the goods until you sell them. This means that even though the consigned goods are in your possession, you do not include these items in your inventory.

Consignment arrangements consist of two types:

- agency; and
- buy and resell.

If you are not buying and reselling goods, then it is likely that you are acting as the consignor's agent. See the section "Agents" on page 45 if you are conducting a transaction as an agent.

Where you are buying then reselling goods, we consider two transactions to take place at the time you sell the goods:

- you buy the goods from the consignor; and
- you sell the goods to your customer.

If the consignor is a GST/HST registrant, you pay GST/HST to the consignor on the price he or she charges you (assuming your purchase of the goods is taxable) and collect GST/HST from your customer on your selling price (assuming your sale of the goods is taxable). If the consignor is not a registrant, you do not pay GST/HST to the consignor, and you collect GST/HST from your customer on your selling price.

Example
You sell clothing on consignment to a customer for $100 plus GST, which you include on your GST/HST return. You keep $40 and pay the consignor $60 from the sale. If the consignor is a GST/HST registrant, he or she charges you GST on the $60, which you can claim as an ITC on your return. If the consignor is not a registrant, he or she does not charge you GST.

When you return any unsold items to the consignor, you do not have to pay GST/HST on these items since the consignor never sold you the goods.

For more information, see GST/HST Info Sheet, GI-009, *Consigned Goods*, available on our Web site at **www.cra.gc.ca/tax/technical/gsthst-e.html**.

Direct sellers

Direct sellers are organizations that market their products to consumers through distributors and/or independent sales contractors who solicit orders and deliver merchandise directly to consumers in their homes.

A special alternate GST/HST collection method simplifies tax collection for direct sellers and their independent sales contractors. This method gives direct sellers the option of having the GST/HST on their products accounted for entirely at the direct seller or distributor level, based on the suggested retail price of the products. Direct sellers calculate their net tax as if they made the sales directly to the consumers at the suggested retail price.

With the alternate collection method, most independent sales contractors do not have to be registered for GST/HST because they do not have to collect and remit GST/HST on their sales of products to consumers. They do not include revenues from these sales in their calculation to determine if they are a small supplier.

For more information, including how to apply for approval to use the special alternate GST/HST collection method, see GST/HST Memoranda, 14.1, *Direct Sellers*.

Supplies to diplomats, Indians, and governments

Diplomats

As a registrant, you have to charge GST/HST on taxable goods and services you provide to diplomatic missions, consular posts, international organizations, diplomatic agents, consular officers, and designated officials of international organizations. You have to charge GST/HST whether they make purchases for themselves or their organizations.

Foreign representatives are not exempt from paying GST/HST, and you must collect it from them, even if they show you a diplomatic identification card. However, they may be eligible to apply for a GST/HST rebate if you, as the vendor, have given them acceptable documentation for their purchases. To claim the rebate, they have to file Form GST498, *GST/HST Rebate Application for Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, or Visiting Forces Units.*

Federal government

We consider the federal government to be a single entity that includes all its departments, branches, corporations, and agencies.

The federal government pays GST/HST on its taxable purchases. Therefore, as a registrant, you have to charge GST/HST on the taxable goods and services you supply to the federal government. Special rules may apply to supplies of real property. Call us or see GST/HST Memoranda Series, Chapter 19, *Special Sectors: Real Property*.

The federal government also has to charge GST/HST on its taxable supplies.

Provincial and territorial governments

The governments of the participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) have agreed to pay GST/HST on their taxable purchases. In addition, all Prince Edward Island and Nunavut government departments and agencies pay GST/HST on their taxable purchases. Therefore, you have to charge GST/HST on taxable goods and services you make to the departments and agencies of these governments.

The remaining provincial and territorial governments, including all their government departments or ministries, and certain of their Crown corporations, boards, commissions, and agencies, do not pay GST/HST on their taxable purchases if they provide certification. Call us if you want to know if a particular government department, ministry, or Crown corporation is considered part of a provincial or territorial government for GST/HST purposes.

You do not charge GST/HST on taxable goods and services made to these governments if an authorized official provides evidence that they are a provincial or territorial department or entity.

We will accept a certification clause that an authorized official of a provincial or territorial government entity has signed as satisfactory evidence. This is a statement on provincial or territorial purchase documents that certifies that a provincial or territorial government is purchasing the goods or services with Crown funds. As the vendor, you have to keep the purchase documents with the certification clause for audit purposes.

Employees of a provincial government who make official business purchases in their own name have to pay GST/HST.

You can claim ITCs for any GST/HST you paid or owe on purchases you made to supply taxable goods and services to provincial or territorial governments.

Provincial governments have to charge GST/HST on their taxable supplies of goods and services.

Municipalities

Municipalities pay GST/HST on their taxable purchases. Therefore, as a registrant, you have to charge GST/HST on the taxable goods and services you supply to municipalities. Special rules may apply to supplies of real property. Call us or see GST/HST Memoranda Series, Chapter 19, *Special Sectors: Real Property*.

Municipalities also have to charge GST/HST on their taxable supplies. However, many goods and services provided by municipalities are exempt from GST/HST. Also, most goods and services made between municipalities and their own para-municipal organizations are exempt.

For more information, see Guide RC4049, *GST/HST Information for Municipalities.*

Indians

Usually, Indians, Indian bands, and unincorporated band-empowered entities do not pay GST/HST on their taxable purchases if they meet certain conditions and provide proper documentation.

Goods

You do not charge GST/HST on goods you supply to an Indian, Indian band, or band-empowered entity if the goods are supplied on a reserve or, when sold off a reserve, you or your agent deliver them to a reserve. If the purchaser transports the goods to a reserve, tax applies to the supply.

Services

You do not charge GST/HST on services you supply to an Indian if you perform the services entirely on reserve or the services are for real property interests on a reserve. You do not charge GST/HST on services you supply to an Indian band or band-empowered entity for band management activities or for real property on a reserve, even when performed off reserve. However, Indian bands and band-empowered entities have to pay GST/HST on all off-reserve purchases of transportation, short-term accommodation, meals, and entertainment.

Documentation

An Indian must present you proof of registration under the *Indian Act* to purchase goods or services without paying GST/HST. For individuals, we accept the Certificate of Indian Status card as proof of registration. This card displays the Canadian maple leaf logo, followed immediately by "Indian and Northern Affairs Canada." The certificate may also bear the photograph of the individual, a registry number (9 or 10 digits), the name of the band to which the individual belongs, and the family number.

You must keep, as adequate evidence, a notation on the invoice or other sales document of the 9- or 10-digit registry number or the band name and family number (commonly referred to as the band number/treaty number).

> **Note**
> An individual presenting any other "membership" or "association" type card, such as a Metis Association card, is not entitled to tax relief.

We accept as adequate evidence a certificate provided by an Indian band or band-empowered entity that the property is being purchased by the band. In the case of services, the certificate must state that the services are being purchased for band management activities.

Where goods are delivered to a reserve, you must also keep adequate evidence of delivery.

You can claim ITCs for any GST/HST you paid or owe on purchases you made to supply taxable goods and services to Indians and Indian bands, even though you did not collect GST/HST on the supply.

For more information, see Technical Information Bulletin B-039, *GST/HST Administrative Policy – Application of the GST/HST to Indians.*

Trade-ins

If, in the course of your business, you accept used goods in trade for full or partial payment for goods you sell or lease, special rules apply depending on whether or not the person from whom you are accepting the trade-in has to charge tax on the trade-in.

When the customer has to charge tax

If the person from whom you accept used goods in trade has to charge GST/HST (for example, if the trade-in is an asset of a registrant's business), two separate transactions take place. You purchase the trade-in from your customer and make a sale or a lease to the same customer. You have to collect GST/HST on the full price charged for the goods you sell or lease, and you have to pay GST/HST on the value of the trade-in.

Example
Axle Company, a registrant in Alberta, sells new machinery to Gilson Company, also a registrant, for $50,000.
Axle Company accepts old machinery as a trade-in with a trade-in value of $20,000. Axle Company will invoice and collect GST on the full $50,000 selling price.
Gilson Company will invoice and collect GST on the trade-in value of $20,000.

Both you and your customer may claim an ITC for the GST/HST you both pay or owe.

When you accept a trade-in, find out if your customer has to collect GST/HST before you close the deal. If so, make sure the invoice includes the information listed on the chart on page 13, so that you can claim an ITC.

When the customer does not have to charge tax

A different rule applies for used goods you accept in trade from a person who is not required to charge GST/HST (usually a person who is not required to register for GST/HST). A person may also trade in a leasehold interest in used goods.

In this case, you charge GST/HST on the net amount of the sale or lease, that is, the price of the goods you sell or lease minus the amount you allow for the trade-in. This approach is consistent with the treatment of trade-ins under most provincial sales taxes. For more information on trade-ins, see Technical Information Bulletin B-084, *Treatment of Used Goods*.

Example
John, an individual who has used his car for personal use only, goes to a registered car dealer in Manitoba to trade in his used car for a new one. The selling price of the new car is $25,000, and the dealer allows $10,000 for the used car. The dealer charges GST on $15,000.

Selling price of new car	$25,000
Less trade-in of used car	10,000
Subtotal	$15,000
GST ($15,000 × 6%)	900
John pays	**$15,900**

Sale-leaseback arrangements

When you purchase something from a person who does not have to collect tax on the sale and immediately lease the property back to that person, the amount of GST/HST on the lease is determined by deducting the amount paid or credited for the sale from the lease payments. The total credit is usually spread evenly over the number of lease payments.

Determine the credit for each lease payment at the beginning of the lease by dividing the sale price of the good by the number of lease payments. This calculation applies so long as there is no change in the number of lease payments. The maximum you can deduct from any one lease payment is the amount necessary to bring that payment to zero.

When there is a renewal, variation, or early termination in a lease that changes the number of lease payments, or when the lease is assigned to a new lessor but the lessee and the property remain the same, you recalculate the amount that you may credit against each lease payment. When a lessee exercises an option to purchase the property, you can deduct any unused credit from that purchase price up to the amount of the purchase price.

Call us if you need more information on sale-leaseback arrangements.

Barter-exchange networks

A barter-exchange network is a group of persons who have agreed in writing to accept credits (barter units) on accounts of the group members in exchange for property or services traded among members. The accounts are maintained by an "administrator," who is responsible for administering, maintaining, or operating a system of members' accounts to which barter units may be credited. When supplied by a GST/HST registrant, tax applies on the exchange value of the barter unit and on the goods and services provided for the units.

The administrator of a barter-exchange network may apply to have the network designated for GST/HST purposes. Members of a designated barter-exchange network do not have to pay tax on barter units accepted in exchange for their supplies of goods or services. However, if registrants, they would continue to charge tax on their taxable supplies of goods and services provided for the barter units.

Call us if you need more information on how to apply for the designation.

Selling your business

If you are selling your business or part of your business, you may be able to jointly elect with the purchaser to have no tax payable on the sale if:

- you sell the business or part of the business that you established or carried on; and
- under the agreement for the sale, the purchaser acquires ownership, possession, or use of at least 90% of the property that can reasonably be regarded as being necessary for the purchaser to be capable of carrying on the business or part of the business, as a business.

Any property not acquired under the agreement but that the purchaser needs to carry on the business has to fall within the remaining 10% of the fair market value of all the property acquired. For example, where real property such as land and a building is not included in the supply, but is purchased elsewhere, it and any other property purchased should not exceed 10% of the fair market value of all the property required to carry on the business.

As well, the purchaser has to be capable of carrying on the same kind of business that you established or carried on with the property that the purchaser has acquired under the agreement.

This election can only be filed by:

- a registrant when selling to another registrant; or
- a non-registrant when selling to either a registrant or a non-registrant.

This election cannot be used if you sell only one or more assets of your business, or if you are a registrant and the purchaser is not.

You still have to charge GST/HST on the following supplies even if you and the purchaser made the election:

- taxable services to be rendered to the purchaser;
- taxable supplies of property by way of lease, licence, or similar arrangement; and
- a taxable sale of real property to a purchaser who is not a registrant.

To make this election, use Form GST44, *Election Concerning the Acquisition of a Business or Part of a Business*. The purchaser has to file the election with us no later than the due date of the purchaser's next GST/HST return in which tax would have been payable if the election had not been made.

Will you have any more business activity?

After you sell the assets of your business, you may or may not intend to carry on with another type of business activity.

If you sell your entire business and have no intention of continuing in any business activity, contact us to cancel your GST/HST account. Unless you notify us, we will continue to send you GST/HST returns and expect you to complete and file them with us. You can call us or send Form RC145, *Request to Close Business Number (BN) Accounts*.

If you do intend to carry on with another type of business activity, call us to help you determine if you can continue to use your current BN, or if you will need to apply for a new one.

Cancelling your registration

You can request to cancel your registration if:

- you are a small supplier (other than a person who is carrying on a taxi business) and you have been registered for at least one year; or
- you decide to close your business or stop making taxable supplies and you no longer need to be registered for GST/HST.

However, you may have to remit GST/HST on capital property used in your commercial activities, and on other property you have on hand when you cancel your registration. When you cancel your registration, you have to file all GST/HST returns and remit any GST/HST collected or collectible on taxable supplies while a registrant.

Non-capital property held at the time of deregistration

When you cease to be a registrant, you are considered to have sold each property (other than capital property) you held for consumption, use, or supply in a commercial activity and to have collected GST/HST on such sales. You have to remit GST/HST on the fair market value of each of these properties immediately before you cease to be a registrant. You are required to account for this GST/HST on your last return as a registrant.

Capital property held at the time of deregistration

When you cease to be a registrant, you are considered to have ceased using capital property you held for use in your commercial activities immediately before ceasing to be a registrant. Capital property includes land, buildings, vehicles, and computers. As a result, the "change in use rules" may be invoked.

Under these rules, you are considered to have sold the capital property immediately before ceasing to be a registrant and to have collected tax equal to the "basic tax content" of the capital property at that time.

Finally, you are required to account for the tax you are considered to have collected in your net tax calculation on your last return as a registrant. As a result of these rules, the ITCs previously claimed on such property will generally be recaptured. For information on the change in use rules and on calculating basic tax content, call us or see page 18.

ITCs for services, rent, royalties, and similar payments

You are eligible to claim ITCs on GST/HST that becomes payable after you cease to be a registrant if the GST/HST payable is for services, rent, royalties, or similar payments that are attributable to a period before you cease to be a registrant.

In the case of prepaid arrangements, you are required to make an adjustment to your net tax calculation on your final return if you have claimed ITCs for the GST/HST paid or payable on services to be provided to you after you cease to be a registrant, or for rent, royalties or similar payments that are attributable to a period, after you cease to be a registrant.

Filing your final GST/HST return

When you cease to be a registrant, you are considered to have two separate reporting periods and may have to file two returns when cancelling your registration:

- a return for a reporting period that ends immediately before the day you cease to be a registrant; and
- a second return for a reporting period that would begin the day you ceased to be a registrant and end on the last day of that month. This return is only required if you have tax to remit for that period.

Example 1
You are an annual filer with a reporting period of January 1 to December 31, 2006. You close your business (cease to be a registrant) on January 1, 2007. You have to send us:

- a final return for the period January 1 to December 31, 2006. As this is a return for a reporting period that is a full fiscal year, the return is due March 31, 2007 (three months after the end of your fiscal year); and
- an additional return if your business has tax to remit for the period January 1, 2007, to January 31, 2007, that is due February 28, 2007.

Example 2
You are an annual filer with a reporting period of January 1 to December 31, 2007. You close your business (cease to be a registrant) on October 21, 2007. You have to send us:

- a final return for the period January 1, 2007, to October 20, 2007, that is due November 20, 2007; and
- an additional return if your business has tax to remit for the period October 21, 2007, to October 31, 2007, that is due November 30, 2007.

Example 3
You are a quarterly filer with a reporting period of January 1 to March 31, 2007. You close your business (cease to be a registrant) on March 14, 2007. You have to send us:

- a final return for the period January 1, 2007, to March 13, 2007, that is due April 13, 2007; and
- an additional return if your business has tax to remit for the period March 14, 2007, to March 31, 2007, that is due April 30, 2007.

How to cancel your registration

To cancel your registration, call, write, or send us Form RC145, *Request to Close Business Number (BN) Accounts*.

Appendix 1 – Terms we use in this guide

Basic tax content of a property generally means the amount of GST/HST payable on acquiring the property, and on any improvements to the property, less any amounts that would be reimbursed to you (such as rebates or remissions, but not input tax credits). You also have to consider the fair market value of the property as well as the value of consideration for the last acquisition (and for any improvements). For more information, see page 18.

Calendar quarter means a period of three consecutive months ending on the last day of any of the following months: March, June, September, and December.

Calendar year means a year that begins on January 1 and ends on December 31.

Commercial activity means any business or adventure or concern in the nature of trade carried on by certain persons, but **does not include**:

- the making of exempt supplies; or
- any business or adventure or concern in the nature of trade carried on without a reasonable expectation of profit by an individual, a personal trust, or a partnership where all the members are individuals.

However, commercial activity includes a supply of real property, other than an exempt supply, by any person, whether or not there is a reasonable expectation of profit, and anything done in the course of making the supply or in connection with the making of the supply.

Exempt supplies are goods and services that are not subject to GST/HST. GST/HST registrants cannot claim input tax credits to recover the GST/HST they pay or owe on expenses related to making such supplies.

Input tax credit (ITC) means a credit GST/HST registrants can claim to recover the GST/HST they paid or owe for goods or services they acquired, imported into Canada, or brought into a participating province for use, consumption, or supply in the course of their commercial activities.

Participating provinces means the provinces of Nova Scotia, New Brunswick, or Newfoundland and Labrador. The 14% HST rate is used in the participating provinces (6% federal part and 8% provincial part).

Person means an individual, a partnership, a corporation, the estate of a deceased individual, a trust, or any organization such as a society, a union, a club, an association, or a commission.

Property means any property, whether real or personal, movable or immovable, tangible or intangible, corporeal or incorporeal, and includes a right or interest of any kind, a share and a chose in action, but does not include money.

Public institution means a registered charity for income tax purposes that is also a school authority, public college, university, hospital authority or a local authority determined to be a municipality.

Real property includes:

- a mobile home or floating home and any leasehold or ownership interest in such property;
- in Quebec, immovable property and every lease thereof; and
- in any other place in Canada, all land, buildings of a permanent nature, and any interest in real property.

Registrant means a person that is registered or has to be registered for GST/HST.

Small supplier refers to a person whose worldwide taxable supplies were equal to or less than $30,000 ($50,000 for public service bodies) in a calendar quarter and over the last four consecutive calendar quarters. For detailed information on how to calculate the small supplier threshold, see "Small supplier" on page 9.

Supply means the provision of property or a service in any way, including sale, transfer, barter, exchange, licence, rental, lease, gift, and disposition.

Taxable supplies are goods and services that are supplied in the course of a commercial activity and are subject to GST/HST (including zero-rated supplies).

Zero-rated supplies refers to a limited number of goods and services that are taxable at the rate of 0%. This means there is no GST/HST charged on the supply of these goods and services, but GST/HST registrants can claim an ITC for the GST/HST they pay or owe on purchases and expenses made to provide them.

Appendix 2 – Publications and forms

We offer a wide range of publications in both official languages. To get copies of publications, visit our Web site at **www.cra.gc.ca/orderforms** or call us at **1-800-959-2221**.

- **Pamphlets and booklets** are available on a variety of subjects. See the list below.
- **Guides** contain more detailed information on how GST/HST affects specific types of businesses and organizations. See the list below.
- **Info Sheets** provide explanations on specific topics.
- **GST/HST Memoranda** give more in-depth technical information on administrative and policy aspects of the GST/HST, and are aimed at tax professionals.
- **Technical Information Bulletins** announce changes to GST/HST legislation and administrative policy in specific areas.

Revenu Québec administers GST/HST in Quebec. If your business is located in Quebec, contact Revenu Québec at **1-800-567-4692**.

Pamphlets and booklets

RC2, *The Business Number and Your Canada Revenue Agency Accounts*

RC4031, *Tax Refund for Visitors to Canada*

RC4058, *Quick Method of Accounting for GST/HST*

RC4072, *First Nations Tax (FNT)*

RC4080, *GST/HST Information for Freight Carriers*

RC4100, *Harmonized Sales Tax and the Provincial Motor Vehicle Tax*

RC4103, *GST/HST Information for Suppliers of Publications*

RC4117, *Tax Refund for Business Travel to Canada*

RC4125, *Basic GST/HST Information for Taxi and Limousine Operators*

RC4160, *Tax Refund for Non-Resident Travel Organizers and Foreign Conventions*

RC4247, *The Special Quick Method of Accounting for Public Service Bodies*

RC4365, *First Nations Goods and Services Tax (FNGST)*

Guides

RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*

RC4028, *GST/HST New Housing Rebate*

RC4033, *General Application for GST/HST Rebates*

RC4034, *GST/HST Public Service Bodies' Rebate*

RC4036, *GST/HST Information for the Travel and Convention Industry*

RC4049, *GST/HST Information for Municipalities*

RC4050, *GST/HST Information for Selected Listed Financial Institutions*

RC4052, *GST/HST Information for the Construction Industry*

RC4081, *GST/HST Information for Non-Profit Organizations*

RC4082, *GST/HST Information for Charities*

RC4091, *GST/HST Rebate for Partners*

RC4231, *GST/HST New Residential Rental Property Rebate*

Forms

There are a number of options available to businesses and organizations to make it easier to comply with GST/HST. These options, called elections or applications, allow you to adapt the administrative requirements of GST/HST to your own business activity. Some options are available to all registrants. Other options are available only to organizations and businesses that meet certain conditions.

Other forms are used to remit an amount of tax. They are called returns or remittance vouchers.

To get copies of forms, visit our Web site or contact us at **1-800-959-2221**.

Elections

You can use an election if you meet all the eligibility criteria. To make an election, complete the appropriate form. Some of the elections can also be made by phone. Once you make an election, it stays in effect until you revoke it, make another election, or no longer qualify to use it. Generally, elections must remain in effect for a minimum of one year.

For some elections, you do not have to return the form to us. Instead, you can keep a copy of the completed election form or a statement containing certain prescribed information on file with your records. This applies to the following forms:

GST17, GST21, GST23, GST24, GST25, GST29, GST30, GST502, and GST506.

You are not required to complete forms for certain other elections. See page 55 for "Elections and applications that do not have forms."

You are responsible for ensuring you meet the conditions of an election. At the time of an audit, we reserve the right to verify your eligibility and to disallow an election if you have not met the requirements.

Some publications include election and application forms.

Applications

Applications are different from elections. You have to meet the necessary requirements, and for many applications, you can call us or complete the form and mail it to us. We have to acknowledge that we have processed and approved your application before you can begin to use the procedure for which you have applied.

Elections and application forms available to all businesses or individuals

GST10, *Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions*

GST17, *Election Concerning the Provision of a Residence or Lodging at a Remote Work Site*

GST20, *Election for GST/HST Reporting Period*

GST21, *Election or Revocation of an Election to Have the Joint Venture Operator Account for GST/HST*

GST22, *Real Property – Election to Make Certain Sales Taxable*

GST24, *Election to Tax Professional Memberships*

GST29, *Educational Services – Election and Revocation of the Election to Make Certain Supplies Taxable*

GST30, *Election for Passenger Vehicles or Aircraft to be Deemed to be Used Exclusively in Non-Commercial Activities*

GST32, *Application to Deem One Unincorporated Organization to be a Branch of Another Unincorporated Organization*

GST44, *Election Concerning the Acquisition of a Business or Part of a Business*

GST70, *Election, or Revocation of an Election, to Change a GST/HST Fiscal Year*

GST71, *Notification of Accounting Periods*

GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting*

GST159, *Notice of Objection (GST/HST)*

GST189, *General Application for Rebate of GST/HST*

GST190, *GST/HST New Housing Rebate Application for Houses Purchased from a Builder*

GST191, *GST/HST New Housing Rebate Application for Owner-Built Homes*

GST191-WS, *Construction Summary Worksheet*

GST192, *GST/HST Transitional Rebate Application for Builders of New Housing on Leased Land*

GST193, *GST/HST Transitional Rebate Application for Purchasers of New Housing*

GST288, *Supplement to Form GST189 and Form GST498*

GST370, *Employee and Partner GST/HST Rebate Application*

GST469, *Direct Deposit Request*

GST495, *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)*

GST502, *Election and Revocation of Election Between Auctioneer and Principal*

GST506, *Election and Revocation of an Election Between Agent and Principal*

GST507, *Third Party Authorization and Cancellation of Authorization for GST/HST Rebates*

GST515, *Direct Deposit Request for the GST/HST New Housing Rebate*

GST518, *GST/HST Specially Equipped Motor Vehicle Rebate Application*

GST521, *GST/HST Multi-Employer Pension Plan Trust Rebate Application*

GST524, *GST/HST New Residential Rental Property Rebate Application*

GST525, *Supplement to the New Residential Rental Property Rebate Application – Multiple Units*

GST528, *Authorization to Use an Export Distribution Centre Certificate*

GST532, *Agreement and Revocation of an Agreement Between Supplier and Constructive Importer*

RC1, *Request for a Business Number (BN)*

RC59, *Business Consent Form*

RC145, *Request to Close Business Number (BN) Accounts*

Elections and application forms for public service and public sector bodies

GST23, *Election by a Public Sector Body to Have Its Exempt Memberships Treated as Taxable Supplies*

GST26, *Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply*

GST31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*

GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*

GST287, *Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting*

GST322, *Certificate of Government Funding*

GST488, *Election or Revocation of an Election Not to Use the Net Tax Calculation for Charities*

GST523-1, *Non-Profit Organizations – Government Funding*

Elections and application forms for corporations and financial institutions

GST25, *Election or Revocation of the Election to Treat Certain Taxable Supplies as Having Been Made for Nil Consideration*

GST27, *Election or Revocation of an Election to Deem Certain Supplies to be Financial Services*

GST303, *Application to Offset Taxes by Refunds or Rebates*

GST355, *Streamlined Election or Revocation of an Election to Have the Joint Venture Operator Account for GST/HST*

GST497, *Election Under the Special Attribution Method for Selected Listed Financial Institutions and Notice of Revocation*

Applications for non-residents and visitors

GST114, *Bond for Non Resident Person Without a Permanent Business Establishment in Canada*

GST176, *Application for Visitor Tax Refund*

GST177, *Refund Application for Non-Resident Travel Organizers*

GST367, *Endorsement to the Bond for Non-Resident Person Without a Permanent Business Establishment in Canada*

GST386, *Refund Application for Foreign Conventions*

GST510, *Application for Business Travel Tax Refund*

Rebate applications for diplomats

GST498, *GST/HST Rebate Application for Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, or Visiting Forces Units*

Elections and applications that do not have forms

- Simplified Method of determining ITCs
- Simplified Method of determining rebates
- Election to use the actual part of a patronage dividend that is attributable to taxable supplies (other than zero-rated supplies) for purposes of consideration and GST/HST adjustments
- Election not to use patronage dividends for purposes of consideration and GST/HST adjustments
- Election concerning the supply of business property of a deceased person
- Application for approval for a direct seller to use the alternate collection method
- Application for designation of a barter exchange network
- Application for designation to temporarily stop filing GST/HST returns

Returns and remittances

GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*

GST59, *GST/HST Return for Imported Taxable Supplies*

GST60, *GST/HST Return for Acquisition of Real Property*

GST62, *Goods and Services Tax / Harmonized Sales Tax (GST/HST) Return (Non-Personalized)*

GST489, *Return for Self-Assessment of the Provincial Part of Harmonized Sales Tax (HST)*

GST494, *Goods and Services Tax / Harmonized Sales Tax Final Return for Selected Listed Financial Institutions*

GST499-1, *First Nations Tax (FNT) Schedule*

GST531, *Return for Self-assessment of the First Nations Goods and Services Tax (FNGST)*

RC158, *GST/HST Netfile/Telefile Remittance Voucher* (this form will be available once planned changes to GST/HST NETFILE and TELEFILE take place in October 2007. See page 24 for more information)

RC159, *GST/HST Amount Owing Remittance Voucher*

RC160, *GST/HST Interim Payments Remittance Voucher*

RC177, *GST/HST Balance Due Remittance Voucher*

Appendix 3 – Line-by-line instructions for completing your GST/HST return

To complete your GST/HST return, you usually need the following amounts: your revenues, and GST/HST for both revenues and purchases. We have included a sample GST/HST return at the end of this guide.

If you are using the Quick Method, follow the instructions for lines 101 to line 107 on page 58. Follow the instructions from the regular method to complete the other lines.

Only complete the lines of the return that apply to you.

Include on the GST/HST return information that applies only to the reporting period for which you are filing. If you expect a refund from a previous reporting period but have not yet received it, do not include this information on your current GST/HST return.

Once you have completed the lines in Part 1 of your return, copy the information onto the corresponding lines in Part 2. Ensure that the numbers are clear and that you enter each digit in a separate box.

You or your authorized representative must sign the return.

Regular method

Line 101 – Sales and other revenue

Enter the total amount of supplies of goods and services, including zero-rated supplies and other revenue, shown in your records. If you file annually, enter the total sales from your financial statements or equivalent. Do not include provincial sales tax, GST, HST, and any amounts you reported on a previous return. Round off the amount to the nearest dollar.

Line 103 – GST/HST collected or collectible

Enter all GST/HST you charged on goods and services for which you have to charge GST and HST (including the GST/HST you charged on the sale of taxable real property, if applicable, or capital assets).

For each reporting period, include the amount of GST/HST you charged on both paid and unpaid invoices.

Line 104 – Adjustments

Complete line 104 only if you have to make adjustments to **increase** the amount of your net tax for the reporting period. Enter the total of all adjustments. For example:

- if you wrote off the GST/HST amount of any bad debts in a previous return and then recovered some or all of those debts, add the amount of GST/HST you have recovered based on the formula described on page 22;
- if your lease payments for a passenger vehicle are more than the maximum leased costs that are deductible under the *Income Tax Act*, once a year you have to add a portion of the ITCs you previously claimed for these payments. This maximum lease cost is $800 per month in 2003, 2004, 2005, 2006, and 2007 (this amount does not include federal or provincial taxes);
- if you have claimed 100% ITCs for meal and entertainment expenses during the year, once a year you must add 50% of those credits to your net tax. See page 16 for more information.

Line 105 – Total GST/HST and adjustments for period

Add lines 103 and 104, and enter the result on line 105.

Line 106 – Input tax credits (ITCs)

This amount reflects the GST/HST you paid or owe on the total value of goods and services you acquired, imported, or brought into a participating province to use, consume, or resell in the course of your commercial activities. Enter the total of all ITCs for the reporting period, and any ITCs you did not claim in an earlier reporting period, provided the time limit for claiming the ITCs has not expired.

Line 107 – Adjustments

Complete line 107 if you have to make adjustments to **decrease** the amount of your net tax for the reporting period. Enter the total of all adjustments. For example, you can claim the amount of any GST/HST in bad debts you write off if you have previously accounted for the full amount of GST/HST on the supplies that resulted in those debts, and remitted any net tax owing. See page 21 for more information on bad debts. You can also claim a deduction for several rebates you paid or credited to a purchaser.

Some examples of rebates are:

- if you are a builder, the amount of a new housing rebate you paid or credited to a purchaser in that reporting period, as long as you submit the purchaser's new housing rebate application, Form GST190, *GST/HST New Housing Rebate Application for Houses Purchased from a Builder*, with your GST/HST return. For more information, see Guide RC4028, *GST/HST New Housing Rebate*;
- if you paid or credited the amount of a rebate on a sale of a specially equipped motor vehicle, as long as you submit Form GST518, *GST/HST Specially Equipped Motor Vehicle Rebate Application*, with your GST/HST return;
- if you are a tour or hotel operator, the amount of rebate you paid or credited a non-resident tour operator or incentive travel house for short-term accommodation. For more information, see Guide RC4036, *GST/HST Information for the Travel and Convention Industry* (changes are proposed that will eliminate the GST part of this rebate effective April 1, 2007, (or in certain circumstances April 1, 2009). Information on the provincial part of HST was not available when this guide was printed. For more information and updates, visit our Web page at **www.cra.gc.ca/visitors**);

- if you are a hotel or convention facility operator, the amount of rebate you paid or credited a non-resident convention sponsor or organizer for convention-related goods and services. For more information, see Guide RC4036, *GST/HST Information for the Travel and Convention Industry* (changes are proposed that will eliminate the GST part of this rebate effective April 1, 2007, (or in certain circumstances April 1, 2009). Information on the provincial part of HST was not available when this guide was printed. For more information and updates, visit our Web page at **www.cra.gc.ca/visitors**); or
- the amount of rebate you paid or credited to a non-resident for taxable installation services, as long as you file the non-resident's rebate application Form GST189, *General Application for Rebate of GST/HST*, with your GST/HST return.

Line 108 – Total ITCs and adjustments

Add lines 106 and 107, and enter the result on line 108.

Line 109 – Net tax

Subtract line 108 from line 105. The difference is your net tax. Enter the amount on this line.

If you are filing your return late and this line shows an amount owing, we will charge you penalty and interest on the amount, minus any instalments you have already paid.

If the amount you enter is negative (total ITCs and adjustments are more than the total GST/HST and adjustments), put a minus sign in the box to the left of the amount.

Line 110 – Instalment and other annual filer payments

Enter the total amount of the quarterly instalments you paid in the year.

Beginning April 10, 2007, you have to make your instalments and other annual filer payments using Form RC160, *Interim Payments Remittance Voucher* or Form RC177, *Balance Due Remittance Voucher*.

Before April 10, 2007, you would have made your instalments and other annual filer payments using Form GST58, *Goods and Services Tax / Harmonized Sales Tax (GST/HST) Remittance*, or Form GST426, *Goods and Services Tax / Harmonized Sales Tax (GST/HST) Remittance (Non-Personalized).*

For more information on instalment payments, see page 28.

If you are an individual with business income for income tax purposes and have a December 31 fiscal year-end, your return due date is June 15. However, your net tax remittance is due April 30. If you remitted your net tax and you are now filing your GST/HST return, add the amount of your remittance to the instalments you made, if any, and enter the total on line 110.

Do not enter any other amount on line 110. You cannot use this line to report your ITCs or other payments you made without filing a return, or refunds you expect to receive.

Line 111 – Rebates

Some rebates can reduce or offset your amount owing. Those rebate forms contain a **Yes/No** question asking you if you want to claim the rebate amount on line 111 of your GST/HST return. If you want to offset the amount owing by the rebate, check the **Yes** box on the rebate form and include it with this return. Examples of rebate amounts that can be included on line 111 are:

- Form GST189, *General Application for Rebate of GST/HST*;
- Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self—Government Refund*;
- Form GST66, *Application for GST/HST Public Service Bodies Rebate and GST Self—government Refund* (non-personalized);
- Form GST521, *GST/HST Multi-Employer Pension Plan Trust Rebate Application*; and
- GST524, *GST/HST New Residential Rental Property Rebate Application*.

Enter the total amount of the rebate you are claiming. See the section "Using a rebate or refund to decrease an amount owing on your GST/HST return" on page 25, for more information.

Do not include the following on line 111:

- amounts from rebate applications that you have not included with the return;
- ITCs; and
- amounts you paid or credited to the purchaser such as:
  - amounts from form GST177, *Refund Application for Non-Resident Travel Organizers*;
  - amounts from Form GST189, *General Application for Rebate of GST/HST*, under reason code 10;
  - amounts from Form GST190, *GST/HST New Housing Rebate Application for Houses Purchased from a Builder*; or
  - amounts from Form GST386, *Refund Application for Foreign Conventions*.

Line 112 – Total other credits

Add the amounts on lines 110 and 111, and enter the total on line 112.

Line 113 A – Balance

Subtract line 112 from line 109, and enter the result on line 113 A. If the result is negative, put a minus sign in the box to the left of the amount.

Line 205 – GST/HST due on acquisition of taxable real property

Complete this line only if you are a registrant who purchases real property (other than an individual who purchases a residential complex) for use or supply more than 50% in the course of your commercial activities. Enter the amount of GST/HST due on the acquisition of real property on this line. For more information on the application of GST/HST on real property, see page 40.

Line 405 – Other GST/HST to be self-assessed

Complete this line only:

- if you are a registrant and have to self-assess the provincial part of HST on property or services brought into a participating province. Enter the amount of tax due on this line based on the information given on page 32 under "Tax on goods and services brought into a participating province"; or
- if you are a registrant who imports a taxable supply for consumption, use, or supply in less than 90% of your commercial activities and have to self-assess GST/HST. Enter on this line the total amount of GST/HST due on the imported taxable supplies. See page 38 for more information on how to calculate the tax due.

Line 113 B – Total other debits

Add lines 205 and 405, and enter the result on line 113 B.

Line 113 C – Balance

Add lines 113 A and 113 B, and enter the result on line 113 C. If the result is negative, put a minus sign in the box to the left of the amount.

Line 114 – Refund claimed

If the amount on line 113 C is negative, enter this amount on line 114 to claim your refund.

> **Note**
> We do not charge or refund a balance of $2 or less.

Line 115 – Payment enclosed

If the amount on line 113 C is positive, enter this amount on line 115. Enclose a cheque for this amount.

> **Note**
> Changes planned in October 2007 will enable us to accept returns filed using GST/HST NETFILE or TELEFILE that have an amount owing. If you use one of these methods to file your return, do not use the remittance part of your GST/HST return to remit an amount owing on that return. In this case, use only Form RC158, *GST/HST Netfile/Telefile Remittance Voucher*.

Quick Method

If you have elected to use the Quick Method of accounting, use the following line-by-line instructions to complete your GST/HST return. For more detailed information on the Quick Method, see Booklet RC4058, *Quick Method of Accounting for GST/HST*. If you are a public service body, see Booklet RC4247, *The Special Quick Method of Accounting for Public Service Bodies.*

Line 101 – Sales and other revenue

Enter the total amount of supplies of goods and services that are taxable **including GST/HST**, as shown in your records. If you file annually, enter the total taxable sales, **including GST/HST**, from your financial statements or equivalent. Do not include provincial sales tax, supplies on which no GST/HST was charged such as zero-rated and exempt supplies, supplies made outside Canada, or goods and services sold to Indians or provincial or territorial governments that are relieved of paying the GST/HST. Round off to the nearest dollar the amount you enter on line 101.

Line 103 – GST/HST collected or collectible

Total your eligible supplies (as explained in Booklet RC4058, *Quick Method of Accounting for GST/*HST, and Booklet RC4247, *The Special Quick Method of Accounting for Public Service Bodies)*, including GST/HST. If you made any sales adjustments, refund or credits, deduct the GST/HST included amounts refunded or credited to your customers from your total eligible sales.

Multiply your total by the Quick Method remittance rate that applies to those supplies. If you use more than one remittance rate, you must separate your eligible supplies and multiply those supplies by the appropriate rate. For example, if you have supplies for which you charged GST and some for which you charged HST total those that are taxable for GST and apply the appropriate rate and do the same for those that are taxable for HST. Add any GST/HST charged on supplies that cannot be accounted for by using the Quick Method remittance rates, such as sales of real property, capital assets and eligible capital property. Enter this total on line 103.

Line 104 – Adjustments

Complete line 104 only if you have to make adjustments relating to taxable supplies for which you must remit the full GST or HST to **increase** the amount of your net tax for the reporting period. Enter the total amount of all adjustments on line 104. For example, complete this line when you have recovered some or all of a bad debt from a sale on which you previously remitted GST or HST, and for which you claimed an adjustment on line 107.

Line 105 – Total GST/HST and adjustments for period

Add the amounts on lines 103 and 104, and enter the total on line 105.

Line 106 – Input tax credits (ITCs)

The Quick Method remittance rates already take into account the ITCs for operating expenses and inventory purchases. However, you can claim ITCs for certain expenses such as real property and capital purchases that are eligible for a capital cost allowance for income tax purposes. There are special rules for claiming ITCs for capital property and real property, which are outlined on pages 17 and 40. Total all the ITCs that you are entitled to claim.

If the 0% Quick Method remittance rate applies to your eligible supplies, add 2.5% (2.1% before July 1, 2006) of those supplies (including GST). The 0% remittance rate applies to businesses located in a participating province with supplies in non-participating provinces. This adjustment is necessary because these businesses generally pay HST on their purchases and charge GST on their supplies. Enter the total amount on line 106.

Line 107 – Adjustments

Complete line 107 if you are entitled to claim the 1% credit on the first $30,000 of your eligible supplies in a fiscal year (including GST/HST), or if you are entitled to make adjustments that **decrease** the amount of your net tax for the reporting period. For example, you may be able to claim the GST/HST included in a bad debt relating to supplies for which you had to account for the full GST or HST such as capital assets and real property. You are entitled to the bad debt adjustment if you wrote off the bad debt in your records, previously accounted for the GST/HST in a return, and remitted any net tax owing. Add the 1% credit and other adjustments, and enter this total on line 107.

Note
The instructions for the rest of the lines are the same as those given on the previous pages for the regular method.

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Sample of GST34 (page 1)

Canada Revenue Agency | Agence du revenu du Canada

GOODS AND SERVICES TAX/HARMONIZED SALES TAX (GST/HST) RETURN FOR REGISTRANTS

Business Number	
Reporting Period From:	To:
Due Date	

Part 1 **Working copy**

Copy the amounts from the **highlighted** line numbers in **Part 1** of this return to the corresponding boxes in **Part 2.** Keep **Part 1** for your records.

Privacy Act Personal Information Bank number RCC/P-PU-080.

Enter your total **sales and other revenue.** Do not include provincial sales tax, GST, or HST. If you are using the Quick Method of accounting, include the GST or HST.	**101**	00	

NET TAX CALCULATION

Enter the total of all **GST and HST amounts that you collected or that became collectible** by you in the reporting period.	**103**		
Enter the total amount of **adjustments** to be added to the net tax for the reporting period (e.g., the GST/HST obtained from the recovery of a bad debt).	**104**		
Total GST/HST and adjustments for period (add lines 103 and 104).			**105**
Enter the GST/HST you paid or owe on qualifying expenses **(input tax credits - ITCs)** for the current period and any eligible unclaimed ITCs from a previous period.	**106**		
Enter the total amount of **adjustments** to be deducted when determining the net tax for the reporting period (e.g., the GST/HST included in a bad debt).	**107**		
Total ITCs and adjustments (add lines 106 and 107).			**108**
NET TAX (subtract line 108 from line 105). If the result is negative, enter a minus sign in the separate box next to the line number.			**109**

OTHER CREDITS IF APPLICABLE

NOTE: Do not complete line 111 until you have read the instructions in the box on the reverse side of this return.

Enter any **instalment and other annual filer payments** you made for the reporting period. If the due date of your return is June 15, see instructions on the back.	**110**		
Enter the total amount of the GST/HST **rebates, only** if the rebate form indicates that you can claim the amount on this line. **Attach the rebate form to this return.**	**111**		
Total other credits (add lines 110 and 111).			112
BALANCE (subtract line 112 from line 109). If the result is negative, enter a minus sign in the separate box next to the line number.			113 A

OTHER DEBITS IF APPLICABLE

NOTE: Do not complete line 205 or line 405 until you have read the instructions in the box on the reverse side of this return.

Enter the total amount of the **GST/HST due on the acquisition of taxable real property.**	**205**		
Enter the total amount of **other GST/HST to be self-assessed.**	**405**		
Total other debits (add lines 205 and 405).			113 B
BALANCE (add lines 113 A and 113 B). If the result is negative, enter a minus sign in the separate box next to the line number.			113 C

Line 114 and line 115: If the result entered on line 113 C is a negative amount, enter the amount of the refund you are claiming on line 114. If the result entered on line 113 C is a positive amount, enter the amount of your payment on line 115.

REFUND CLAIMED	PAYMENT ENCLOSED
114	**115**

Your opinion counts!

We review our publications each year. If you have any comments or suggestions that would help us improve them, we would like to hear from you.

Please send your comments to:

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