



Canada Revenue  
Agency

Agence du revenu  
du Canada

# General Information for GST/HST Registrants



CANADA 150

## Is this guide for you?

If you own or 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 the GST/HST. It also includes line-by-line instructions to help you complete your GST/HST return.

### Selected listed financial institutions

This guide does **not** include information on the special rules for **selected listed financial institutions**. If you are a selected listed financial institution, see Guide RC4050, *GST/HST Information for Selected Listed Financial Institutions*.

### Non-residents and specific business entities

This guide does not provide detailed information for non-residents and certain businesses such as financial institutions, tour operators, builders, and land developers.

### GST/HST and Quebec

In Quebec, Revenu Québec generally administers the GST/HST. If the physical location of your business is in Quebec, you have to file your returns with Revenu Québec using its forms, unless you are a person that is a selected listed financial institution (SLFI) for GST/HST or QST purposes or both. For more information, see the Revenu Québec publication IN-203-V, *General Information Concerning the QST and the GST/HST*, available at [revenuquebec.ca](http://revenuquebec.ca), or call 1-800-567-4692. If you are an SLFI, go to [cra.gc.ca/slfi](http://cra.gc.ca/slfi).

### First Nations taxes

The First Nations goods and services tax (FNGST) is a tax that replaces the GST on the lands of First Nations that 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 the FNGST and the FNT on behalf of the First Nations. For more information, go to our webpages "First nations goods and services tax" and "First nations tax," or see GST/HST Notice 254, *Collecting First Nations Taxes in a Participating Province*.

If you are blind or partially sighted, you can get our publications in braille, large print, etext, or MP3 by going to [cra.gc.ca/alternate](http://cra.gc.ca/alternate). You can also get our publications and your personalized correspondence in these formats by calling 1-800-959-5525.

This guide uses plain language to explain the most common tax situations. It is provided for information only and does not replace the law.

La version française de ce guide est intitulée *Renseignements généraux sur la TPS/TVH pour les inscrits*.

## What's new?

We list the major changes below. This guide contains information based on amendments to the *Excise Tax Act* and *Regulations*. At the time of publication, some of these amendments were proposed and not law. The publication of this guide should not be taken as a statement by the Canada Revenue Agency that these amendments will in fact become law in their current form. If they become law as proposed, they will be effective as of the dates indicated. For more information on these and other changes, see the areas outlined in colour in this guide.

### Harmonized sales tax rate change for New Brunswick

As of July 1, 2016, New Brunswick increased its harmonized sales tax rate to 15% (5% federal part and 10% provincial part).

### Harmonized sales tax rate change for Newfoundland and Labrador

As of July 1, 2016, Newfoundland and Labrador increased its harmonized sales tax rate to 15% (5% federal part and 10% provincial part).

### Harmonized sales tax rate change for Prince Edward Island

As of October 1, 2016, Prince Edward Island increased its harmonized sales tax rate to 15% (5% federal part and 10% provincial part).

### Point-of-sale rebate for Newfoundland and Labrador

As of January 1, 2017, there is no longer a point-of-sale rebate on books in Newfoundland and Labrador. For more information, see the chart "Qualifying items for the point-of-sale rebate" on page 40.

### New rebate for printed books in Newfoundland and Labrador

As of January 1, 2017, certain public service bodies may be eligible for a new rebate of the provincial part of the HST payable on printed books purchased in, imported, or brought into Newfoundland and Labrador. For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

### Online services for businesses

You can now sign up for online mail by entering an email address when filing a GST/HST NETFILE return. To view your notices, statements, and letters from the CRA, log in to or register for My Business Account at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount).

To access our online services, go to:

- My Business Account at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount), if you are a business owner; or
- Represent a Client at [cra.gc.ca/representatives](http://cra.gc.ca/representatives), if you are an authorized representative or employee.

For more information, see "Handling business taxes online" on page 88.

### Online services for representatives

Authorized representatives can now register for online mail on behalf of their business clients by entering an email address when filing a GST/HST NETFILE return.

# Table of contents

	Page		Page
<b>Definitions</b> .....	7	Restriction – No ITCs on allowances and reimbursements paid for qualifying items subject to the point-of-sale rebates .....	23
<b>What is the GST/HST?</b> .....	8	Home office expenses .....	23
Who pays the GST/HST? .....	8	New registrants.....	23
False GST/HST exemptions .....	8	Claiming ITCs for capital property.....	23
Who charges the GST/HST? .....	9	Capital personal property .....	23
<b>Taxable supplies</b> .....	9	Change-in-use rules for capital personal property ....	24
Taxable supplies (other than zero-rated) .....	9	Claiming ITCs for capital real property .....	27
Zero-rated supplies.....	9	Simplified method for claiming ITCs .....	27
<b>Exempt supplies</b> .....	9	How does the simplified method for claiming ITCs work?.....	27
<b>How does the GST/HST work?</b> .....	10	<b>Calculating your net tax</b> .....	29
<b>Should you register?</b> .....	11	GST/HST charged and not collected .....	29
Small supplier .....	11	GST/HST not charged .....	29
Determining the effective date of registration for small suppliers.....	11	GST/HST payable and not paid .....	29
Voluntary registration.....	12	Bad debt adjustments.....	30
How to register.....	12	Bad debt recovered.....	30
Fiscal year .....	13	<b>Quick method of accounting</b> .....	30
Reporting periods .....	13	Exceptions .....	30
When does your reporting period change? .....	13	How does the quick method work?.....	31
Accounting periods.....	14	Input tax credits .....	31
<b>Making changes to your GST/HST account</b> .....	14	How do I start using the quick method? .....	31
Address changes .....	14	<b>GST/HST returns</b> .....	31
Telephone and fax number changes .....	15	GST/HST returns filed by non-residents .....	32
Authorized representative changes .....	15	Filing and remitting due dates .....	32
Direct deposit changes .....	15	Monthly and quarterly filers.....	32
Expecting a large refund .....	15	Annual filers .....	32
Legal entity type changes .....	15	How to file your return.....	32
Legal name changes.....	15	Mandatory electronic filing.....	33
<b>Collecting the GST/HST</b> .....	15	How to file rebate applications for electronic returns.....	33
Informing your customers.....	15	How to remit an amount owing.....	33
Sales invoices for GST/HST registrants.....	16	Electronic payments and paying at a financial institution .....	33
Disclosing the HST on sales subject to the point-of-sale rebates, or the Ontario First Nations point-of-sale relief .....	16	Are you a sole proprietor with an annual reporting period? .....	34
Input tax credit information requirements.....	17	Date received .....	34
Provincial sales tax.....	17	Returns.....	34
Rounding off fractional amounts .....	17	Payments and remittances .....	34
Early-payment discounts and late-payment surcharges.....	17	Branches or divisions filing separate returns.....	34
Early-payment discounts .....	17	Using a rebate or refund to decrease an amount owing on your GST/HST return.....	34
Late-payment surcharges .....	18	Filing nil returns.....	35
Volume discounts.....	18	How to temporarily stop filing GST/HST returns for specific reporting periods.....	35
At the time of sale .....	18	<b>After you file</b> .....	35
After the sale .....	18	Notices and statements.....	35
<b>Input tax credits</b> .....	19	Notice of (re)assessment.....	35
Operating expenses.....	19	Statement of arrears.....	35
Time limits for claiming ITCs .....	20	When can you expect your refund?.....	36
Recapture of ITCs.....	20	Refund holds .....	36
ITC restrictions .....	20	Refund off-sets .....	36
Procurement cards .....	20	What interest do we pay on overpayments and refunds? .....	36
Meal and entertainment expenses.....	21		
Long-haul truck drivers .....	21		
Employee, partner, and volunteer expenses .....	21		

	Page		Page
What penalties and interest do we charge? .....	36	Employees and partners .....	51
Penalties .....	36	Employee benefits .....	51
Interest .....	37	Employee and partner GST/HST rebate .....	51
How do you change a return? .....	37	Exports and imports .....	51
Enquiries service .....	37	Exported goods .....	51
What is the Voluntary Disclosures Program? .....	37	Exported services .....	52
Director's liability .....	37	Exported intangible personal property .....	53
What records should you keep? .....	37	Imported goods .....	53
If you are audited .....	38	Imported services and intangible personal	
How to register a formal dispute .....	38	property .....	54
<b>Instalment payments</b> .....	38	Financial services .....	54
Who has to make instalment payments? .....	38	Insurance claims .....	55
New registrants and instalments .....	38	Life and health insurance claims .....	55
Instalment due dates .....	39	Property and casualty insurance claims .....	55
How to make instalment payments .....	39	Real property .....	56
Statement of interim payments .....	39	Sales of new housing .....	56
Instalment interest .....	39	Rebates for new housing .....	58
<b>Harmonized sales tax</b> .....	40	Who remits the tax for a taxable sale of real	
HST registration .....	40	property – Vendor or purchaser? .....	59
Point-of-sale rebates .....	40	Claiming ITCs for capital real property .....	59
How to account for point-of-sale rebates .....	40	Claiming ITCs for improvements to capital real	
Ontario First Nations point-of-sale relief .....	41	property .....	61
How to account for the Ontario First Nations		Change-in-use rules for capital real property .....	61
point-of-sale relief .....	41	Claiming ITCs when you make a taxable sale of	
Tax on supplies of property and services made in		real property .....	67
provinces – place of supply rules .....	41	Returns and warranties .....	68
Goods .....	41	Returnable beverage containers .....	68
Services – general rules .....	42	Returnable containers .....	69
Personal services .....	42	Returned goods .....	69
Services in relation to real property .....	43	Warranty reimbursements .....	70
Services in relation to tangible personal property		Selling goods, services, and rights for others .....	70
that remains in the same province while the		Auctioneers .....	70
service is performed .....	43	Agents .....	71
Intangible personal property – general rules .....	44	Consignment sales .....	72
Intangible personal property relating to real		Direct selling industry .....	73
property and goods .....	44	Supplies to diplomats, governments, and Indians .....	73
Tax on property and services brought into a		Diplomats .....	73
participating province .....	45	Federal government .....	73
Goods .....	45	Provincial and territorial governments .....	73
Services .....	46	Municipalities .....	74
Intangible personal property .....	46	Indians .....	74
Self-assessing for services and intangible personal		Trade-ins .....	75
property .....	46	When the customer has to charge tax .....	75
Rules for motor vehicles .....	47	When the customer does not have to charge tax .....	75
Sales .....	47	Sale-leaseback arrangements .....	76
Rentals .....	47	Barter-exchange networks .....	76
Leases .....	47	Selling your business .....	76
<b>Special cases</b> .....	47	Will you have any more business activity? .....	76
Coin-operated machines .....	47	Cancelling your registration .....	77
Coupons, rebates, gifts, and promotional allowances ..	48	Non-capital property held at the time	
Reimbursable coupons .....	48	of deregistration .....	77
Non-reimbursable coupons .....	48	Capital property held at the time of deregistration ...	77
Other coupons .....	49	ITCs for services, rent, royalties, and similar	
Manufacturers' rebates .....	49	payments .....	77
Gift certificates .....	49	Filing your final GST/HST return .....	77
Promotional gifts and free samples .....	50	How to cancel your registration .....	78
Promotional allowances .....	50	<b>Instructions for completing your GST/HST return</b> .....	78
Deposits and conditional sales .....	50	Quick method .....	78
Deposits .....	50	Regular method .....	78
Conditional and instalment sales .....	51	Schedule A, Builders – transitional information .....	83

	<b>Page</b>		<b>Page</b>
Schedule B, Calculation of recaptured input tax credits .....	85	Authorizing the withdrawal of a pre-determined amount from your bank account.....	88
Schedule C, Reconciliation of recaptured input tax credits (RITCs) .....	86	Electronic payments .....	88
<b>Publications and forms</b> .....	87	<b>For more information</b> .....	89
Forms .....	87	What if you need help? .....	89
Elections .....	87	Direct deposit .....	89
Applications .....	87	Forms and publications .....	89
<b>Online services</b> .....	88	Ordering personalized remittance forms .....	89
GST/HST electronic filing and remitting .....	88	Excise and GST/HST News .....	89
Handling business taxes online .....	88	Teletypewriter (TTY) users .....	89
Receiving your CRA mail online .....	88	GST/HST rulings and interpretations .....	89
		Service complaints .....	89
		Reprisal complaint.....	89
		Tax information videos.....	89

## Definitions

**Arm's length** – generally refers to a relationship or a transaction between persons acting in their separate interests. An arm's length transaction is generally a transaction that reflects ordinary commercial dealings between parties acting in their own interests.

"Related persons" are not considered to deal with each other at arm's length. For example, individuals connected by blood relationship, marriage or common law partnership or adoption, are related persons. A corporation and another person or two corporations may also be related persons. Also, for purposes of the GST/HST, a member of a partnership is related to the partnership. For more information and examples of related persons, see Income Tax Folio S1-F5-C1, *Related Persons and Dealing at Arm's Length*.

"Unrelated persons" may not be dealing with each other at arm's length at a particular time. Each case will depend upon its own facts. The following factors are useful criteria that will be considered in determining whether parties are not dealing at arm's length:

1. the existence of a common mind which directs the bargaining for both parties to a transaction;
2. the parties to a transaction are "acting in concert" without separate interests; "acting in concert" means, for example, a group acting with considerable interdependence in transactions involving a common purpose; or
3. the existence of control of one party by the other by way of, for example, advantage, authority or influence.

For more information, see Income Tax Folio S1-F5-C1, *Related Persons and Dealing at Arm's Length*.

**Associated person** – for GST/HST purposes, a person is associated with another person, generally, where one controls the other. Associated persons (referred to generally as "associates" in this publication) may include:

- two or more corporations;
- an individual and a corporation;
- a person and a partnership or trust; or
- two persons, if they are associated with the same third person.

**Basic tax content** – of a property generally means the amount of the GST/HST that was payable for your last acquisition of the property, and for any improvements you made to the property since that last acquisition, less any amounts that you were, or would have been, entitled to recover (for example, by rebate or remission, but not by input tax credits). The calculation for the basic tax content also takes into account any depreciation in the value of the property since you last acquired it (for example, when you purchased it or were last considered to have purchased it).

You may have to calculate the basic tax content of a property if you are a registrant and you increase or decrease your use of the property in your commercial activities. For more information, see "Calculating the basic tax content" on page 24.

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

**Calendar year** – means a year that begins on January 1, and ends on December 31.

**Charity** – means a registered charity or registered Canadian amateur athletic association for income tax purposes, but does not include a public institution. A charity can issue official donation receipts for income tax purposes.

**Commercial activity** – means any business or adventure or concern in the nature of trade carried on by a person, 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.

Commercial activity also includes a supply of real property, other than an exempt supply, made 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 supplies of property and services that are not subject to the GST/HST. GST/HST registrants generally cannot claim input tax credits to recover the GST/HST paid or payable on property and services acquired to make exempt supplies.

**Financial institution** – includes a person that is a listed financial institution as defined on this page, and a person (referred to as a *de minimis* financial institution) whose income from certain financial services exceeds specific thresholds. For more information, see GST/HST Memorandum 17.6, *Definition of "Listed Financial Institution"* and GST/HST Memorandum 17.7, *De Minimis Financial Institutions*.

**Input tax credit (ITC)** – means a credit that GST/HST registrants can claim to recover the GST/HST paid or payable for property 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.

**Listed financial institution** – includes a bank, a corporation that is authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as a trustee, a person whose principal business is as a trader or dealer in, or as a broker or salesperson of, financial instruments or money, a credit union, an insurer, a segregated fund of an insurer, a person whose principal business is the lending of money, an investment plan, a tax discount, or a corporation that has an election in effect to have certain supplies deemed to be exempt financial services. For more information, see GST/HST Memorandum 17.6, *Definition of "Listed Financial Institution."*

**Municipality** – means an incorporated city, town, village, metropolitan authority, township, district, county or rural municipality, or other incorporated municipal body however designated, and such other local authority that the Minister of National Revenue may determine to be a municipality.

**Participating province** – means a province that has harmonized its provincial sales tax with the GST to implement the harmonized sales tax (HST). Participating provinces include New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, and Prince Edward Island, but do not include the Nova Scotia offshore area or the Newfoundland offshore area except to the extent that offshore activities, as defined in subsection 123(1) of the *Excise Tax Act*, are carried on in that area.

**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** – includes goods, real property, and intangible personal property such as trademarks, rights to use a patent, and admissions to a place of amusement, but does not include money.

**Public institution** – means a registered charity for income tax purposes that is also a school authority, a public college, a university, a hospital authority, or a local authority determined by the Minister of National Revenue to be a municipality.

**Public service body** – means a charity, non-profit organization, municipality, university, public college, school authority, or hospital authority.

**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 of such property; 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 the GST/HST.

**Small supplier** – refers to a person whose revenue (along with the revenue of all persons associated with that person) from worldwide taxable supplies was 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.

Charities and public institutions are also considered small suppliers if they meet the gross revenue test of \$250,000 or less.

**Supply** – means the provision of property or a service in any way, including sale, transfer, barter, exchange, licence, rental, lease, gift, or disposition.

**Taxable supplies** – are supplies of property and services that are made in the course of a commercial activity and are subject to the GST/HST (including zero-rated supplies).

**Zero-rated supplies** – are supplies of property and services that are taxable at the rate of 0%. This means there is no GST/HST charged on these supplies, but GST/HST registrants may be eligible to claim ITCs for the GST/HST paid or payable on property and services acquired to provide these supplies.

## What is the GST/HST?

The goods and services tax (GST) is a tax that applies to most supplies of goods and services made in Canada. The GST also applies to many supplies of real property (for example, land, buildings, and interests in such property) and intangible personal property such as trademarks, rights to use a patent, and digitized products downloaded from the Internet and paid for individually.

The participating provinces harmonized their provincial sales tax with the GST to implement the harmonized sales tax (HST) in those provinces. Generally, the HST applies to the same base of property (for example, goods) and services as the GST. In some participating provinces, there are point-of-sale rebates equivalent to the provincial part of the HST on certain qualifying items. For more information, see “Point-of-sale rebates” on page 40.

GST/HST registrants who make taxable supplies (other than zero-rated supplies) in the participating provinces collect tax at the applicable HST rate. GST/HST registrants collect tax at the 5% GST rate on taxable supplies they make in the rest of Canada (other than zero-rated supplies). Special rules apply for determining the place of supply. For more information on the HST and the place-of-supply rules, see “Harmonized sales tax” on page 40.

The HST rate can vary from one participating province to another. For the list of all applicable GST/HST rates, go to [cra.gc.ca/gsthst](http://cra.gc.ca/gsthst) and select “GST/HST calculator (and rates)” under “Tools.”

### Exception for certain sales of new housing

Special rules apply for determining the rate of the GST/HST that applies to the sale of new housing. For more information, see “Sales of new housing” on page 56.

## Who pays the GST/HST?

Almost everyone has to pay the GST/HST on purchases of taxable supplies of property and services (other than zero-rated supplies). However, Indians and some groups and organizations, such as certain provincial and territorial governments, do not always pay the GST/HST on their purchases. For more information, see “Supplies to diplomats, governments, and Indians” on page 73.

## False GST/HST exemptions

Some individuals, businesses, and organizations are falsely claiming to be exempt from paying the 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 the GST/HST from someone who falsely claims to be exempt from paying the GST/HST, you still have to account for the tax you should have collected.

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

## Who charges the GST/HST?

Generally, GST/HST registrants have to collect the GST/HST on all taxable (other than zero-rated) supplies of property and services they provide to their customers. However, there are some exceptions for taxable sales of real property. For more information, see “Real property” on page 56.

## Taxable supplies

Most property and services supplied in or imported into Canada are subject to the GST/HST.

### Taxable supplies (other than zero-rated)

The following are examples of taxable, other than zero-rated, supplies (for the list of all applicable GST/HST rates, go to [cra.gc.ca/gsthst](http://cra.gc.ca/gsthst) and select “GST/HST calculator (and rates)” under “Tools”):

- sales of new housing (certain sales of new housing may be subject to a previous rate of GST/HST). For more information, see “Sales of new housing” on page 56;
- sales and rentals of commercial real property;
- sales and leases of automobiles;
- 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 the GST/HST);
- taxi and limousine transportation;
- legal and accounting services;
- franchises;
- hotel accommodation; and
- barber and hairstylist services.

## Zero-rated supplies

Some supplies are zero-rated under the GST/HST – that is, GST/HST applies at a rate of 0%. This means that you do not charge GST/HST on these supplies, but you may be eligible to claim input tax credits for the GST/HST paid or payable on property and services acquired to provide these supplies. The following are examples of supplies taxable at 0% (zero-rated):

- 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 services;
- certain medical devices such as hearing aids and artificial teeth;
- feminine hygiene products (as of July 1, 2015);
- exports (most goods and services for which you charge and collect the GST/HST in Canada, are zero-rated when exported); and
- many transportation services where the origin or destination is outside Canada.

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

## Exempt supplies

Some supplies are exempt from the GST/HST - that is, no GST/HST applies to them. This means that you do not charge the GST/HST on these supplies of property and services, **and** you are generally not entitled to claim input tax credits on property and services acquired to provide these supplies. Generally, you cannot register for the GST/HST if your business provides only exempt supplies; one exception is if you are a listed financial institution resident in Canada.

The following are examples of exempt supplies:

- a sale of housing that was last used by an individual as a place of residence;
- long-term rentals of 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, where the primary purpose is to provide care and supervision to children 14 years of age or under for periods of less than 24 hours per day;
- most domestic ferry services;
- legal aid services;
- many educational services such as:
  - courses supplied by a vocational school leading to a certificate or a diploma that certifies the ability of individuals to practice or perform 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 lending money or operating deposit accounts;
- the issuance of insurance policies by an insurer and the arranging for the issuance of insurance policies by insurance agents;
- most property and services provided by charities and public institutions; and
- certain property and services provided by governments, non-profit organizations, municipalities, and other public service bodies including municipal transit services and standard residential services such as water distribution.

**Note**

Public service bodies that provide exempt supplies are generally eligible to claim a public service bodies' rebate for the GST/HST paid or payable on expenses related to making exempt supplies whether or not they are registered for the GST/HST. For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

## How does the GST/HST work?

If you are a GST/HST registrant, you generally have to charge and collect the GST/HST on taxable supplies (other than zero-rated supplies) you make in Canada and file regular GST/HST returns to report that tax.

**Exceptions**

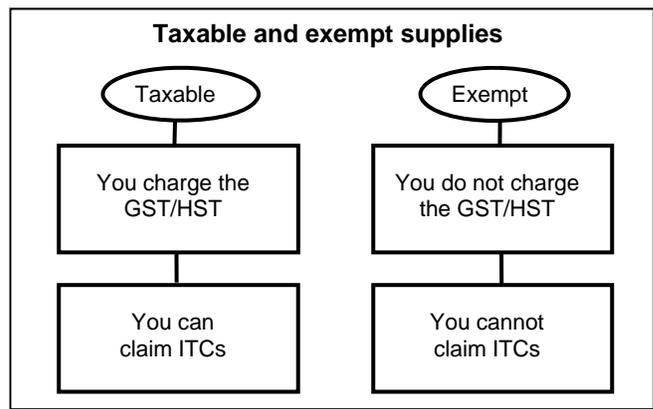
In certain cases, you do not have to collect the GST/HST on a taxable sale of real property. Instead, the purchaser may have to pay the tax directly to us. For more information, see "Real property" on page 56.

You do not have to charge or collect GST/HST if you sell your business under certain conditions. For more information, see "Selling your business" on page 76.

Corporations resident in Canada or Canadian partnerships, which satisfy certain requirements, do not have to charge or collect GST/HST on certain supplies if they make the election for nil consideration. For more information, see GST/HST Form RC4616, *Election or Revocation of an Election for Closely Related Corporations and/or Canadian Partnerships to Treat Certain Taxable Supplies as Having Been Made for Nil Consideration for GST/HST Purposes*.

You can generally claim ITCs on your GST/HST return to recover the GST/HST paid or payable on purchases and expenses to the extent you use, consume, or supply them in your commercial activities (see definition of "Commercial activity" on page 7).

For the consumer, there is no difference between zero-rated and exempt supplies of property and services because tax is not collected in either case. However, one of the differences for you, as the registrant, is that although you do not collect the GST/HST on zero-rated or exempt supplies of property and services, you can only claim ITCs for the GST/HST paid or payable on purchases acquired to make zero-rated supplies of property and services.



When you complete your GST/HST return, deduct your ITCs 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 19.

**Note**

Special rules apply to charities. For more information, see Guide RC4082, *GST/HST Information for Charities*.

## Should you register?

You have to register for the GST/HST if:

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

You **do not** have to register if:

- you are a small supplier (that does not carry on a taxi or limousine business);
- your only commercial activity is the sale of real property, other than in the course of a business. Although you do not have to register for the GST/HST in this case, your sale of real property may still be taxable and you may have to charge and collect the tax. For more information, see “Real property” on page 56; or
- you are a non-resident who does not carry on business in Canada. For more information, see Guide RC4027, *Doing Business in Canada - GST/HST Information for Non-Residents*.

If your business is registered for the GST, it is also registered for the HST. For more information, see “HST registration” on page 40.

### Small supplier

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

- you are a **sole proprietor** and the total amount of all revenues (before expenses) from your worldwide taxable supplies from all your businesses and those of your associates (if they were associated at the beginning of the particular calendar quarter), is \$30,000 or less in any single calendar quarter and in the last four consecutive calendar quarters;
- you are a **partnership or a corporation** and the total amount of all revenues (before expenses) from your worldwide taxable supplies and those of your associates (if they were associated at the beginning of the particular calendar quarter), is \$30,000 or less in any single calendar quarter and in the last four consecutive calendar quarters; or
- you are a **public service body** and the total amount of all revenues (before expenses) from your worldwide taxable supplies from all of the organization’s activities and those of your associates (if they were associated at the beginning of the particular calendar quarter), is \$50,000 or less in any single calendar quarter and in the last four consecutive calendar quarters. 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 determining the total amount of revenues from taxable supplies (including zero-rated supplies) of property and services made inside and outside Canada by you and your associates, do not include revenues from supplies of financial services, sales of capital property, and goodwill from the sale of a business.

You are considered to be associated with another person for GST/HST purposes if you meet **any** of the following conditions:

- If you are a corporation, you and another corporation are associated if you are associated for income tax purposes.
- If you are **not** a corporation, you and a corporation are associated if you control the corporation or you are a member of a group that controls the corporation and each member of that group is associated with each other member.
- You are associated with a partnership if the total of your share of the partnership’s profits and the share of all the persons with whom you are associated is more than half of the total of the partnership’s profits or would be more than half if the partnership had profits.
- You are associated with a trust if the total value of your interest in the trust and the interest in the trust of all the persons with whom you are associated, is more than half the total value of all interests in the trust.
- You are associated with another person if you are each associated with the same third person.

#### Note

You are no longer a small supplier and you must register for the GST/HST if your total revenues from taxable supplies are over \$30,000 (\$50,000 for public service bodies) in a single calendar quarter or over four consecutive calendar quarters.

#### Exception

Taxi and limousine businesses and non-resident performers selling admissions to seminars, performances, and other events must register for the GST/HST, even if they are small suppliers.

### Determining the effective date of registration for small suppliers

The effective date of your GST/HST registration depends on when you go over the small supplier threshold amount of \$30,000 (\$50,000 if you are a public service body). If your revenues are over the threshold amount in one calendar quarter, you are considered a registrant and must collect the GST/HST on the supply that made you go over the threshold amount. Your effective date of registration is the day of the supply that made you go over the threshold amount. You must register within 29 days from that day.

#### Example 1

This example explains what happens if you exceed the \$30,000 limit in one particular quarter:

First quarter (Jan 1, 2016 to Mar 31, 2016)	\$ 2,000
Second quarter (Apr 1, 2016 to June 30, 2016)	\$10,000
<b>Third quarter (July 1, 2016 to Sept 30, 2016)</b>	<b>\$38,000</b>

In this case, a sale that exceeded the small supplier limit was made on September 23. Therefore, in the third quarter, you cease immediately to be a small supplier as you exceeded the limit.

You have to charge GST/HST on the September 23 sale that made you exceed the \$30,000 limit, even if you are not yet registered.

You have to register for GST/HST by October 22, that is, within 29 days after you cease to be a small supplier.

If you are under the threshold amount in one calendar quarter, but you are over the threshold during four (or fewer) consecutive calendar quarters, you are considered to be a small supplier for those 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 the GST/HST.

### Example 2

This example explains what happens when you exceed the \$30,000 limit at the end of four consecutive quarters:

First quarter (Apr 1 2016 to June 30, 2016)	\$ 2,000
Second quarter (July 1, 2016 to Sept 30, 2016)	\$10,000
Third quarter (Oct 1, 2016 to Dec 31, 2016)	\$12,000
Fourth quarter (Jan 1, 2017 to Mar 31, 2017)	\$ 8,000
<b>Total revenues for 4 consecutive quarters</b>	<b>\$32,000</b>

In this case, you cease to be a small supplier at the end of the month following the fourth quarter (end of April 2017), as you exceeded the \$30,000 limit in the last four consecutive calendar quarters.

You have to start collecting GST/HST in May 2017. You have to register within 29 days after you make a sale other than as a small supplier.

### Example 3

This example explains what happens when a person starts a small business, and that new business exceeds the \$30,000 limit in two consecutive calendar quarters:

First quarter (Apr 1, 2016 to June 30, 2016)	\$25,000
Second quarter (July 1, 2016 to Sept 30, 2016)	\$25,000
<b>Total revenues for 2 consecutive quarters</b>	<b>\$50,000</b>

In this case, you exceeded the \$30,000 limit by the end of the second quarter of business, but not in one calendar quarter.

You will be a small supplier for the following month (October 2016) providing you don't go over \$30,000 in that one month. You have to start collecting GST/HST in November 2016.

You have to register within 29 days after the first sale other than as a small supplier.

## Voluntary registration

If you are a small supplier and you are engaged in a commercial activity in Canada, you can **choose** to register voluntarily. If you register voluntarily, your effective date of registration is usually the date you applied to be registered. However, we will accept an earlier effective date, provided that the date is within 30 days of the date the application for registration is received, regardless of the method of registration.

Once you are registered, you have to charge and remit the GST/HST on your taxable supplies of property and services, and you may be eligible to claim ITCs for the GST/HST paid or payable on purchases related to these supplies.

If you already charged GST/HST on your sales for more than 30 days before setting up your GST/HST account, call **1-800-959-5525** for further information.

### Note

A listed financial institution that is resident in Canada may register for the GST/HST even if it is not engaged in a commercial activity.

You have to stay registered for at least one year before you can ask to cancel your registration. For more information, see "Cancelling your registration" on page 77.

If you choose not to register, you do not charge the GST/HST (other than on certain taxable supplies of real property), and you cannot claim ITCs.

## How to register

Before you 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 Booklet RC2, *The Business Number and Your Canada Revenue Agency Program Accounts*.

If you are incorporated, you may already have a BN and a corporate income tax account.

To set up a BN, a GST/HST account, and any other account you may need (for example, a payroll deduction or import/export account), use our online service at **businessregistration.gc.ca**, or send us a completed Form RC1, *Request for a Business Number*.

Representatives can now access the "Business Registration Online (BRO)" service directly through "Represent a Client" at **cra.gc.ca/representatives**.

### Note

It is the person or business entity that registers for the 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

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, a professional corporation or another affected partnership.

However, some persons use non-calendar tax years. If you are a person described above that uses a non-calendar tax year approved by the CRA, you may want to use that same year as your GST/HST fiscal year.

A corporation generally uses the same fiscal year for both income tax purposes and GST/HST purposes. However, if a corporation has a non-calendar tax year for income tax purposes, it can elect to use a calendar year for its GST/HST fiscal year.

If you are a corporation that uses a non-calendar year for both income tax purposes and GST/HST purposes, and you change to another non-calendar tax year for income tax purposes, inform us of the change as soon as possible and we will change your GST/HST fiscal year to match it.

You can change your fiscal year at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount), or [cra.gc.ca/representatives](http://cra.gc.ca/representatives), or send a completed Form GST70, *Election or Revocation of an Election to Change a GST/HST Fiscal Year*.

## Reporting periods

Reporting periods are the periods of time for which you file your GST/HST returns.

Generally, your reporting period is determined based on the total revenue from your taxable supplies of property and services made in Canada in your immediately preceding fiscal year or in all preceding fiscal quarters ending in a fiscal year. This revenue includes zero-rated supplies of property and services made in Canada, and those of your associates.

**Do not** include revenue from:

- supplies made outside Canada;
- zero-rated exports of property and services;
- zero-rated supplies of financial services;
- exempt supplies;
- taxable sales of capital real property; and
- goodwill.

When you register for the GST/HST, we generally assign an annual reporting period. However, you may choose a more frequent reporting period. The chart, "Assigned and optional reporting periods" that follows shows the threshold revenue amounts that determine the assigned reporting periods, and the optional reporting periods available if you want to file a return more frequently.

To change your assigned reporting period, use our online services at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount), [cra.gc.ca/representatives](http://cra.gc.ca/representatives), or send us a completed Form GST20, *Election for GST/HST Reporting Period*.

Assigned and optional reporting periods		
Annual taxable supplies threshold amounts	Assigned reporting period	Optional reporting periods
\$1,500,000 or less	Annual	Monthly, Quarterly
More than \$1,500,000 up to \$6,000,000	Quarterly	Monthly
More than \$6,000,000	Monthly	Nil

### Note

Charities are assigned an annual reporting period, regardless of their revenues. They can choose to file monthly or quarterly returns using Form GST20, *Election for GST/HST Reporting Period*.

## When does your reporting period change?

If your total revenue from taxable supplies in the previous fiscal year was \$1,500,000 or less and you have not elected to report more frequently, you will have an annual reporting period during the current fiscal year if your revenue is not more than \$1,500,000.

If your total revenue from taxable supplies is more than \$1,500,000, but not more than \$6,000,000, in the first quarter of a fiscal year, then you have to report quarterly beginning on the first day of your second fiscal quarter of that fiscal year. If you go over \$1,500,000, but not over \$6,000,000, in your first two fiscal quarters of a fiscal year, you have to report quarterly beginning on the first day of your third fiscal quarter of that year. If this happens, call **1-800-959-5525**, to tell us of the change in your reporting period.

### Note

If your taxable supplies are greater than \$1,500,000 in the previous year, you will also be required to file your returns electronically. If you continue to file a paper return, you will be charged a penalty. For more information, see "Mandatory electronic filing" on page 33, and "Failure to file electronically" on page 36.

### Example

ABC Corp is a registrant with an annual reporting period and a fiscal year-end of December 31. In 2016, it had taxable sales of \$1,000,000 in each of its four fiscal quarters. ABC Corp had a quarterly reporting period beginning July 1, 2016, as it went over the \$1,500,000 threshold in its first two fiscal quarters of 2016. ABC Corp contacted the CRA to report the change in its reporting period. ABC Corp was sent a GST/HST return for its reporting period from January 1 to June 30, 2016, and then GST/HST returns for quarterly reporting periods starting July 1, 2016.

If your total revenue from taxable supplies is more than \$1,500,000, but not more than \$6,000,000, in your first three fiscal quarters of a fiscal year, or in your last fiscal quarter of a fiscal year, you have to report quarterly beginning on the first day of your next fiscal year.

### Example

XYZ Corp is a registrant with an annual reporting period and a fiscal year-end of December 31. In 2016, it had taxable sales of \$500,000 in its first fiscal quarter, \$750,000 in its second fiscal quarter, \$1,000,000 in its third fiscal quarter, and \$1,500,000 in its last fiscal quarter. XYZ Corp has a quarterly reporting period beginning January 1, 2017, as it went over \$1,500,000 in its 2016 fiscal year but not in its first two fiscal quarters of 2016.

If your revenue from taxable supplies is more than \$6,000,000 in a fiscal year, you have to report monthly beginning on the first day of the fiscal quarter that follows the fiscal quarters ending in that fiscal year during which you went over the \$6,000,000 threshold.

### Examples

ABC Corp is a registrant with a quarterly reporting period and a fiscal year-end of December 31. In 2016, it had taxable sales of \$2,500,000 in each of its four fiscal quarters. ABC Corp has a monthly reporting period beginning October 1, 2016, which is the first day of its fourth fiscal quarter as it went over \$6,000,000 in its previous three fiscal quarters ending in its 2016 fiscal year.

XYZ Corp is a registrant with an annual reporting period and a fiscal year-end of December 31. In 2016, it had taxable sales of \$2,000,000 in its first fiscal quarter. XYZ Corp has a quarterly reporting period beginning April 1, 2016, as it went over \$1,500,000 in its first fiscal quarter. In its second fiscal quarter, it had taxable sales of \$4,500,000. As XYZ Corp went over \$6,000,000 in its first two fiscal quarters, it has a monthly reporting period beginning July 1, 2016, which is the first day of its third fiscal quarter in its 2016 fiscal year.

We assign annual reporting periods to most listed financial institutions, regardless of their revenues. They can choose to file monthly or quarterly GST/HST returns using Form GST20, *Election for GST/HST Reporting Period*. For more information, see GST/HST Notice 265, *GST/HST Registration for Listed Financial Institutions (Including Selected Listed Financial Institutions)*.

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

## Accounting periods

Some businesses use accounting periods that are different from calendar months or quarters for tax reporting purposes.

If your business wants to use accounting periods instead of calendar months or quarters to file GST/HST returns, you need to get approval from us before the first day of each fiscal year to which the accounting periods relate. To do this, use our online services at [cra.gc.ca/mybusinessaccount](https://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](https://cra.gc.ca/representatives), or send us the completed Form GST71, *Notification of Accounting Periods for GST/HST*, or a written request before the beginning of each fiscal 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 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 you do not notify us of your accounting periods, we will assign calendar months and calendar quarters, and you will have to wait until your next fiscal year to have the option to choose your accounting periods.

## Making changes to your GST/HST account

### Address changes

You can view the address we have on file for the physical location of your business, your mailing address, and your books and records in My Business Account.

Your 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).

Your mailing address can be different from your 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 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.

To update a mailing, physical, or books and records address, use our online services at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](http://cra.gc.ca/representatives), send a request by mail or fax to your tax centre.

## Telephone and fax number changes

If the telephone or fax numbers change for any owners or authorized representatives of the business send a letter to your tax centre.

## Authorized representative changes

An **authorized representative** is a third party. Accountants, bookkeepers, lawyers, employees of a business, or family members who are not the owner of the business, but represent it are considered representatives. To add, change, or cancel an authorized representative named on your GST/HST account, use our online service at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount), or send a completed Form RC59, *Business Consent* or a letter that provides the same information to your tax centre.

A representative can send an authorization request online, or delete the authorization if they no longer represent your business, by selecting “Review and update” and “Manage clients” at [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

## Direct deposit changes

To enrol for direct deposit, or update your banking information, go to [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount), or fill in and send us Form RC366, *Direct Deposit Request for Businesses*. The information you provide will stay in effect until you request a change online, or send us a new Form RC366. For more information, go to [cra.gc.ca/directdeposit](http://cra.gc.ca/directdeposit).

You can also view direct deposit transactions online.

## Expecting a large refund

The Canadian Payments Association requires us to process all refunds in excess of \$25 million through the Large Value Transfer System (LVTS).

If you are expecting a refund of more than \$25 million, you must enrol for direct deposit, at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount), or fill in and send Form RC366, *Direct Deposit Request for Businesses* to your tax centre, and then register for LVTS by contacting your tax centre to begin the registration process. If you are expecting large value refunds for more than one BN, these steps must be completed for each BN.

## Legal entity type changes

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 (for example, when a business changes from a sole proprietorship to a partnership, or a partnership changes to a corporation).

## Legal name changes

If you change the legal name of your business, notify us and send us the proper documents showing the name change. For example, the legal name of your business may change 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.

## Collecting the GST/HST

As a GST/HST registrant, you are responsible for collecting the GST/HST when you make taxable supplies (other than zero-rated supplies) of property and services in Canada. You hold this tax in trust until you send it to us.

### Exception

In certain cases, you do not have to collect the GST/HST on a taxable sale of real property. Instead, the purchaser may have to pay the tax directly to us. For more information, see “Real property” on page 56.

## Informing your customers

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

- that the total amount paid or payable for a supply includes the GST/HST;
- the amount paid or payable for the supply and show the amount of the GST/HST payable on the supply separately; or
- the GST/HST rate that applies to the supply. If HST applies to the supply, show the total HST rate. Do not show the federal and provincial parts of the HST separately.

You can use cash register receipts, invoices, contracts, or post signs at your place of business to inform your customers whether the GST/HST is included in the price, or added separately.

## Sales invoices for GST/HST registrants

In addition to the general rules previously described, 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 property and services. They need this information to support their claims for ITCs or rebates for the GST/HST you charged. Similarly, when you make business purchases, the invoices from your suppliers will support your claims for ITCs. If your customers ask you for an invoice or receipt so they can claim ITCs, you have to give them specific information, depending on the amount of the sale. For details of the information required, see the chart, "Input tax credit information requirements" on the next page.

## Disclosing the HST on sales subject to the point-of-sale rebates, or the Ontario First Nations point-of-sale relief

When disclosing the HST on an invoice or receipt issued for a sale of a qualifying item for which you have paid or credited a rebate amount for the provincial part of the HST at the point of sale, you may show:

- the total amount of the HST payable (or the total HST rate) with the amount of the rebate shown separately;
- the total HST payable as an amount net of the rebate amount paid or credited; or
- the total price of the qualifying item that includes HST at a net rate of 5%.

For more information, see "Point-of-sale rebates" on page 40 and "Ontario First Nations point-of-sale relief" on page 41.

You may also use these options to disclose the HST on an invoice or receipt issued for a sale of qualifying property or service on which you have paid or credited an amount for the Ontario First Nations point-of-sale relief.

Input tax credit information requirements			
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	yes	yes	yes
The invoice date or, if you do not issue an invoice, the date on which the GST/HST is paid or payable	yes	yes	yes
The total amount paid or payable	yes	yes	yes
An indication of the total amount of the GST/HST charged or that the amount paid or payable for each taxable supply (other than zero-rated supplies) includes the GST/HST at the applicable rate	no	yes	yes
When you supply items taxable at the GST rate and one of the HST rates, an indication of which items are taxed at the GST rate and which are taxed at the applicable HST rate	no	yes	yes
Your business number or your intermediary's business number	no	yes	yes
The buyer's name or trading name or the name of the buyer's duly authorized agent or representative	no	no	yes
A brief description of the property or services	no	no	yes
The terms of payment	no	no	yes

\*An intermediary is a registrant who, under an agreement with you, makes a supply on your behalf, or causes or facilitates the making of the supply by you.

## Provincial sales tax

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

## Rounding off fractional amounts

Round off the GST/HST to the nearest cent:

- If the amount is less than half a cent, you may round down.
- 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 can total the prices of all taxable supplies of property and services, calculate the GST/HST payable, and then round off the amount.

## Early-payment discounts and late-payment surcharges

### Early-payment discounts

If you offer an early-payment discount on credit sales, charge the GST/HST on the full invoice amount even if your customer takes the discount.

#### Example

You operate a business in Manitoba. You issue an invoice that shows the price of goods as \$100, plus the GST. The credit terms of the invoice give the customer a 2% discount if the customer pays within 10 days. Your customer pays within 10 days. You calculate the amount owed as follows:

Purchase price: .....	\$100
Plus GST (\$100 × 5%):.....	5
Less the discount:.....	<u>(2)</u>
Customer pays:.....	<u>\$103</u>

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

## Late-payment surcharges

Do not charge GST/HST on late-payment surcharges. GST/HST is payable only on the original invoiced amount.

### Example

You operate a business in Manitoba. You issue an invoice that shows the price of goods as \$100, plus the GST.

Your customer pays after the due date. If you charge \$5 for late payment of goods invoiced at \$100, the GST does not apply to the late charge. You calculate the amount owed as follows:

Purchase price:.....	\$100
Plus GST (\$100 × 5%):.....	5
Plus the surcharge:.....	<u>5</u>
Customer pays:.....	<u>\$110</u>

## Volume discounts

When you offer volume discounts to reduce the sale price, you can reduce the GST/HST payable. If you reduce the price because your customer buys a certain quantity of goods, the amount of the 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 the 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.

<b>Dodd Company</b> <b>123 ABC Street</b> <b>Edmonton AB T0K 2B2</b>		
<b>Sold To:</b> Flint Company		
<b>Date:</b> January 25, 2016		
<b>Business number:</b> 123456789		
Description of Items Purchased	Amount	Net Amount
10 tables @ \$150.00 each	\$1,500.00	
Volume discount (10%)	- \$150.00	
	= \$1,350.00	\$1,350.00
40 chairs @ \$50.00 each	\$2,000.00	
Volume discount (10%)	- \$200.00	
	= \$1,800.00	+ \$1,800.00
Lamp	\$75.00	+ \$75.00
<b>Subtotal</b>		= <u>\$3,225.00</u>
Plus GST (\$3,225 × 5%)		+ \$161.25
<b>Total</b>		= <u>\$3,386.25</u>

## After the sale

Some businesses give volume discounts after they make the sale. The customer usually earns this type of volume discount over a period of time (for example, over a period of one year and not on a sale-by-sale basis). In this case, you have to decide if you want to credit the GST/HST related to the amount of the discount.

If you adjust, refund, or credit the GST/HST for the volume discount amount, issue a credit note to the customer to explain the adjustment, which is the discount and the related amount of the 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. For more information, see "Returned goods" on page 69.

You can deduct the amount of the GST/HST you adjust, refund, or credit to the customer if you included this amount in your net tax calculation for a previous reporting period. Your customer will have to repay any rebate claimed or add the amount of the GST/HST adjustment to their net tax if an ITC or rebate was previously claimed for the amount.

### Example

Alberta Clothiers offers a 4% discount at the end of the year for customers that buy more than \$20,000 in goods. East End Fashions buys \$36,500 in goods from Alberta Clothiers during 2016.

In January 2017, Alberta Clothiers credits East End Fashions \$1,533 (\$1,460 plus \$73 GST) and it issues a credit note. Alberta Clothiers already included the GST charged on its supplies to East End Fashions in its net tax calculation, so it can include the \$73 as an adjustment to its ITCs in its **line 108** calculation if it is filing electronically or on **line 107** if it is filing a paper GST/HST return. Because East End Fashions already claimed ITCs for the amount, it has to include the \$73 GST in its **line 105** calculation if it is filing electronically or in its net tax calculation on **line 104** if it is filing a paper GST/HST return.

If you do **not** adjust the amount of the 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 the GST/HST, and neither you nor the customer has to issue a credit or debit note for GST/HST purposes or make any adjustment on your GST/HST return.

### Example

Using the above example, East End Fashions, a GST/HST registrant, informs Alberta Clothiers that it already claimed an ITC for its 2016 purchases. Alberta Clothiers credits it \$1,460, ignoring the GST. It does not have to issue a credit note and neither company will make an adjustment in its net tax calculation.

## Input tax credits

As a registrant, you recover the GST/HST paid or payable on your purchases and expenses related to your commercial activities by claiming an input tax credit (ITC) in your **line 108** calculation if you are filing electronically or on **line 106** if you are filing a paper GST/HST return.

You may be eligible to claim ITCs only to the extent that your purchases and expenses are for consumption, use, or supply in your commercial activities.

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 23 and “Claiming ITCs for capital real property” on page 59;
- taxable supplies of property and services bought or imported to make exempt supplies of property 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
- property 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.

### Note

You can claim an ITC for the HST you pay when you buy property and services in a participating province to use in your commercial activities, even if your business is not located in a participating province.

If you are a new registrant, you may be able to claim an ITC for the GST/HST paid or payable on property such as capital property and inventory that you have on hand on the day you register. For more information, see “New registrants” on page 23.

### Note

Most charities are limited in the ITCs that they can claim because of the special calculation method called the “net tax calculation for charities” that they must use to complete their GST/HST returns. For more information, see Guide RC4082, *GST/HST Information for Charities*.

## Operating expenses

Examples of operating expenses for which you may be eligible to claim an ITC are:

- commercial rents;
- equipment rentals;
- advertising;

- utilities; and
- office supplies (such as postage, computer disks, paper, and pens).

You **can** claim an ITC equal to 100% of the GST/HST paid or payable by you for a particular operating expense (property or service) if substantially all (90% or more) of your consumption or use of that property or service is (or is intended to be) in the course of your **commercial activities** and all the other ITC criteria are satisfied.

You **cannot** generally claim an ITC for any of the GST/HST paid or payable by you for a particular operating expense (property or service) if substantially all of your consumption or use of that property or service is intended to be otherwise than in the course of your commercial activities (for example, consumed or used to make **exempt supplies**).

### Exception

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

The ITC rules that apply to financial institutions are explained in GST/HST Technical Information Bulletin B-098, *Application of Section 141.02 to Financial Institutions That Are Qualifying Institutions*, GST/HST Technical Information Bulletin B-099, *Application of Section 141.02 to Financial Institutions That Are Not Qualifying Institutions*, and GST/HST Technical Information Bulletin B-106, *Input Tax Credit Allocation Methods for Financial Institutions for Purposes of Section 141.02 of the Excise Tax Act*.

If you have both commercial activities and non-commercial activities (such as exempt supplies), and at least 90% of an operating expense cannot reasonably be allocated to either your commercial or your non-commercial activities, you apportion the GST/HST paid or payable for the property or service between these two activities for ITC purposes. You can generally claim ITCs only for the part of the GST/HST paid or payable for the property or service that relates to the consumption or 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 all other conditions for claiming an ITC are met and you use a fair and reasonable allocation method to 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:

$$\$80 \text{ (HST)} \times 70\% = \$56 \text{ (ITC)}$$

The method you use to determine the percentage that an operating expense is used in your commercial activities has to be fair and reasonable, and used consistently throughout the year.

## Time limits for claiming 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 previously unclaimed ITCs on a future GST/HST return. ITCs must be claimed 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.

### Example

You are a quarterly filer and you buy office furniture in the reporting period October 1, 2016, to December 31, 2016, for which you can claim an ITC. The due date of the return for this reporting period is January 31, 2017.

The last reporting period in which you can claim an ITC for the tax you were charged on the office furniture is the reporting period October 1, 2020 to December 31, 2020. The due date for this return is January 31, 2021. This means that you can claim the ITC in any return due and filed by January 31, 2021.

To support your claim for ITCs, the invoices or receipts you use must contain specific information. See the chart, "Input tax credit information requirements" on page 17 for details on what is required.

The time limit for claiming ITCs is **reduced to two years** for:

- listed financial institutions (other than a corporation that is considered to be a financial institution because it has an election in effect to have certain supplies deemed to be exempt financial services); and
- persons with annual revenues from taxable supplies of property and services of more than \$6 million for each of the two preceding fiscal years, except for:
  - charities, or
  - persons whose supplies of property 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 on any future return that is filed by the due date of the return for the last reporting period that ends within two years after the end of your fiscal year. This two year period must include the reporting period 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 to 30, 2016, for which you can claim an ITC. The fiscal year that includes the September 2016 return ends on December 31, 2016. You can claim the ITC on any later return for a reporting period that ends by December 31, 2018 and is filed by January 31, 2019.

## Recapture of ITCs

As a result of British Columbia, Ontario, and Prince Edward Island harmonizing their provincial sales tax with the GST to implement the HST, as a temporary measure, **large businesses** have to recapture (repay) their ITCs for the provincial part of the HST paid or payable on specified property and services. Generally, you would be a large business during a given recapture period if the total revenue from your annual taxable supplies, and the taxable supplies of associated persons, is greater than \$10 million in your last fiscal year that ended before a recapture period. Certain financial institutions would also be subject to these rules even if their revenue does not exceed the \$10 million threshold.

Generally, you must report your recaptured ITCs in the reporting period in which the ITCs first became available.

**Failing to recapture ITCs as and when required could result in penalties.**

To simplify compliance, Form RC4531, *Election or Revocation of an Election to Use the Estimation and Reconciliation Method to Report the Recapture of Input Tax Credits*, allows large businesses to estimate the amount of recaptured ITCs in their monthly or quarterly reporting periods and **reconcile any differences** between the amounts reported during the fiscal year and the actual amounts at fiscal year-end, using Schedule C, *Reconciliation of Recaptured Input Tax Credits (RITCs)* of their GST/HST return, **within three months of the fiscal year-end.**

For more information on the recapture of ITCs, see GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia* and GST/HST Info Sheets GI-165, *Prince Edward Island: Transition to the Harmonized Sales Tax - Builders and Recaptured Input Tax Credits* and GI-171, *Phasing out of Recaptured Input Tax Credits in Ontario.*

## ITC restrictions

In certain situations there are restrictions on the amount that you can claim as an ITC. These restrictions depend on the type and nature of the expense. This section explains the restrictions on claiming ITCs for different types of expenses.

### 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 might not provide enough information about your purchases to support your claim for ITCs.

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

For more information, see GST/HST Notice 199, *Procurement cards – Documentary requirements for claiming input tax credits.*

## 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. When the deduction for income tax purposes is limited to 50% of the cost of meals and entertainment, you can claim 50% of the GST/HST you pay on those expenses as an ITC.

### Note

The above rule does not apply to charities or public institutions. These persons may be able to claim a 100% ITC for the GST/HST they pay on eligible meal and entertainment expenses that relate to their commercial activities. For more information, go to [cra.gc.ca/gsthst](http://cra.gc.ca/gsthst).

Choose **one** of the following two ways to calculate your ITCs for meal and entertainment expenses:

- 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 of your next fiscal year. If you file annually, add the 50% adjustment to your net tax calculation for that fiscal year. Include the adjustment in your **line 105** calculation if you are filing electronically or enter it on **line 104** if you are filing a paper GST/HST return.
- 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 may be eligible to 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.

Large businesses may be subject to RITCs on 50% of the provincial part of ITCs allowed for meals and entertainment expenses. For more information, see GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia* and GST/HST Info Sheet GI-171, *Phasing out of Recaptured Input Tax Credits in Ontario*.

## Long-haul truck drivers

The following chart shows the allowable ITC limits for tax paid on food and beverage expenses.

Allowable ITCs on food and beverage expenses for long-haul truck drivers	
Reporting period	Allowable ITC
2008	65%
2009	70%
2010	75%
2011 and after	80%

If you are a quarterly or monthly filer and you decide to claim a 100% ITC for these expenses throughout the year, make an adjustment for the excess ITCs you claimed during the year in your first reporting period of your next fiscal year.

Include the adjustment in your **line 105** calculation if you are filing electronically or enter it on **line 104** if you are filing a paper GST/HST return.

### Example

You are a long-haul truck driver and you have a December 31 fiscal year-end. You have chosen a quarterly reporting period. You have also chosen to claim 100% of your ITCs for food and beverage expenses during the year.

When you file your return for the first quarter of 2017, report the adjustment on your return for the excess ITCs you claimed during the 2016 fiscal year.

You claimed ITCs totalling \$100 for the GST/HST paid on food and beverage expenses during 2016. You calculate your adjustment as follows:

Adjustment for expenses:  $\$100 \times 20\% = \$20$

Include the \$20 adjustment in your **line 105** calculation if you are filing electronically or enter it on **line 104** if you are filing a paper GST/HST return.

## Employee, partner, and volunteer expenses

### Reimbursements

You can generally claim ITCs for the GST/HST included in reimbursements you pay to your employees or the partners in your partnership for expenses they incurred in Canada on your behalf for your commercial activities.

If you are a charity or public institution, you may also be able to claim ITCs for the GST/HST included in reimbursements you pay to your volunteers for expenses incurred on your behalf that relate to your commercial activities.

Choose one of the following methods to calculate your ITCs.

### Method 1

Calculate an ITC for a reimbursement you paid as follows:

- if the GST was charged on 90% or more of the total amount you reimbursed for expenses, multiply by 4/104; or
- if the HST was charged on 90% or more of the total amount you reimbursed for expenses, multiply by:
  - 11/111 in British Columbia (July 1, 2010 to March 31, 2013);
  - 12/112 in Ontario, or for reimbursements paid **before** July 1, 2016, in New Brunswick or Newfoundland and Labrador;
  - 13/113 in Prince Edward Island for reimbursements paid **before** October 1, 2016;
  - 14/114 in Prince Edward Island for reimbursements paid **on or after** October 1, 2016; or
  - 14/114 in Nova Scotia, or for reimbursements paid **on or after** July 1, 2016, in New Brunswick or Newfoundland and Labrador.

## Method 2

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

$$A \times B$$

where:

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

**B** is the **lesser** of the following:

- 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 property or services for consumption or use in relation to your commercial activities.

### Example

Your employee is billed for an expense of \$560 (\$500 plus \$25 GST and \$35 PST) 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:

$$A \times B = \$25 \times \frac{\$345}{\$560} = \$15.40$$

and

$$A \times B = \$25 \times 100\% = \$25$$

You can claim an ITC of \$15.40 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 the same method to calculate your ITCs for the same types of reimbursements to all of your employees.

For more information, see GST/HST Memorandum 9.4, *Reimbursements*.

### Allowances

Generally, you are considered to have paid the GST/HST on a reasonable allowance you pay to your employees or partners (or volunteers if you are a charity or a public institution) if you meet **all** of the following conditions:

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

To calculate the amount of GST or HST that you are considered to have paid on a reasonable allowance, multiply the allowance by:

- 15/115, if 90% or more of the expenses were subject to the HST in Nova Scotia, or the allowance was for a motor vehicle used 90% or more in Nova Scotia;
- 15/115, if 90% or more of the expenses were subject to the HST in New Brunswick or Newfoundland and Labrador, or the allowance was for a motor vehicle used 90% or more in New Brunswick or Newfoundland and Labrador and the allowance was paid **on or after** July 1, 2016;
- 13/113, if 90% or more of the expenses were subject to the HST in New Brunswick or Newfoundland and Labrador, or the allowance was for a motor vehicle used 90% or more in New Brunswick or Newfoundland and Labrador and the allowance was paid **before** July 1, 2016;
- 15/115, if 90% or more of the expenses were subject to the HST in Prince Edward Island, or the allowance was for a motor vehicle used 90% or more in Prince Edward Island and the allowance was paid **on or after** October 1, 2016;
- 14/114, if 90% or more of the expenses were subject to the HST in Prince Edward Island, or the allowance was for a motor vehicle used 90% or more in Prince Edward Island and the allowance was paid **before** October 1, 2016;
- 13/113, if 90% or more of the expenses were subject to the HST in Ontario, or the allowance was for a motor vehicle used 90% or more in Ontario;
- 12/112, if 90% or more of the expenses were subject to the HST in British Columbia, or the allowance was for a motor vehicle used 90% or more in British Columbia. The HST was implemented in British Columbia on July 1, 2010, subject to certain transitional rules, and remained in effect for most supplies where the tax on the supply became payable or was paid **before** April 1, 2013;
- the lowest tax fraction among two or more participating provinces if 90% of the expenses were subject to the HST in those provinces, or the allowance was for a motor vehicle used 90% or more in those participating provinces; or
- 5/105 in all other cases.

A motor-vehicle allowance that is reasonable for income tax purposes also qualifies as a reasonable allowance for GST/HST purposes.

To claim your ITC, multiply the amount of GST/HST that you are considered to have paid on the allowance by the percentage use of the allowance in your commercial activities.

For more information, see GST/HST Memorandum 9.3, *Allowances*.

## Restriction – No ITCs on allowances and reimbursements paid for qualifying items subject to the point-of-sale rebates

Where an allowance or a reimbursement is paid for a qualifying item that is subject to the point-of-sale rebate for the provincial part of the HST, no ITC may be claimed for the provincial part of the HST that has been rebated. For information on qualifying items, see “Point-of-sale rebates” on page 40.

## Home office expenses

You may be eligible to 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. For more information, see Interpretation Bulletin IT-514, *Work Space in Home Expenses*.

## New registrants

If you are a new registrant, and you have been a small supplier immediately before you became a registrant, you may be eligible to claim an ITC for the GST/HST paid or payable 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. For more information, see “Change-in-use rules for capital personal property” on the next page.

You can also claim an ITC for any GST/HST you prepaid for rent, royalties, or similar payments for property that relate to the period after you became a registrant, to the extent that the property is for consumption, use or supply in the course of your commercial activities. You cannot claim an ITC for the GST/HST paid or payable on services supplied to you before you became a registrant, or on the value of any rent, royalty, or similar payment that relates to a period before you became a registrant, even if you paid that GST/HST after you became a registrant.

### Example

You prepaid three months of rent for office space for use in your commercial activities for the period January 1, 2017, to March 31, 2017. If you became a registrant on March 1, 2017, 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, 2017 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 and includes:

- depreciable property (property that is eligible for capital cost allowance for income tax purposes); and
- other property that would result in a capital gain or capital loss for income tax purposes if you disposed of it.

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

- real property, such as land or a building (for more information, see “Claiming ITCs for capital real property” on page 59);
- personal property such as equipment or machinery that you use in your business;
- 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 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, and certain tableware), class 14 (certain patents, franchises, concessions, or licences for a limited period), class 14.1 (goodwill of a business), or class 44 (a patent or a right to use patented information for a limited or unlimited period). To claim ITCs for these items based on the rules for operating expenses, see “Operating expenses” on page 19.

## Capital personal property

### Primary use rule

The general rule, known as the primary use rule, for claiming ITCs for capital personal property such as computers, equipment, and office furniture is 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 bought a computer for \$2,000 plus the 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 paid for the computer.

### Note

The primary use rule also applies to certain public service bodies claiming ITCs for capital real property. For more information, see “Claiming ITCs for capital real property” on page 59.

### Exception

The primary use rule does not apply to capital personal property of a financial institution. Financial institutions treat capital personal property costing more than \$50,000 as if it were capital real property. For information on capital real property for financial institutions, see “Financial institutions” on page 60.

### Passenger vehicles and aircraft

Corporations follow the primary use rule mentioned above to determine their ITCs for passenger vehicles and aircraft.

However, individuals and partnerships usually 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 10% or less, you cannot claim any ITC. If the use in commercial activities is 90% or more, you can claim a full ITC.

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 or more of the formulas shown in the chart “ITCs for acquisition of capital personal property – Passenger vehicles and aircraft” on page 26.

### 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 paid or payable for the acquisition or importation of an improvement to such property, if you were using the capital personal property primarily (more than 50%) in your commercial activities immediately after you last acquired the capital property or a portion of it.

### Note

The last acquisition could be an actual acquisition or an acquisition you were deemed to have made for GST/HST purposes.

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. However, you cannot include any amount for improvements to a passenger vehicle that will make the adjusted cost base exceed the capital cost limitation. Passenger vehicles have a capital cost limitation of \$30,000, not including the GST/HST and the PST.

### Musical instruments

If you are an individual who is a registrant and you use a musical instrument for employment purposes or in a business carried on by a partnership of which you are a member, we consider you to be using that instrument in your commercial activities. You can follow the primary use rule for claiming ITCs for capital personal property.

### Change-in-use rules for capital personal property

The use of capital personal property may change over time. You have to apply the change-in-use rules in the following situations:

- Your capital property that was used more than 50% in your commercial activities is now used 50% or less in your commercial activities.
- Your capital property that was used 50% or less in your commercial activities is now used more than 50% in your commercial activities.

In each situation, you have to determine the **basic tax content** of the property when the change occurs.

If you change the use from 50% or less in commercial activities to more than 50% in commercial activities, you may be eligible to claim an ITC equal to the basic tax content. Generally, this means you can recover all or part of the GST/HST you paid when you bought the property and when you made any later improvements to the property.

If you change the use from more than 50% in commercial activities to 50% or less in commercial activities, remit an amount equal to the basic tax content. Generally, this means that you have to repay all or part of the GST/HST you claimed (or were entitled to claim) as an ITC when you bought the property and when you made any later improvements to the property.

### Exception

There are specific change-in-use rules that apply to capital personal property of financial institutions.

### Calculating the basic tax content

The following basic tax content formula in its simplified form can be used by most registrants.

$$(A - B) \times C$$

where:

**A** is the GST/HST payable for your last acquisition of the property and for later improvements you made to the property;

**B** is any rebate or refund you were entitled to claim (or would have been entitled to claim if you had not been entitled to claim an ITC) for the GST/HST payable for your last acquisition of the property and for later improvements you made to it, but not including ITCs you were entitled to claim; and

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 total cost (not including the GST/HST) for your last acquisition of the property and for later improvements you made to it.

### Changing the use to more than 50% in commercial activities

When you buy capital personal property for use 50% or less in your commercial activities you cannot claim ITCs to recover the GST/HST paid or payable. However, if you later change the use of the property to more than 50% in your commercial activities, we consider you to have purchased the property and paid the GST/HST at that time. This means you can claim an ITC, equal to the basic tax content of the property at the time of the change in use, by including this amount in your **line 108** calculation if you are filing electronically or on **line 106** if you are filing a paper GST/HST return.

#### Note

If you later change the use again and begin to use the property 50% or less in your commercial activities, you may have to pay all or part of the GST/HST that you claimed, or were entitled to claim, as an ITC. For more information, see "Changing the use to 50% or less in commercial activities" on this page.

#### Example

You operate several commercial and residential rental buildings in Manitoba. You bought a tractor for use more than 50% in operating the residential rental buildings (an exempt activity) and paid the GST on your purchase. Since you were not using the tractor more than 50% in your commercial activities, you could not claim an ITC for the tax paid on this purchase and you were also not entitled to any refunds or rebates of that tax.

Cost of tractor.....	\$10,000
GST payable (\$10,000 × 5%).....	\$500

Later, you change the use of the tractor and begin using it more than 50% for the commercial buildings (commercial activity). Since you are now using the tractor more than 50% in your commercial activities, you can claim an ITC equal to the basic tax content of the tractor at the time of the change in use.

The fair market value of the tractor at the time of the change in use is \$7,000. You did not make any improvements to the tractor since you bought it. You calculate the basic tax content of the tractor as follows:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$500 - \$0) \times (\$7,000 / \$10,000) \\ &= \$350 \end{aligned}$$

You can claim an ITC of \$350 on your GST/HST return.

### Changing the use to 50% or less in commercial activities

When you buy capital personal property for use more than 50% in your commercial activities, you may be eligible to claim an ITC to recover the GST/HST you paid, or that was payable, on your purchase. However, if you change the use of the property from more than 50% in your commercial activities to 50% or less in your commercial activities, you are considered to have sold the property and to have collected the GST/HST on that later sale.

This generally means that you have to repay all or part of the GST/HST you claimed, or were entitled to claim, as an ITC when you bought the property and when you made any improvements to it.

The tax you have to repay is equal to the basic tax content of the capital personal property at the time of the change in use. This amount has to be included, in your **line 105** calculation if you are filing electronically or on **line 103** if you are filing a paper GST/HST return, for the reporting period in which the change in use occurred.

#### Note

If you later change the use again and begin to use the property more than 50% in your commercial activities, you may be entitled to claim an ITC. For more information, see "Changing the use to more than 50% in commercial activities" on this page.

#### Example

You are the operator described in the previous example. After changing the use of the tractor to more than 50% in your commercial activities, you now change the use back to 50% or less in your commercial activities. Since you are no longer using the tractor more than 50% in your commercial activities, you have to pay tax equal to the basic tax content of the tractor at the time of the change in use.

The tractor's fair market value is now \$4,000. You have not made any improvements to the tractor. You calculate the basic tax content of the tractor as follows:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$500 - \$0) \times (\$4,000 / \$10,000) \\ &= \$200 \end{aligned}$$

You include \$200 in your **line 105** calculation if you are filing electronically or on **line 103** if you are filing a paper GST/HST return, for the reporting period in which the change in use occurred.

### 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 the GST/HST on the sale. However, you do not charge the GST/HST on the sale if the property was used 50% or less in your commercial activities (see the chart "ITCs for acquisition for capital personal property" on the next page).

Special rules apply to municipalities. For more information, see Guide RC4049, *GST/HST Information for Municipalities*.

### ITCs for acquisition of capital personal property – Personal Property

Percentage of use in commercial activities	Corporations and public service bodies	Partnerships and individuals	Financial institutions
≤50%	None	None	% of use
>50%	100%	100%	% of use

### ITCs for acquisition of capital personal property – Passenger vehicles and aircraft\*

Percentage of use in commercial activities	Corporations and public service bodies	Partnerships and individuals	Financial institutions
≤10%	None	None	% of use
>10% and ≤50%	None	CCA**	% of use
>50% and <90%	100%	CCA**	% of use
≥90%	100%	100%	% of use

\* The part of the cost of passenger vehicles eligible for an ITC is limited to the capital cost limitation, which is \$30,000 (not including the GST/HST and PST).

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 can be used to calculate your ITC.

\*\* CCA is the capital cost allowance for income tax purposes. You determine your ITC annually using the following calculations:

**For tax years ending during the period from January 1, 2008 to June 30, 2010:**

- CCA × 5/105, if you paid the GST
- CCA × 13/113, if you paid the HST

**For tax years ending during the period from July 1, 2010 to March 31, 2013:**

- CCA × 5/105, if you paid the GST
- CCA × 12/112, if you paid 12% HST in British Columbia
- CCA × 13/113, if you paid 13% HST in New Brunswick, Newfoundland and Labrador, or Ontario
- CCA × 15/115, if you paid 15% HST in Nova Scotia

**For tax years ending during the period from April 1, 2013 to June 30, 2016:**

- CCA × 5/105, if you paid the GST
- CCA × 13/113, if you paid 13% HST in New Brunswick, Newfoundland and Labrador, or Ontario
- CCA × 14/114, if you paid 14% HST in Prince Edward Island
- CCA × 15/115, if you paid 15% HST in Nova Scotia

**For tax years ending during the period from July 1, 2016 to September 30, 2016:**

- CCA × 5/105, if you paid the GST
- CCA × 13/113, if you paid 13% HST in Ontario
- CCA × 14/114, if you paid 14% HST in Prince Edward Island
- CCA × 15/115, if you paid 15% HST in Nova Scotia, New Brunswick, or Newfoundland and Labrador

**For tax years ending on or after October 1, 2016:**

- CCA × 5/105, if you paid the GST
- CCA × 13/113, if you paid 13% HST in Ontario
- CCA × 15/115, if you paid 15% HST in Nova Scotia, New Brunswick, Newfoundland and Labrador, or Prince Edward Island

If you paid the **provincial** part of the HST for a vehicle or aircraft after you brought it **into a participating province from another participating province with a lower HST rate**, you can claim an ITC based on the difference between the rates, using the following calculations:

**For tax years ending during the period from July 1, 2010 to March 31, 2013:**

- CCA × 1/101, into New Brunswick, Newfoundland and Labrador, or Ontario from British Columbia
- CCA × 2/102, into Nova Scotia from New Brunswick, Newfoundland and Labrador, or Ontario
- CCA × 3/103, into Nova Scotia from British Columbia

**For tax years ending during the period from April 1, 2013 to June 30, 2016:**

- CCA × 1/101, into Nova Scotia from Prince Edward Island
- CCA × 1/101, into Prince Edward Island from New Brunswick, Newfoundland and Labrador, or Ontario
- CCA × 2/102, into Nova Scotia from Ontario, New Brunswick, or Newfoundland and Labrador

**For tax years ending during the period from July 1, 2016 to September 30, 2016:**

- CCA × 1/101, into Nova Scotia, New Brunswick, or Newfoundland and Labrador from Prince Edward Island
- CCA × 1/101, into Prince Edward Island from Ontario
- CCA × 2/102, into Nova Scotia, New Brunswick, or Newfoundland and Labrador from Ontario

**For tax years ending on or after October 1, 2016:**

- CCA × 2/102, into Nova Scotia, New Brunswick, Newfoundland and Labrador, or Prince Edward Island from Ontario

## ITCs for acquisition of capital personal property – Passenger vehicles and aircraft (cont'd)

If you paid the provincial part of the HST for a vehicle or aircraft after you brought it into a participating province from a non-participating province or imported it into Canada for business purposes, you can claim an ITC by using the following calculations:

### For tax years ending during the period from July 1, 2010 to March 31, 2013:

- $CCA \times 7/107$ , if you paid 12% HST in British Columbia
- $CCA \times 8/108$ , if you paid 13% HST in New Brunswick, Newfoundland and Labrador, or Ontario
- $CCA \times 10/110$ , if you paid 15% HST in Nova Scotia

### For tax years ending during the period from April 1, 2013 to June 30, 2016:

- $CCA \times 8/108$ , if you paid 13% HST in New Brunswick, Newfoundland and Labrador, or Ontario
- $CCA \times 9/109$ , if you paid 14% HST in Prince Edward Island
- $CCA \times 10/110$ , if you paid 15% HST in Nova Scotia

### For tax years ending during the period from July 1, 2016 to September 30, 2016:

- $CCA \times 8/108$ , if you paid 13% HST in Ontario
- $CCA \times 9/109$ , if you paid 14% HST in Prince Edward Island
- $CCA \times 10/110$ , if you paid 15% HST in Nova Scotia, New Brunswick, or Newfoundland and Labrador

### For tax years ending on or after October 1, 2016:

- $CCA \times 8/108$ , if you paid 13% HST in Ontario
- $CCA \times 10/110$ , if you paid 15% HST in Nova Scotia, New Brunswick, Newfoundland and Labrador, or Prince Edward Island

## Claiming ITCs for 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. For more information, see "Real property" on page 56. For further information about real property and input tax credits, see GST/HST Memorandum 19.1, *Real Property and the GST/HST*, and GST/HST Memorandum 19.2.3, *Residential Real Property – Deemed Supplies*.

## Simplified method for claiming ITCs

The simplified method for claiming ITCs is another way for eligible registrants to calculate their ITCs, when completing their GST/HST return using the regular method of filing.

When you use the simplified method for claiming ITCs, you do not have to show the GST/HST separately in your records. Instead, total the amount of your taxable purchases for which you can claim an ITC. You still have to keep the usual documents to support your ITC claims in case we ask to see them.

As of January 1, 2013, you are **eligible** to use the simplified method for claiming ITCs if you meet **all** of the following conditions:

- your annual worldwide revenues from taxable property and services (including those of your associates) are \$1 million 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 \$1 million or less. These limits do not include goodwill, zero-rated financial services, or sales of capital real property; and

- you have \$4 million or less in taxable purchases made in Canada in your last fiscal year. The \$4 million purchase limit does not include zero-rated purchases, but it does include purchases imported into Canada or brought into a participating province.

In addition, 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 \$4 million.

### Exception

Listed financial institutions cannot use the simplified method to calculate ITCs.

If you qualify, you can start using the simplified method for claiming ITCs 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 for claiming ITCs work?

If you make purchases in both participating and non-participating provinces, you have to separate your taxable purchases based on the rate of GST/HST you paid.

You can use this simplified method to calculate ITCs only for purchases you use to provide taxable property and services. If you use your purchases for personal use, or to provide both taxable and exempt property and services, only the part used for providing taxable property and services can be included in the ITC calculation. If you use a purchase at least 90% of the time to provide taxable property and services, include the total purchase price in your ITC calculation.

To calculate ITCs using the simplified method, follow these steps.

## Step 1

Add up your ITC eligible business expenses. When you make purchases in both participating and non-participating provinces, you have to separately add up your purchases that are taxed at different GST/HST rates. For the list of all applicable GST/HST rates, go to [cra.gc.ca/gsthst](http://cra.gc.ca/gsthst) and select “GST/HST calculator (and rates)” under “Tools.”

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

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

Do **not** include:

- expenses on which you have not paid the 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 that are not subject to the GST/HST;
- real property purchases;
- refundable or rebatable PST;
- purchases for which you are not entitled to claim an ITC such as:
  - the part of any purchase that you use for personal use;
  - the part of any purchase that you use to provide exempt property 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 is more than the capital cost limitation for income tax purposes (for more information, see the chart “ITCs for acquisition of capital personal property – Passenger vehicles and aircraft” on page 26);
- 50% of the meal and entertainment expenses (you can include 100% of the expenses and make the 50% adjustment at the end of your fiscal year). This does not apply to charities and public institutions (they can include 100% of the meal and entertainment expense with no adjustment);

- if you are a long-haul truck driver, the applicable percentage of food and beverage expenses for which you cannot claim an ITC. For the appropriate percentages, see “Long-haul truck drivers” on page 21 (you can include 100% of the expenses and make the 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 (for more information, see the chart “ITCs for acquisition of capital personal property – Passenger vehicles and aircraft” on page 26); 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:

- 5/105 for purchases on which you paid 5% GST;
- 12/112 for purchases on which you paid 12% HST;
- 13/113 for purchases on which you paid 13% HST;
- 14/114 for purchases on which you paid 14% HST; and
- 15/115 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 paid or payable on real property purchases (for more information, see “Claiming ITCs for capital real property” on page 59); and
- if you are an individual or a partnership, the ITC you can claim for a passenger vehicle or an aircraft used less than 90% in your commercial activities.

Include this total in your **line 108** calculation if you are filing electronically or enter it on **line 106** of your paper GST/HST return.

**Example** (includes 5% GST and 8% PST)

<b>Woodworks Company</b> 123 4 <sup>th</sup> Street Brandon MB R7B 1T7	
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***.....	<u>21,400</u>
<b>Total purchases and expenses</b> .....	<b><u>\$27,689</u></b>

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

**Step 1**

Add all purchases and expenses including the GST and PST.....	\$27,689
Subtract employees' salaries, insurance and land (\$3,000 + \$50 + \$21,400).....	<u>(24,450)</u>
Taxable expenses.....	\$3,239

**Step 2**

Multiply taxable expenses by 5/105 (\$3,239 × 5/105).....	\$154.24
---	----------

**Step 3**

ITCs on taxable expenses.....	\$154.24
Add ITC on land (\$21,400 × 5/105).....	<u>\$1,019.05</u>
<b>ITC</b> .....	<b><u>\$1,173.29</u></b>

## Calculating your net tax

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

- the GST/HST collected or that became collectible by you 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 or collected more GST/HST than the amount paid or payable on your purchases, send us the difference. If the GST/HST paid or payable is more than the GST/HST you charged or collected, 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. For more information, see "Quick method of accounting" on the next page.

**Notes**

Most charities have to use a **special net tax calculation method** for reporting the GST/HST they charge and for claiming ITCs. For more information, see Guide RC4082, *GST/HST Information for Charities*.

Different simplified accounting methods are available for charities, qualifying non-profit organizations, and other public service bodies. For more information, go to our webpage "Special quick method of accounting for public service bodies", or see the following guides:

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

## GST/HST charged and not collected

You are liable for the GST/HST you charge on property 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. If you issue an invoice before you receive the payment, 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 in your **line 105** calculation if you are filing electronically or on **line 103** if you are filing a paper GST/HST return, for the reporting period in which you issued the invoices.

## GST/HST not charged

If you are required to charge the GST/HST but did not charge it, you are still liable for the tax. You have to include the GST/HST that you should have charged in the reporting period during which you should have collected the tax.

## 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 reported and remitted the GST/HST for a credit sale on your GST/HST return, and all or part of the amount owed to you became a bad debt, you can recover the GST/HST you overpaid as a tax adjustment in your **line 108** calculation if you are filing electronically or on **line 107** if you are filing a paper GST/HST return. To do this, you have to deal with the person at arm's length. Then you can write off the amount owing as a bad debt in your records.

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

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

where:

**A** is the GST/HST payable on the sale;

**B** is the total amount that remains unpaid for the sale that was written off as a bad debt, including the GST/HST and applicable PST; and

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

### Example

You operate a business in Manitoba and you have a credit sale of \$1130 that includes \$50 GST and \$80 PST. You report and remit the \$50 GST for this sale. You receive only a partial payment of \$800 toward the credit sale of \$1,130. The remaining unpaid balance of \$330 later proves to be uncollectible and you write it off as a bad debt.

$$\begin{aligned} \text{Tax adjustment} &= \$50 \times \frac{\$330}{\$1,130} \\ &= \$14.60 \end{aligned}$$

You can recover GST of \$14.60 as a tax adjustment in your **line 108** calculation if you are filing electronically or on **line 107** if you are filing a paper GST/HST return.

You have to make the tax adjustment on a return filed 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 and you later receive a payment towards that debt, you have to include the GST/HST part of that amount as an adjustment in your **line 105** calculation if you are filing electronically or on **line 104** if you are filing a paper GST/HST return, for the reporting period in which the amount is recovered.

Use the following formula to calculate this tax adjustment:

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

where:

**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; and

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

### Example

You operate a business in Manitoba and in September 2015, you made a credit sale of \$1,130, including \$50 GST and \$80 PST. The amount later proved to be uncollectible and you wrote it off as a bad debt. In March 2016, you claimed \$50 GST as a tax adjustment on **line 107** of your GST/HST return. In June 2016, you receive a payment of \$400 towards the debt.

$$\begin{aligned} \text{Tax adjustment} &= \$400 \times \frac{\$50}{\$1,130} \\ &= \$17.70 \end{aligned}$$

You have to include this GST adjustment of \$17.70 in your **line 105** calculation if you are filing electronically or on **line 104** if you are filing a paper GST/HST return.

## Quick method of accounting

The **quick method of accounting** is another way to calculate the GST/HST you have to remit. You can begin using this method if the total revenue from your annual worldwide taxable supplies and those of your associates (including zero-rated supplies) is no more than \$400,000 (including the GST/HST) in any four consecutive fiscal quarters over the last five fiscal quarters. The \$400,000 limit **does not** include the following:

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

### Exceptions

The following persons cannot use the quick method:

- persons that provide legal, accounting or actuarial services in the course of their professional practice;
- persons that provide bookkeeping, financial consulting, tax consulting or tax return preparation services in the course of their commercial activity;

- listed financial institutions;
- municipalities or local authorities designated as a municipality;
- public colleges, school authorities, or universities, established and operated not for profit;
- hospital authorities, facility operators, and external suppliers;
- charities; and
- non-profit organizations with at least 40% government funding in the year (qualifying non-profit organizations).

#### Note

A **special quick method** is available to certain qualifying non-profit organizations, selected public service bodies, specified facility operators and designated charities. For more information, go to our webpage “Special quick method of accounting for public service bodies”.

## How does the quick method work?

With the **quick method** of accounting, you charge and collect the GST/HST on taxable property and services you supply to your customers in the usual way. However, to calculate the net GST/HST to remit, you multiply your taxable supplies including the GST and your taxable supplies including the HST made during the reporting period by the applicable quick method remittance rate(s).

The remittance rates depend on the following factors:

- whether you are in the service, retail, or manufacturing business;
- the province in which your permanent establishment is located; and
- the province where your supplies are made or your services are provided.

The quick method 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 charge or collect. The part that is not remitted under this method is reported as income on your income tax return.

If you use the quick method of accounting, you have to continue using it for at least a year. There are other rules as well.

For more information, see Guide RC4058, *Quick Method of Accounting for GST/HST*.

## Input tax credits

You **cannot** claim input tax credits (ITCs) for your operating expenses if you use the quick method of accounting. The quick method remittance rates take into account the GST/HST you pay on these purchases and expenses. You do not have to keep track of the GST/HST paid or payable on your operating expenses (such as utilities, rent, and telephone expenses), meal and entertainment expenses, and inventory purchases. However, you still have to keep records of your purchases and expenses.

You may be eligible to 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, and other large equipment and machinery.

## How do I start using the quick method?

Before you start using the quick method of accounting, file a quick method election. To do this, use our online services at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](http://cra.gc.ca/representatives), or complete and send Form GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting* to your tax services office.

For more information and line-by-line instructions on how to complete your GST/HST return using the quick method, see Guide RC4058, *Quick Method of Accounting for GST/HST*.

## GST/HST returns

If you previously filed a GST/HST return electronically we will automatically send you Form GST34-3, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Electronic Filing Instructions*. This is a package that includes your access code, remittance vouchers, and filing instructions.

If you have never filed a GST/HST return electronically we will automatically send you Form GST34-2, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, which includes personalized pre-printed information about your account. You can make an online request to stop receiving the printed GST/HST returns, by selecting “Enquiries service” and “Change mailing instructions” at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or through [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

Form GST34-2 is not available on our website. We only provide it in a pre-printed format. You will generally have received your copy within 15 working days of the end of your reporting period.

You still have to file your return by the due date even if you did not receive a personalized return (Form GST34-2) or if you lose that return.

You can view the due dates of expected returns at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

If you do not receive a personalized return, you can use Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized)*. Form GST62 contains all of the same information as Form GST34-2, except you have to enter your personal data. Form GST62 is also not available on our website. You can order it at [cra.gc.ca/orderforms](http://cra.gc.ca/orderforms).

For more information, see “Instructions for completing your GST/HST return” on page 78.

## GST/HST returns filed by non-residents

If you are a non-resident, complete your GST/HST return in Canadian dollars, sign the return, and remit any amounts owing in Canadian dollars.

If you choose to make your payment in foreign funds, the exchange rate you receive for converting the payment to Canadian dollars is determined by the financial institution processing your payment, and may be different from the exchange rate that we use.

## Filing and remitting due dates

### Monthly and quarterly filers

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

#### Exceptions

Your GST/HST payment is due by April 30 if **all** of the following conditions are met:

- 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.

Although your payment is due April 30, you have until June 15 to file your GST/HST return.

A registrant listed financial institution (other than a corporation that is considered to be a listed financial institution because it has an election in effect to deem certain supplies to be exempt financial services) that has an annual reporting period has six months after its fiscal year-end to file its return and remit any amount owing.

As an annual filer, you may have to pay quarterly instalments. If so, they are due no later than one month after the last day of each fiscal quarter. For more information, see “Instalment payments” on page 38.

#### Note

A financial institution that is a registrant and has annual revenue of over \$1 million will also generally be required to file Form GST111, *Financial Institution GST/HST Annual Information Return*, in addition to its regular GST/HST return. For more information, see Guide RC4419, *Financial Institution GST/HST Annual Information Return*.

## How to file your return

It is mandatory for many registrants to file **electronically**. GST/HST registrants, excluding registrants that have accounts administered by Revenu Québec, are eligible to file their GST/HST returns and remit amounts owing electronically. GST/HST returns in paper format can be filed by mail or, if you are making a payment, at your financial institution.

A **penalty will apply** if you are required to file electronically and you do not do so. For more information, see “Failure to file electronically” on page 36.

There are four methods of **electronically filing** a GST/HST return. They are:

- **GST/HST NETFILE** is available to GST/HST registrants across Canada, excluding accounts administered by Revenu Québec. Register for My Business Account or Represent a Client, so you, or your representative can access GST/HST NETFILE by going to [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](http://cra.gc.ca/representatives), and you will **not** need to enter an access code when filing your return. You can also file GST/HST returns online using your 4-digit access code by going directly to [cra.gc.ca/gsthst-netfile](http://cra.gc.ca/gsthst-netfile), instead of going through My Business Account.
- **GST/HST TELEFILE** allows eligible registrants to file their returns using their touch-tone telephone and a toll-free number. To file your return electronically using GST/HST TELEFILE, call **1-800-959-2038** using your touch-tone telephone. An automated telephone process will prompt you to give your GST/HST information, starting with your access code. For more information, go to [cra.gc.ca/gsthst-telefile](http://cra.gc.ca/gsthst-telefile).
- **Electronic data interchange (EDI)** allows returns and remittances to be filed electronically through a participating financial institution. You will not require an access code. For more information, go to [cra.gc.ca/gsthst-edi](http://cra.gc.ca/gsthst-edi) or contact your financial institution.
- **GST/HST Internet file transfer (GIFT)** is an option that allows eligible registrants to file their return electronically using third-party CRA certified accounting software. An access code is needed. For more information, go to [cra.gc.ca/gsthst-internetfiletrans](http://cra.gc.ca/gsthst-internetfiletrans).

We offer a printer-friendly version of a GST/HST return working copy. This working copy is provided to enable registrants who file electronically to keep a copy of their GST/HST return calculations for record purposes. **Do not use** the printer-friendly version to replace and file a lost pre-printed return or to make payments at your financial institution. To print a copy, go to [cra.gc.ca/gsthstworkingcopy](http://cra.gc.ca/gsthstworkingcopy).

For payment options, see “How to remit an amount owing” on the next page.

## Mandatory electronic filing

You must file your return electronically if you are a registrant who falls under any of the following reporting circumstances:

- GST/HST registrants that have more than \$1.5 million in annual taxable supplies (except for charities);
- all registrants required to recapture input tax credits (ITCs) for the provincial part of the HST on certain inputs in British Columbia (July 1, 2010 to March 31, 2013), Ontario, and Prince Edward Island (these registrants must use GST/HST NETFILE, or EDI if their financial institution offers electronic filing of Schedules B and C); and
- builders affected by the transitional housing measures in Ontario, Nova Scotia, New Brunswick, British Columbia (including transitional measures for the elimination of the HST), Prince Edward Island, and Newfoundland and Labrador (these builders must use GST/HST NETFILE).

For **builders** who need more information, see GST/HST Info Sheet GI-099, *Builders and Electronic Filing Requirements*, to help determine the filing option that can or must be used. Penalties will be applied if you do not file electronically when you are required to do so.

## How to file rebate applications for electronic returns

If you have rebate applications that cannot be filed electronically, but relate to the GST/HST return that you are filing electronically, send them by mail no later than the due date of your electronic return, to the applicable tax centre noted on the rebate form.

If you are a public service body non-registrant who is not required to file GST/HST returns, you can file your public service bodies' rebate application using our online services at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount).

If you are a GST/HST registrant, you can file your **public service bodies' rebate applications electronically** (Form GST66 and Form GST284) with your GST/HST return using GST/HST NETFILE at [cra.gc.ca/gsthst-netfile](http://cra.gc.ca/gsthst-netfile) or our online services at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount).

If you are a GST/HST registered builder filing a **Type 1A** or **Type 1B** new housing rebate, you can file Form GST190, *GST/HST New Housing Rebate Application for Houses Purchased from a Builder*, **electronically** along with your GST/HST return for the reporting period that you paid or credited the amount of the rebate to the buyer, by using GST/HST NETFILE at [cra.gc.ca/gsthst-netfile](http://cra.gc.ca/gsthst-netfile) or by using the "File a return" online service at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount).

Form GST190 can also be filed electronically on its own using the "File a rebate" online service at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount).

## Notes

Representatives can access these online services at [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

If you choose to file your rebate applications electronically, **do not** mail us the rebate forms.

If you provide the **Ontario First Nations point-of-sale relief**, include the amount credited on **line 111** and file this rebate application (Form GST189, reason code 23) electronically using GST/HST NETFILE.

## How to remit an amount owing

GST/HST payments that are \$50,000 or more **must** be paid electronically or at your financial institution. You have to make arrangements with your financial institution when you make a payment of more than \$25 million.

## Electronic payments and paying at a financial institution

You can pay electronically using your financial institution's online or telephone banking services. You do not need a remittance voucher to pay online.

You can also pay electronically using the CRA's My Payment option. My Payment allows individuals and businesses to make payments online from an account at a participating financial institution, using the CRA website. For more information, go to [cra.gc.ca/mypayment](http://cra.gc.ca/mypayment).

Another online option is to authorize the CRA to withdraw a pre-determined payment from your bank account to pay tax on a specific date or dates. You can set up an agreement at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount).

You can make a payment at your financial institution for an amount owing on a return that has already been electronically filed using GST/HST NETFILE or GST/HST TELEFILE. However, you must include Form RC158, *GST/HST NETFILE/TELEFILE Remittance Voucher*, when making the payment.

If you are not filing electronically, you can file your return **and** make your payment at your participating financial institution in Canada.

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

You **cannot** file your return at a financial institution if you are:

- required to file your GST/HST return electronically;
- claiming a refund;
- filing a nil return; or
- offsetting an amount owing on the return by a rebate or refund.

In these cases, you have to use one of the other filing methods described in this section.

## Are you a sole proprietor with an annual reporting period?

If you are a sole proprietor with an annual reporting period and you use a calendar year, your return is due June 15, but **your payment is due no later than April 30**. You can file your return together with your remittance by April 30, or remit the amount owing by April 30 and file the return separately by June 15. Use the applicable form to remit any amount owing as follows:

- Unless you are required to file electronically, use Form GST34-2, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, if you remit the amount owing and file the return **together by April 30**. You can also use Form GST62, which is the non-personalized version of Form GST34-2.
- Pay online (if you have access to online banking at a participating financial institution) through My Payment at [cra.gc.ca/mypayment](http://cra.gc.ca/mypayment) or use Form RC177, *Balance Due Remittance Voucher*, to remit an amount owing by April 30 and file the return **separately by June 15**.

Form RC177 is not available on our website. We only provide it in a pre-printed format. To order this personalized form, go to [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

## Date received

When a due date falls on a Saturday, a 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 nil 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 receives it. To avoid interest charges on a late payment, make sure we receive any amount due by the due date.

If you make your remittance through your financial institution, we do not consider that we have received your payment until the financial institution processes the transaction. Allow sufficient time (generally two or three days) for the financial institution to process the payment and credit the Receiver General account. Online payments are generally processed by the CRA within two to three business days.

For information on penalties and interest that may be charged if the payment or remittance is late, see “What penalties and interest do we charge?” on page 36.

## 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, your branches or divisions have to be separately identified either by their location or by the nature of their activities, and separate records must be kept. The branches and divisions have to keep the same reporting periods as the head office.

### Note

If you make this application and you are required to file electronically or you are required to file using a specific method, all of the branches or divisions identified in the election also have to file electronically.

## 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. For more information on the types of rebates that can be applied to an amount owing on your GST/HST return, go to [cra.gc.ca/gsthst](http://cra.gc.ca/gsthst).

If you file your return and rebate application together, or if you file your return electronically, 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 the GST/HST you owe, we will refund you the difference.

If you file your GST/HST return electronically, send the rebate application by mail to the Prince Edward Island Tax Centre or Sudbury Tax Centre as indicated on the rebate application. Some rebates can be filed electronically with your return. See “How to file rebate applications for electronic returns” on the previous page.

If you file a paper return, write the amount of your rebate on **line 111** of your return, and include your completed rebate application with the return.

Unless you are required to file electronically (see “Mandatory electronic filing” on the previous page), 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** of the GST/HST return. If you file your return electronically and wish to offset the tax you owe by filing a paper rebate application, you should file the rebate application **no later** than the day your electronic return is due.

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

## Filing nil returns

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 and you could 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 a written request to your tax services office. 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 (such as 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

### Notices and statements

#### Notice of (re)assessment

We issue a notice of (re)assessment if we owe you a refund or rebate or if the (re)assessment results in an amount owing greater than the payment made on filing. If you are registered for online mail, once we have processed your GST/HST return we will send you an email notification to inform you that there is mail available for you to view online. You can sign up for online mail by entering an email address when filing a GST/HST NETFILE return.

View the notice of (re)assessment or register for online mail at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount), or go to [cra.gc.ca/representatives](http://cra.gc.ca/representatives) if you are an authorized representative.

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 you Form RC159, *Amount Owing Remittance Voucher*, with your notice. Use this form to pay any outstanding amount.

#### Note

Form RC159 is not available on our website. We only provide it in a pre-printed format. To order this personalized form, go to [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

You will **not** receive a notice of assessment when:

- a return is filed and no business activity has been reported (nil return); or
- a return is filed and the amount owing on the return equals the payment made on filing.

You can also pay the outstanding amount online at [cra.gc.ca/mypayment](http://cra.gc.ca/mypayment).

#### Statement of arrears

The statement of arrears for GST/HST is no longer being issued. To check your up-to-date account balance and transactions, or to request your personalized remittance voucher, go to [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

## When can you expect your refund?

As long as you have included all the necessary information and completed your return correctly, your refunds of net tax claimed on your GST/HST returns will be processed with the least possible delay. We usually process paper returns in about four weeks and electronically filed returns (NETFILE, TELEFILE, EDI, and GIFT returns) in two weeks.

### 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.

#### Note

We will not withhold refunds or rebates because of outstanding T2 corporate income tax returns under the *Income Tax Act* for tax-exempt incorporated municipalities, universities, schools, hospitals, non-profit organizations, federal Crown corporations, Indian band councils, and municipal corporations and their subsidiaries.

### Refund off-sets

If you have any outstanding amounts owing 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 that you are entitled to may be used to pay that outstanding amount. Any difference will be refunded to you.

## What interest do we pay on overpayments and refunds?

We will pay you interest, compounded daily, on an overpayment or refund of net tax claimed on a GST/HST return **beginning** from the **later** of:

- 30 days after the day you file the return in which you claim the refund;
- 30 days after the day after the end of the reporting period that is covered by that return; and
- the date of the payment that created the overpayment.

The calculation of interest we pay **ends** on the day the refund is paid or applied. The interest rate we will use is equal to the basic rate plus 2%. The interest rate for corporations is equal to the basic rate, which is based on the rate charged on 90-day Treasury bills, adjusted quarterly, and rounded up to the nearest whole percentage.

## What penalties and interest do we charge?

### Penalties

#### Failure to file

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:

a) 1% of the amount owing; **plus**

b) the result of the following calculation:

$$\begin{array}{rcl} 25\% \text{ of the amount} & & \text{the number of complete} \\ \text{calculated in (a)} & \times & \text{months that the return is} \\ & & \text{overdue (to a maximum of} \\ & & \text{12 months)} \end{array}$$

#### Demand to file

If you receive a demand to file a return and do not do so, a penalty of \$250 will be charged.

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

#### Failure to file electronically

Certain registrants must file their returns electronically (see "Mandatory electronic filing" on page 33). A penalty will apply if you are required to file electronically and you do not do so.

The first time you fail to file your return electronically you will be charged \$100. Each later occurrence will result in a \$250 penalty.

There are additional penalties, which can be significant, for failing to correctly report certain amounts and information on an electronically filed return, if they are not included, are under/over-reported, or are otherwise reported incorrectly. These amounts include:

- recaptured input tax credits (RITCs);
- grandparented sales of housing in Ontario, Nova Scotia, New Brunswick, British Columbia, Prince Edward Island, and Newfoundland and Labrador where the total sales price of the housing (including any amount for any other taxable supply made to the person of an interest in the grandparented housing) was \$450,000 or more (for more information, see "Line 1100" on page 84);
- resales of housing that are subject to the HST at 13% in Ontario, 15% in Nova Scotia, New Brunswick, Newfoundland and Labrador, or Prince Edward Island, or 12% in British Columbia, where the housing was originally purchased on a grandparented basis;
- the transitional tax adjustment; and
- provincial transitional new housing rebates.

For these specific amounts, the penalties will generally be 5% of the difference between what is reported and what should have been reported plus 1% per month until the amounts are corrected (to a maximum of 10%).

For more information, see Info Sheet GI-118, *Builders and GST/HST NETFILE*, which provides step-by-step instructions to complete the GST/HST NETFILE return. It also explains the assessment, penalty and interest consequences for builders who do not report information and file their return according to the rules for electronic filing.

## Interest

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

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.

You can request an interest review or a statement of interest online, by selecting “Enquiries service” at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or through [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

### Note

You cannot claim an income tax deduction for interest paid or payable for outstanding GST/HST amounts.

## How do you change a return?

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

If you forgot to include an amount in your ITCs, include the omitted amount on your next return, in your **line 108** calculation if you are filing electronically or on **line 106** if you are filing a paper 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 19.

If you need to increase the amount of the GST/HST charged or collected, or you have incorrectly reported recaptured ITCs, you can adjust your return at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

You can also send a letter to your tax centre indicating your GST/HST business number, the GST/HST reporting period to be amended and the corrected amounts per line number on your GST/HST return. Make sure the letter is signed by the owner, or an authorized representative for whom we have the correct level of authorization and includes the name and telephone number of a person we can contact if needed.

## Enquiries service

You can view answers to common enquiries online, or ask an account-related question online and we will provide an answer online. Use the “Enquiries service” to make an online request (for example, to order remittance vouchers), or submit an enquiry about a GST/HST return or rebate.

We will try to respond within 10 business days, depending on the complexity of the question. To view the response, use either the “View mail” service or access the Message Centre.

To access these services, go to [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

## What is the Voluntary Disclosures Program?

The Voluntary Disclosures Program (VDP) allows you to come forward and correct inaccurate or incomplete information or to disclose information you had not previously reported to us.

You may avoid penalties and prosecution if you make a valid disclosure before you become aware of any compliance action being initiated against you by us. You will only have to pay the taxes owing plus interest.

A disclosure is valid if it:

- is voluntary;
- contains complete information;
- involves the application or the potential application of a penalty; and
- generally includes information that is more than one year overdue.

The VDP provides an avenue for you to correct past errors and omissions and become compliant with tax laws.

For more information, go to [cra.gc.ca/voluntarydisclosures](http://cra.gc.ca/voluntarydisclosures) or see Information Circular IC00-1R4, *Voluntary Disclosures Program* or GST/HST Memorandum 16.3, *Cancellation or Waiver of Penalties and/or Interest*.

## Director’s liability

When a corporation fails to remit net GST/HST owing, the directors may be liable to remit that amount.

## What records should you keep?

Usually, you have to keep all sales and purchase invoices and other records related to your business operations and the 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 earlier, you have to send us a written request and wait for our written approval to do so. For more information, see GST/HST Memorandum 15.1, *General Requirements for Books and Records*.

As a registrant, you also need the correct information on the invoices you **get** from your suppliers to support your ITC claims. Registered businesses should give you invoices showing their GST/HST business number and other required information as described in the chart, “Input tax credit information requirements” on page 17.

For capital property and improvements to such property, you should keep your invoices for a longer period to support any further ITC claims or tax owing in respect of future changes in use of the property.

#### Note

To verify if a supplier provided you with a valid GST/HST number, go to the GST/HST Registry at [cra.gc.ca/gsthstregistry](http://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 the GST/HST when required, and that you are entitled to all the ITCs that you claimed on your return(s).

## 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. 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, *Amount Owing Remittance Voucher*, for you to use to make your remittance. To make your remittance online, go to [cra.gc.ca/mypayment](http://cra.gc.ca/mypayment).

## How to register a formal dispute

If you think we have misinterpreted the facts or applied the law incorrectly, you have the right to object to assessments and reassessments of the GST and HST. Filing an objection is the first step in the formal process of resolving a dispute. The time limit for filing an objection is 90 days from the date on the notice.

To file an objection, fill out Form GST159, *Notice of Objection (GST/HST)*. You or your authorized representative can also submit your objection and supporting documents online at My Account, My Business Account, or Represent a Client, by selecting the “Submit documents” service.

For more information about objections and appeals to your GST/HST assessment or reassessment, go to [cra.gc.ca/resolvingdisputes](http://cra.gc.ca/resolvingdisputes).

## Instalment payments

### Who has to make instalment payments?

If you are an annual filer and your net tax for the previous fiscal year was **\$3,000 or more**, and your net tax for the current fiscal year is **\$3,000 or more**, you have to make quarterly instalment payments during the current fiscal year, even if you have a rebate that reduces your amount owing to less than \$3,000. If you do not remit instalments, you may incur penalty and interest.

To calculate your instalment payments and view the related due dates, go to [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount).

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

#### Note

If you estimate your instalments based on your **current** year and the instalment payments you make are less than the amount you should have paid, we will charge instalment interest on the difference.

#### Example

You are a corporation with a December 31 fiscal year-end. Your net tax for the 2016 fiscal year was \$4,000. You estimate that your net tax for 2017 will be \$3,200. We will calculate your quarterly instalments at \$1,000 each ( $\$4,000 \div 4$ ). However, if you choose to base your instalments on your estimate for 2017, you can make quarterly payments of \$800 ( $\$3,200 \div 4$ ). Your first instalment is due April 30, 2017. The balance of your net tax for 2016 was due one month earlier, on March 31, 2017.

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 on **line 110** of your return.

Generally, 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.

## New registrants and instalments

If you are a **new registrant** and an annual filer, you may have to make instalment payments during your next fiscal year even if your net tax is less than \$3,000. This could happen if your first year of filing for GST/HST is less than a full fiscal year. To determine if you need to do this, estimate what your net tax will be for your next fiscal year by prorating your net tax from your short fiscal year.

Divide the net tax for the first short fiscal year by the number of days that you were registered in that fiscal year. Then multiply this amount by 365. If the estimated amount is \$3,000 or more, and your net tax for the next fiscal year will be \$3,000 or more, you will need to make instalment payments in the next year.

If your net tax for the current or previous year is **less than** \$3,000, you do not need to make quarterly instalment payments in the current year. In this case, you need to file your GST/HST return and send us any GST/HST owing once a year.

### Example

You are a sole proprietor. Your first year as an annual filer began on December 12, 2016, and ended on December 31, 2016. Your net tax for those 20 days was \$200. To determine if you need to make instalment payments in 2017, prorate your net tax for 2016 as follows:

$$\$200 \text{ (net tax)} \div 20 \text{ (days)} \times 365 = \$3,650$$

Since your prorated 2016 net tax is greater than the \$3,000 threshold, you will need to make equal quarterly instalment payments in 2017 if your 2017 net tax will also be \$3,000 or more. To base your instalment payments on your prorated 2016 net tax, calculate the amount of each payment as follows:

$$\$3,650 \div 4 = \$912.50$$

You have two payments due on April 30, 2017, both your net tax of \$200 for 2016 and your first instalment for 2017 of \$912.50.

## 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 2016 GST/HST return was \$3,500 and you expect it will be at least that much for 2017.

This means you have to make instalment payments throughout your 2017 fiscal 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

To calculate your instalment payments and view the due dates online, go to [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount).

To view an interim balance of payments and credits received for a period end of a return not yet processed, go to [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

## How to make instalment payments

You can make instalment payments electronically using your financial institution's online or telephone banking services. You do not need a remittance voucher to pay online.

You can also make instalment payments electronically using the My Payment option on the CRA website. My Payment allows individuals and businesses to make payments online from an account at a participating Canadian financial institution. For more information, go to [cra.gc.ca/mypayment](http://cra.gc.ca/mypayment).

Another online option is to authorize the CRA to withdraw a pre-determined payment from your bank account to pay tax on a specific date or dates. You can set up an agreement at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount).

For more information and payment options, go to "Make a payment" at [cra.gc.ca/payments](http://cra.gc.ca/payments).

## Statement of interim payments

If you make instalment payments, we will send you this statement once a year 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.

We will also send **four** copies of Form RC160, *Interim Payments Remittance Voucher*, one copy for each of your next four instalment payments.

To view the up-to-date account balance and transactions and to transfer payments, go to [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

## Instalment interest

If the instalment payments you make are equal to one quarter 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, even if your net tax for the year is more than the instalments you made.

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.

Instalment interest is calculated beginning the day after the instalment payment was due and ending on the **earlier** 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 (although interest still applies if there is an overdue balance on your GST/HST return, see “Interest” on page 37).

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

The basic rate is based on the average rate of 90-day Treasury bills sold during the first month of the previous quarter, adjusted quarterly, and rounded up to the nearest whole percentage.

### Example

Your net tax for the 2015 fiscal year was \$4,000. You estimated that your net tax for 2016 would be \$3,200. You chose to make quarterly instalments of \$1,000 each based on your 2015 net tax and you paid each one by its due date.

At the end of 2016 you calculated your net tax and it was actually \$5,500. Since your 2016 instalment payments were equal to one quarter of your net tax for 2015 you will not be charged instalment interest. You have to pay the balance of \$1,500 by the due date for your net tax for the fiscal year.

## Harmonized sales tax

The participating provinces (defined on page 8) harmonized their provincial sales tax with the GST to implement the harmonized sales tax (HST) in those provinces. For a breakdown of the HST rates for the participating provinces, go to [cra.gc.ca/gsthst](http://cra.gc.ca/gsthst) and select “GST/HST calculator (and rates)” under “Tools.”

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

### HST registration

If your business is registered for the GST, your business is also registered for the HST. As a GST/HST registrant, you have to collect and remit the HST on taxable (other than zero-rated) supplies you make in the participating provinces. You collect and remit the GST on supplies you make outside the participating provinces.

You can claim an ITC for the HST you pay when you buy property and services in a participating province to consume, use, or supply in your commercial activities, even if your business is not located in a participating province.

### Point-of-sale rebates

Vendors provide point-of-sale rebates for the provincial part of the HST on qualifying items, which are included in the following chart. On these items they only collect the 5% federal part of the HST payable.

#### Qualifying items for the point-of-sale rebate

British Columbia (July 2010 to March 2013)	Books*, children’s clothing and footwear, children’s diapers, children’s car seats, feminine hygiene products, and motor fuels
New Brunswick	Books*
Newfoundland and Labrador	Books**
Nova Scotia	Books*, children’s clothing and footwear, and children’s diapers
Ontario	Books*, children’s clothing and footwear, children’s diapers, children’s car seats, qualifying newspapers, and qualifying food and beverages
Prince Edward Island	Books*, children’s clothing and footwear, and qualifying heating oil

\* Books, for the point-of-sale rebate, include audio books, but not e-books, newspapers, magazines, catalogues, colouring books, agendas, etc.

\*\*As of January 1, 2017, the point-of-sale rebate on books is no longer available in Newfoundland and Labrador. However, certain public service bodies may be eligible for a rebate of the provincial part of the HST payable on books (even if they are not resident in Newfoundland and Labrador). For more information, see Guide RC4034, *GST/HST Public Service Bodies’ Rebate*.

If the vendor does not credit the point-of-sale rebate, the purchaser would be able to apply for a rebate of the provincial part of the HST using Form GST189, *General Application for Rebate of GST/HST*.

For a detailed description of all the qualifying items and more information on the point-of-sale rebate, go to [cra.gc.ca/gsthst](http://cra.gc.ca/gsthst), and see the following publications:

- GST/HST Info Sheet GI-060, *Harmonized Sales Tax for Ontario – Point-of-Sale Rebate on Newspapers*;
- GST/HST Info Sheet GI-063, *Point-of-Sale Rebate on Children’s Goods*;
- GST/HST Info Sheet GI-064, *Harmonized Sales Tax for Ontario – Point-of-Sale Rebate on Prepared Food and Beverages*;
- GST/HST Info Sheet GI-065, *Point-of-Sale Rebate on Books*;
- GST/HST Info Sheet GI-169, *Point-of-Sale Rebate on Heating Oil*; and
- Guide RC4033, *General Application for GST/HST Rebates* (“Reason code 16”).

### How to account for point-of-sale rebates

A registrant supplier that pays or credits the rebate amount at the point of sale can account for the rebate amount on its GST/HST return in **one** of two ways. It does so either by using the total HST or by using only the federal part of the HST (5%).

### Using the total HST

To account for point-of-sale rebates using the total HST, if you are filing electronically, include the total HST collected or collectible in your **line 105** calculation and claim an adjustment for the rebate amount you paid or credited in your **line 108** calculation. If you are filing a paper GST/HST return, show the total HST on **line 103** and claim an adjustment for the rebate amount on **line 107**.

### Using only the federal part of the HST (5%)

To account for point-of-sale rebates using only the federal part of the HST, if you are filing electronically, include only the federal part (5%) of the HST collected or collectible in your **line 105** calculation and do not claim an adjustment for the rebate amount paid or credited in your **line 108** calculation. If you are filing a paper GST/HST return, show the net amount by including only the federal part (5%) of the HST on **line 103** and do **not** make an adjustment for the rebate amount on **line 107**.

## Ontario First Nations point-of-sale relief

The Government of Ontario made regulations under the *Retail Sales Tax Act of Ontario*, that allow for point-of-sale relief equal to the 8% provincial part of the HST to be provided to Indians, Indian bands, and councils of an Indian band for purchases of qualifying property and services made off a reserve. This relief is referred to as the Ontario First Nations point-of-sale relief.

As a result, GST/HST registrant suppliers in Ontario may credit an amount equal to the 8% provincial part of the HST at the point-of-sale.

For information on what property or services qualify, who is eligible, and the documents required to support the amounts credited, go to the Ontario Ministry of Finance website at [fin.gov.on.ca/en/guides](http://fin.gov.on.ca/en/guides). You can see these regulations at [e-laws.gov.on.ca](http://e-laws.gov.on.ca).

## How to account for the Ontario First Nations point-of-sale relief

A GST/HST registrant supplier that credits amounts for the Ontario First Nations point-of-sale relief would:

- include the amount of HST collected or collectible for these supplies at the **full 13%** rate in the **line 105** calculation if filing electronically or on **line 103** if filing a paper GST/HST return;
- report the amounts credited at the point of sale on **line 111**, whether submitting the rebate Form GST189 electronically with the GST/HST return or by mail; and
- submit Form GST189, *General Application for Rebate of GST/HST*, reason code 23. This can be submitted electronically with your GST/HST return either through GST/HST NETFILE at [cra.gc.ca/gsthst-netfile](http://cra.gc.ca/gsthst-netfile), or through [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount), or [cra.gc.ca/representatives](http://cra.gc.ca/representatives). On Form GST189, indicate in Section II of Part C the reporting period in which the amounts credited at the point of sale have been offset on **line 111**.

### Note

If you file your GST/HST return electronically and send in a paper GST189 rebate claim for reason code 23, Form GST189 is due on or before the due date of the GST/HST return where you have reported the credit on **line 111**.

For more information, see GST/HST Info Sheet GI-106, *Ontario First Nations Point-of-Sale Relief – Reporting Requirements for GST/HST Registrant Suppliers*.

### Note

You have to file a separate Form GST189 for each reason code.

## Tax on supplies of property and services made in provinces – place of supply rules

Specific rules apply to determine whether a supply that is made in Canada is made in or outside of a participating province. The province of supply then determines whether suppliers must charge the HST, and if so, at which rate. Unless otherwise indicated, the supplies referred to throughout the section are taxable (other than zero-rated) supplies.

The following sections explain the place of supply rules and tax on property and services brought into a participating province. For more information on the place of supply rules, see Draft GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province*. For more information on tax on property and services brought into a participating province, see GST/HST Notice 266, Draft GST/HST Technical Information Bulletin, *Harmonized Sales Tax – Self-assessment of the provincial part of the HST in respect of property and services brought into a participating province*.

## Goods

### Sales

You collect the HST if you sell goods and deliver or make them available to the customer in a participating province. Goods are also considered to be delivered in a province if you:

- ship the goods to a destination in the province that is specified in the contract for carriage of the goods;
- transfer possession of the goods to a common carrier or consignee that you retain on behalf of the customer to ship the goods to such a destination; or
- send the goods by courier or mail to an address in the province.

### Example

You are a supplier of office furniture in Ontario. In August, 2016, you sold a desk to a customer from Nova Scotia and you delivered it to the customer there. The HST rate of 15% applies to the furniture.

### Rentals and leases of goods – Three months or less

You collect the HST if you rent or lease goods to a customer that has continuous possession or use of the goods for **three months or less**, and you deliver the goods or make them available to the customer in a participating province.

#### Note

For more information regarding the circumstances in which goods are considered to be delivered in a province, see “Sales” on the previous page.

#### Example

In July 2016, you rented a video camera that you picked up at the supplier’s premises in Nova Scotia to use while travelling through several provinces. The rental agreement was for two weeks. Since Nova Scotia is the place of supply, the HST rate of 15% applies on the rental.

### Rentals and leases of goods – 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 lease interval to which a particular payment is attributable.

Generally, the supply for each lease interval is considered to be made in the province where the goods are 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 Ontario. The consulting firm makes monthly lease payments (monthly lease intervals). The photocopier is usually stored and maintained at the firm’s office in Ontario. During the second year of the lease, the firm expands its operations to Alberta and relocates the photocopier to the firm’s new office in Alberta, with the agreement of the national leasing company. In this case, the monthly payments are subject to the HST at 13% (the HST rate in Ontario) where the photocopier is ordinarily located in Ontario at the beginning of the month. The monthly lease payments are subject to the GST at 5% where the photocopier is ordinarily located in Alberta at the beginning of the month.

For information on sales, rentals, or leases of motor vehicles that have to be registered in a particular province, see “Rules for motor vehicles” on page 47.

### Services – general rules

The general place of supply rules for services are subject to specific place of supply rules for certain services that are explained in the following sections.

A supply of a service is generally made in a province where the supplier obtains a home or business address of the recipient in the ordinary course of its business and that address is situated in that province. Where the supplier does not obtain any home or business address of the recipient in the ordinary course of its business, but obtains another single address in Canada of the recipient, that address will be used in determining the place of supply.

For more information on determining the place of supply of a service where multiple Canadian addresses of the recipient are obtained, or where a more specific place of supply rule applies, see Draft GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province*.

#### Example

An accounting firm in Calgary, Alberta is hired by a company located in London, Ontario. The accounting firm obtains only one address of the company, the business address in London, Ontario, as part of its ordinary information management practices. Because the only business address of the recipient that is obtained by the supplier in the ordinary course of its business is London, Ontario, the service will be subject to the HST at 13%.

Where, in the ordinary course of its business, the supplier does not obtain a Canadian address of the recipient, the supply of services is made in a participating province if the services that are performed in Canada are performed primarily in the participating provinces. The supply is made in the province in which the greatest proportion of the service is performed.

#### Example

A human resources consulting firm with offices in a number of provinces is hired to conduct an executive search in Ontario and Alberta for a Seattle-based company. The consulting firm does not obtain a Canadian address of the recipient of the supply.

Seventy percent of the services performed in Canada are performed in Ontario and 30% in Alberta. If the service is not zero-rated, the entire service will be subject to the HST at 13%, the rate for Ontario, where the greatest proportion of the service is performed.

In the case where the greatest proportions of the service are performed equally in two or more participating provinces and it therefore cannot be determined in which participating province the greatest proportion of the service is performed, the HST will apply at the rate that is highest among those participating provinces.

If the services are performed primarily in the non-participating provinces or are performed equally in participating and non-participating provinces, the supply of services is made in a non-participating province and will be subject to the GST at 5%.

### Personal services

A personal service, generally, is a service, that is all or substantially all (90% or more) performed in the physical presence of the individual to whom the service is rendered. For example, a hair cutting service performed at a hair salon located in Sudbury, Ontario will be subject to the HST at 13%.

A personal service does not include an advisory, consulting, or professional service.

The following rules apply to personal services:

- If the service is performed primarily (more than 50%) in the participating provinces, the supply will be subject to the HST. The supply is made in the participating province where the greatest proportion of the service is performed and the HST rate for that province will apply.
- If the service is equally performed in two or more participating provinces, the HST will apply at the rate that is highest among those provinces.
- If the service is performed primarily in the non-participating provinces or if it is performed equally in non-participating provinces and participating provinces, the supply is made in a non-participating province and will be subject to the GST at 5%.

#### Example

A service of providing an interpretative tour of the Canadian Shield is performed 50% in Ontario and 50% in Manitoba. Because the service is performed equally in a non-participating province (Manitoba) and a participating province (Ontario), the supply of the service is **made in a non-participating province**. The GST charged on the service is 5%.

### Services in relation to real property

The following rules apply to services in relation to real property:

- If the service relates to real property in Canada that is situated primarily (more than 50%) in the participating provinces, the service will be subject to the HST. The supply of the service is made in the participating province where the greatest proportion of the property is situated, and the applicable HST rate for that province will apply.
- If the greatest proportions of the real property are situated in two or more participating provinces and it therefore cannot be determined in which participating province the greatest proportion of the real property is situated, HST will apply at the rate that is highest among those participating provinces.
- If the service relates to real property in Canada that is situated primarily in the non-participating provinces, or if it is situated equally in non-participating provinces and participating provinces, the supply of the service is made in a non-participating province and will be subject to the GST at 5%.

#### Example

A property management company is hired to provide property management services for real property situated in three provinces (40% in Ontario, 40% in Nova Scotia, and 20% in Alberta). If a single supply is being made, the supplier will charge HST at the Nova Scotia rate of 15% because the real property is situated primarily (more than 50%) in two participating provinces, and the highest rate for the two participating provinces is 15%.

### Services in relation to tangible personal property that remains in the same province while the service is performed

Generally, a service in relation to tangible personal property (TPP) that remains in the same province while the Canadian element of the service is performed will be subject to the HST (at the applicable rate for that province) if the property is situated primarily in a participating province.

If the TPP is situated primarily in the participating provinces when the Canadian element of the service is performed, but not all of this property is situated in a single participating province, the supply of the service is made in the participating province where the greatest proportion of the property is situated.

If the greatest proportions of the TPP are equally situated in two or more participating provinces, the HST will apply at the rate that is highest among those participating provinces.

#### Example

A national appliance repair company is hired to provide repair services in respect of TPP situated in three provinces (40% in Nova Scotia, 40% in Saskatchewan and 20% in Ontario). Nova Scotia has an HST rate of 15%, Saskatchewan has a GST rate of 5%, and Ontario has an HST rate of 13%.

Assuming a single supply is being made, the repair company will charge the HST at 15%. This rate applies because the TPP is situated primarily (60%) in the participating provinces of Nova Scotia and Ontario, and Nova Scotia is the participating province in which the greatest proportion of the TPP is situated.

Generally, a service in relation to TPP will be subject to the GST:

- if the Canadian element of the service is performed while the TPP is situated primarily in the non-participating provinces; or
- if the Canadian element of the service is performed while the TPP is situated equally in non-participating provinces and participating provinces.

#### Example

A national appliance repair company is hired to provide repair services in respect of TPP situated in three provinces (40% in Saskatchewan, 40% in Ontario and 20% in Manitoba). Assuming a single supply is being made, the repair company will charge GST at 5% since the TPP is situated primarily in the non-participating provinces of Saskatchewan and Manitoba.

### Note

Other rules apply for situations not discussed in this section, such as services in relation to TPP where the property is moved to another province while the Canadian element of the service is performed. Additionally, there are separate rules for other types of services, such as telecommunications services, postal services and transportation services. For more information, see Draft GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province*.

## Intangible personal property – general rules

The general place of supply rules for intangible personal property (IPP) are subject to specific place of supply rules for certain types of IPP that are explained in the following sections.

Generally, a supply of IPP is made in a participating province where:

- the Canadian rights (that part of the IPP that can be used in Canada) can only be used primarily in the participating provinces; and
- the greatest proportion of those Canadian rights can only be used in that participating province.

### Example

The sale of a franchise to operate a retail establishment and sell the franchisor's product in Sydney, Nova Scotia is subject to the 15% HST rate for Nova Scotia.

Where the Canadian rights can only be used primarily in the non-participating provinces, the supply is made in a non-participating province.

Where the supply is not determined to be made in a province under the previous rules, the supply is generally made in the province where:

- the IPP is purchased by the recipient or the recipient's agent from a permanent establishment of the supplier or a vending machine in a particular province, if the IPP costs \$300 or less and the rights can be used in that province; or
- the supplier, in any other case, has obtained a home or business address for the recipient that is located in that province in the ordinary course of its business and the Canadian rights in respect of the IPP can be used in that province.

### Note

Where such a home or business address of the recipient is not obtained, but the supplier obtains another single address of the recipient in a province in which the rights can be used, the supply is made in that province. If the supplier does not obtain such an address of the recipient, the HST will generally apply at the highest rate among the participating provinces where the rights can be used.

For more information on determining the place of supply where multiple Canadian addresses of the recipient are obtained, see Draft GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province*.

### Example 1

Alex purchases a digital music album from a Canadian (or "registered") online vendor. There are no restrictions on where the music can be listened to in Canada. During the purchasing process, the supplier obtains Alex's home address in Kingston, Ontario. The supply is made in Ontario and will be subject to the HST at the rate of 13%.

### Example 2

Sarah purchases a right to download pictures from a Canadian supplier's website. There are no restrictions as to where the Canadian rights may be used. The supplier does not obtain any address from Sarah and the supply is not zero-rated. The supply is made in Nova Scotia and will be subject to the HST at the rate of 15% since this is the province in which the rate is highest among the participating provinces in which the Canadian rights can be used.

## Intangible personal property relating to real property and goods

Different rules apply for IPP relating to real property and for IPP relating to goods.

A supply of IPP that relates to **real property** is generally made in a participating province where:

- the real property in Canada is situated primarily in the participating provinces; and
- among the participating provinces, the greatest proportion of the real property is situated in that participating province.

A supply of IPP that relates to **goods** is generally made in a participating province where:

- the goods ordinarily located in Canada are ordinarily located primarily in the participating provinces; and
- among the participating provinces, the greatest proportion of the goods is ordinarily situated in that participating province.

Generally, where the IPP relates to real property situated, or goods ordinarily located, equally in two or more participating provinces, HST will apply at the highest HST rate among those participating provinces.

A supply of IPP is made in a non-participating province, if it relates to Canadian real property that is not situated primarily in the participating provinces, or to goods ordinarily located in Canada that are not ordinarily located primarily in the participating provinces.

## Tax on property and services brought into a participating province

You may have to self-assess the **provincial** part of the HST if you acquire goods, services, or IPP in a non-participating province, but you use, consume, or supply them within the participating provinces. The provincial part of the HST is 8% where the HST rate is 13%, 9% where the HST rate is 14%, and 10% where the HST rate is 15%.

You may also have to self-assess if you use, consume, or supply goods, services, or IPP in a participating province with a higher HST rate than the participating province where you acquired them.

A number of exceptions exist that may relieve you of the obligation to self-assess tax in respect of goods, services or IPP brought into a participating province from a non-participating province, or from another participating province with a lower HST rate. For example, you may not be required to self-assess the provincial part of the HST if you are a registrant and the property or service is consumed, used, or supplied exclusively (at least 90% for registrants other than financial institutions, and 100% for financial institutions) in your commercial activities.

### Note

This exception does not apply to specified motor vehicles that are brought into a participating province. For more information, see “Rules for motor vehicles” on page 47. This exception also does not apply to persons using simplified accounting (see “Simplified method for claiming ITCs” on page 27).

In addition, you will **not** have to pay the provincial part of the HST if the total tax payable for all self-assessed amounts of the provincial part of the HST for property and services brought into participating provinces is **\$25 or less** in the calendar month that includes:

- in the case of a specified motor vehicle that is required to be registered by the person who brought it into a participating province, the day on which the vehicle is registered and the day the vehicle is required to be registered, whichever is earlier; and
- in any other case, the day on which property is brought into a participating province.

For more information regarding self-assessment requirements and exceptions, see GST/HST Notice 266, Draft GST/HST Technical Information Bulletin, *Harmonized Sales Tax – Self-assessment of the provincial part of the HST in respect of property and services brought into a participating province*.

## Goods

You generally have to self-assess the provincial part of the HST when:

- you acquire 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; or
  - in a participating province and you later bring, or cause someone else to bring, the goods into another participating province for which the rate of HST is higher; and
- you consume, use, or supply the goods less than 90% in your commercial activities.

### Note

Self-assessment of the provincial part of the HST may not be required in some cases if you are a registrant and the property is consumed, used, or supplied at least 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 provincial part of the HST on the **lesser** of:

- 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 provincial part of the HST on the fair market value of the goods when they are brought into a participating province.

The tax is payable when the goods, other than in respect of most specified motor vehicles, 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 goods depending on the percentage of consumption, use, or supply in your commercial activities. For more information, see “Input tax credits” on page 19.

### Example

You are a registrant located in Ontario. You buy a \$2,000 computer in Alberta, which you bring back to Ontario. 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 the HST and remit \$160 ( $\$2,000 \times 8\%$ ). You cannot claim an ITC for this tax since you are using the computer 50% or less in your commercial activities.

For information on bringing a motor vehicle into a participating province, see “Rules for motor vehicles” on the next page.

## Services

You generally pay GST when you receive a supply of a service that is made in a non-participating province. If you are a resident of a participating province and you acquire a service in a non-participating province, you are generally required to self-assess the provincial part of the HST if the total consumption, use or supply in the participating provinces is 10% or greater.

The same rule applies for a supply of a service that is made in a participating province if the total consumption, use, or supply of the service in participating provinces with a higher rate of HST is at least 10%.

### Note

You generally do not have to self-assess the provincial part of the HST:

- if you are a registrant and the service is consumed, used, or supplied at least 90% in your commercial activities;
- in respect of certain transportation and telecommunication services;
- in respect of 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.

## Intangible personal property

If you are a resident in a participating province and you receive a supply of IPP (such as franchise rights) that is made in a non-participating province where the total use, consumption, or supply of the IPP in the participating provinces is 10% or greater, you generally have to self-assess the provincial part of the HST.

The same rule applies for a supply of IPP that is made in a participating province if the total use, consumption, or supply of the IPP in participating provinces with a higher rate of HST is at least 10%.

### Note

You generally do **not** have to self-assess the provincial part of the HST if you are a registrant and the IPP is used, consumed or supplied 90% or more in your commercial activities.

## Self-assessing for services and intangible personal property

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

$$A \times B \times C$$

where:

**A** is:

- the provincial part of the HST in the participating province where consumption, use or supply is to occur, where a supply of a service or IPP was originally made in a non-participating province; or
- for a supply of a service or IPP that was made in a participating province that is for consumption, use, or supply in another participating province for which the rate of HST is higher, the difference between the rate of HST in the higher-rate participating province and the rate of the participating province where the supply occurred;

**B** is the consideration for the service or IPP that is paid or payable at that time; and

**C** is the percentage that you consume, use, or supply the service or IPP in the participating province for which you are making the calculation.

The tax is payable when the payment for the service or IPP is paid or becomes due, whichever is earlier. 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 IPP to the extent that they are for consumption, use, or supply in your commercial activities.

### Example

You are a registrant who lives in Nova Scotia. You operate two retail stores, one in Ontario and one in Nova Scotia. You make both taxable and exempt supplies from your stores. In April 2016, you acquired accounting services from Help Accounting Ltd., located in Alberta, and the accounting firm determined that the place of supply is Ontario. The yearly fee charged for the service is \$5,000 + 13% HST (the HST rate for Ontario).

Sixty percent of the service relates to your Nova Scotia store and 40% relates to your store in Ontario. Using the formula for self-assessment, you would be required to self-assess \$60.

$$A \times B \times C$$

where:

**A** is 2% (% difference of provincial part of HST between Nova Scotia and Ontario);

**B** is \$5,000;

**C** is 60% use in Nova Scotia by the registrant.

$$2\% \times \$5,000 \times 60\% = \$60$$

You generally can claim an ITC for the tax that you self-assessed to the extent that the services were consumed, used, or supplied in your commercial activities.

## Rules for motor vehicles

### Sales

#### Sales by registrants

Under the general place of supply rules described on the previous pages for sales of goods, the supply of a specified motor vehicle by way of sale is made in a province if the supplier delivers the vehicle or makes it available in the province to the recipient of the supply.

The application of this place of supply rule is generally based on the province in which legal delivery of the vehicle to the recipient occurs.

However, for purposes of this rule, a vehicle is also deemed to be delivered in a province if the supplier:

- ships the vehicle to a destination in the province specified in the contract for carriage of the vehicle; or
- transfers possession of the vehicle to a common carrier or consignee that the supplier has retained on behalf of the recipient to ship the vehicle to the province.

In addition, a special place of supply rule in respect of specified motor vehicles deems the sale of a motor vehicle to be made in a particular province in which the vehicle is registered, other than temporarily, if that registration occurs no more than seven days after the day the vehicle is delivered to the recipient in a participating province (other than the particular province) and the supplier maintains satisfactory evidence of that registration.

You may have to pay the provincial part of the HST when you bring a vehicle into a participating province from another province or from outside Canada and you were not required to pay the provincial part of the HST at the rate for the participating province in respect of the supply or taxable importation of the vehicle.

You generally have to pay the provincial part of the tax when you register your vehicle. Your provincial motor vehicle registration office will collect the provincial part of the HST for the CRA. If you are not required to register the vehicle, you may still have to pay the provincial part of the HST directly to the CRA by self-assessment **on your GST/HST return**.

You generally have to self-assess the provincial part of the HST for a motor vehicle, or an amount of the provincial part of the HST, that reflects the difference in the HST rates between the provinces, if you:

- bring the vehicle from a province with a lower HST rate or a non-participating province; or
- import the vehicle into the participating province and the provincial laws relating to motor vehicle registration do not require you to register the motor vehicle in that province.

For more information, including examples of various situations, see GST/HST Info Sheet GI-119, *Harmonized Sales Tax – New Place of Supply Rule for Sales of Specified Motor Vehicles*.

#### Sales by a non-registrant

When you buy a motor vehicle from a non-registrant and the sale is not taxable, you generally have to pay a special provincial levy when you register the vehicle in the participating province. The province determines the rate of the levy. The provincial levy applies whether you bought the vehicle in a participating province or you bought it in a non-participating province and brought it into a participating province.

For more information, see Guide 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 for a rental of goods for **three months or less** also apply to rentals of motor vehicles. For more information, see “Tax on supplies of property and services made in provinces – place of supply rules” on page 41.

### 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 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 Manitoba leases you a car for 24 months with monthly lease payments. You registered the vehicle in Ontario on August 1, 2016. Each of the lease payments is subject to the HST if the car stays registered in Ontario. If, in the middle of the eighteenth month, you move to Manitoba, the six remaining monthly lease payments are subject to the GST.

## Special cases

### Coin-operated machines

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

The price of these goods, services, or rights to use the machine includes the GST/HST. You are considered to have collected the GST/HST when you remove the money from the vending or coin-operated machine.

### Example

You collect \$100 from your coin-operated machine in Saskatchewan. Multiply that amount by 5/105 to determine the GST collected:

$$\$100 \times 5/105 = \$4.76 \text{ GST}$$

However, the GST/HST is equal to zero on a supply of goods, services, or right to use a machine 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 goods, services or right. 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.

The above rule does not apply to machines that accept coins of more than 25¢ (such as \$1 or \$2 coins) or machines that accept more than one coin as the amount payable for the good, service, or right.

#### 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 the GST/HST.

## Coupons, rebates, gifts, and promotional allowances

### Reimbursable coupons

Reimbursable coupons are usually called **manufacturers' coupons**. They entitle the customer to a reduction of a fixed dollar amount on the purchase price. Vendors can expect to be reimbursed an amount by the manufacturer or another third party for accepting these coupons from customers. The value of the coupons includes the GST/HST when used to purchase taxable supplies (other than zero-rated supplies).

When you, as a vendor, accept a reimbursable coupon from a customer, you treat the coupon the same as cash. If the purchase is subject to tax, you charge the 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.

The **tax fraction** for the GST is 5/105, and the tax fraction for the HST is:

- 13/113 where the rate of 13% applies;
- 14/114 where the rate of 14% applies; and
- 15/115 where the rate of 15% applies.

For example, a coupon for \$1 off the selling price includes:

- 5¢ for the GST ( $\$1 \times 5/105$ );
- 12¢ for the HST ( $\$1 \times 13/113$ ) where the rate of 13% applies;
- 12¢ for the HST ( $\$1 \times 14/114$ ) where the rate of 14% applies; or
- 13¢ for the HST ( $\$1 \times 15/115$ ) where the rate of 15% applies.

The manufacturer reimburses you for the coupon value of \$1, which includes the GST/HST.

### Example

You operate a pharmacy in Alberta. A customer buys shampoo for \$10 and has a reimbursable coupon for \$1. You charge and remit 50¢ GST and get \$1 reimbursed by the manufacturer, which includes 5¢ GST.

Your invoice would show:

Price of the shampoo .....	\$10.00
Plus GST ( $\$10 \times 5\%$ ).....	<u>.50</u>
Subtotal .....	\$10.50
Less coupon.....	<u>(1.00)</u>
<b>Customer pays .....</b>	<b><u>\$9.50</u></b>

If the customer is a GST/HST registrant and uses coupons to make purchases for their commercial activities, they can claim an ITC equal to the total GST/HST paid on the purchases less the tax fraction of the coupon value. They can claim an ITC of 45¢:  $50¢ - (\$1 \times 5/105)$ .

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

### 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 in the price for a fixed dollar amount or a fixed percentage amount. As the issuer, you have the option to include the GST/HST in the value of the coupons, when the coupons are used to purchase taxable goods or services (other than zero-rated goods or services).

**If you choose to include the GST/HST** in the value of the coupons, you treat them the same way as reimbursable coupons. This means that you charge and remit the GST/HST on the full price of the good or service and you can claim an ITC calculated on the tax fraction of the coupon value. Your coupon should state that the GST/HST is included in the value.

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

### Example

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

Price of the item.....	\$25
Less coupon value.....	<u>(5)</u>
Subtotal .....	\$20
Plus GST ( $\$20 \times 5\%$ ).....	<u>1</u>
<b>Customer pays .....</b>	<b><u>\$21</u></b>

In this case, when you file your GST/HST return, report the GST/HST you charged on the net price, which is the price after you deducted the coupon value (\$1 GST in the above example). **You cannot claim ITCs for coupons you issue that do not include the GST/HST.**

### Other coupons

Other coupons (whether reimbursable or not) that are not for a fixed dollar amount 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 boxes);
- 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 the GST/HST is added. Therefore, deduct the value of the coupons from the selling price before calculating the GST/HST.

### Manufacturers' rebates

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 the GST/HST collected on the full selling price of the taxable goods or services without deducting the value of the manufacturer's rebate.

The GST/HST rules for manufacturers' rebates apply when:

- the supply of goods or services to the customer is made either directly by the manufacturer or by another person such as a retailer; and
- the customer is made aware in writing that the rebate includes the GST/HST.

#### Example

A customer buys a package of batteries in your hardware store in Saskatchewan for \$10 plus the GST. Inside the package is an application for a \$2 rebate to complete and mail to the manufacturer. You collect and remit tax on \$10, the full price of the batteries. The customer completes the rebate application and mails it to the manufacturer. Once the manufacturer receives the application it 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 the GST/HST on the full retail price before deducting the rebate amount.

#### Example

An automobile dealership in Alberta sells an automobile to a customer for \$20,000 plus \$1,000 GST. The dealer informs the customer that the manufacturer is providing a \$1,050 tax included rebate. The customer uses the rebate to reduce the payment for the automobile.

Selling price.....	\$20,000
Plus GST (\$20,000 × 5%).....	<u>1,000</u>
Subtotal.....	\$21,000
Less rebate.....	<u>(1,050)</u>
<b>Customer pays.....</b>	<b><u>\$19,950</u></b>

When the manufacturer pays a rebate, it has the option of providing, along with the rebate, written indication that the rebate includes GST/HST. If the customer receiving the rebate is a registrant who is entitled to claim an ITC or a GST/HST rebate on the purchase, and the manufacturer provides written indication that GST/HST is included in the rebate, the customer will have to remit an amount of GST/HST.

This amount is generally calculated by multiplying the rebate amount by one of the following tax fractions, as applicable:

- the GST is equal to 5/105;
- the HST is equal to:
  - 13/113 where the rate of 13% applies;
  - 14/114 where the rate of 14% applies; and
  - 15/115 where the rate of 15% applies.

If the manufacturer pays a rebate to a customer and provides written indication that the rebate includes GST/HST, the manufacturer can claim an ITC in the reporting period in which it paid the rebate. The ITC is determined by multiplying the rebate amount by one of the above fractions, as applicable.

If the manufacturer chooses not to provide written indication that the rebate includes GST/HST, the manufacturer will not claim an ITC and the customer will not be required to remit any amounts of GST/HST.

### Gift certificates

A gift certificate (including gift cards and online gift certificates) is generally a voucher, receipt, or ticket that:

- has a stated monetary value or is for a particular supply of property or a service;
- is issued or sold for consideration;
- is accepted as payment or partial payment of the consideration for a supply of property or service;
- has only to be presented as a means of payment without any other obligation imposed on the holder; and
- has no intrinsic value.

Do not collect the GST/HST on the sale of a gift certificate. When a customer gives you a gift certificate towards a purchase, calculate the 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 in Alberta for \$100, and the purchaser gives you a \$20 gift certificate toward the purchase.

Price of item.....	\$100
Plus GST (\$100 × 5%).....	<u>5</u>
Subtotal .....	\$105
Less gift certificate.....	<u>(20)</u>
<b>Customer pays.....</b>	<b><u>\$ 85</u></b>

For more information about gift certificates, see GST/HST Policy Statement P-202, *Gift Certificates*.

**Promotional gifts and free samples**

Do not charge the GST/HST on promotional gifts that 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 paid or payable on your purchases to supply these gifts as long as they relate to commercial activities. Where the purpose of the gift is to promote making an exempt supply, you will not be able to claim an ITC to recover the GST/HST paid or payable on any purchases related to that gift.

**Promotional allowances**

Promotional allowances are amounts given by a manufacturer to a retailer to promote goods purchased from the manufacturer, exclusively for resale by the retailer in its commercial activities. The promotional allowance is not considered to be payment for a supply made by the retailer to the manufacturer providing the allowance. In other words, the retailer is not considered to have provided a promotional service. 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 shampoo to a retailer in Manitoba, two of which are given free to promote the goods. The deduction appears on the face of the invoice, and the GST applies on the reduced price.

12 cases at \$10 each .....	\$120
Less 2 free cases .....	<u>(20)</u>
Subtotal before tax.....	\$100
Plus GST (\$100 × 5%).....	<u>5</u>
<b>Retailer pays .....</b>	<b><u>\$105</u></b>

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 or debit note.

For more information, see “Returned goods” on page 69.

If the allowance is given as a discount against the goods at the time of purchase, the 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, see “Manufacturers’ rebates” on the previous page.

**Deposits and conditional sales**

**Deposits**

Do not collect the GST/HST when a customer gives you a deposit towards a taxable purchase. Collect the 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 the GST/HST. If the customer is a GST/HST registrant, the customer can claim an ITC for the GST/HST paid on the forfeited deposit.

Calculate the GST/HST on the forfeited deposit as follows:

- the GST is equal to the forfeited amount multiplied by 5/105; and
- the HST is equal to the forfeited amount multiplied by:
  - 13/113 where the rate of 13% applies;
  - 14/114 where the rate of 14% applies; and
  - 15/115 where the rate of 15% applies.

**Example**

A customer gives you a deposit of \$50 towards the purchase of an item that is taxable at 5% GST, but does not pay the balance owing and forfeits the deposit. We consider you to have collected the GST equal to 5/105 of the forfeited deposit. As a result, you have to include GST of \$2.38 (\$50 × 5/105) 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, the HST collected is equal to:

- \$5.75 (\$50 × 13/113) where the HST rate of 13% applies;
- \$6.14 (\$50 × 14/114) where the HST rate of 14% applies; or
- \$6.52 (\$50 × 15/115) where the HST rate of 15% applies.

### Exception

These rules do not apply to deposits for returnable beverage containers. For more information, see “Returnable beverage containers” on page 68.

## 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 when the purchase price has been paid in full. 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 have to include the tax in your net tax calculation for the reporting period that includes the earlier of:

- the date you issued the invoice; and
- the date you received payment.

Any amount of tax that has not been paid or invoiced by the end of the month following the date you transferred possession or ownership of the goods (whichever is earlier) is considered due at that time and has to be included in your net tax calculation at that time.

## Employees and partners

### Employee benefits

You may be considered to have collected the GST/HST on supplies of non-cash taxable benefits you give 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 the 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 have to do this, calculate the GST/HST for the taxable employee benefits at the end of February following the year in which you gave the benefit. This matches 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.

For more information, see Guide T4130, *Employers’ Guide – Taxable Benefits and Allowances*.

## 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. The rebate is deducted from the tax payable 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. Examples of eligible expenses include travel, meals, professional dues, and legal and accounting fees.

Employees and partners who do not receive a reasonable allowance or reimbursement on eligible employment expenses or who have to include allowances in their income are also eligible for 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 to by us. The amount you calculate as a rebate on Form GST370 is **claimed** on **line 457** of your income tax return.

Rebate amounts that you receive must also be **reported** as income on your income tax return. For more information, see Guide T4044, *Employment Expenses* or Guide 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 a continuous transmission commodity that is being transported by means of a wire, pipeline, or other conduit) that are supplied in Canada are zero-rated (taxed at 0%) if the supplier:

- ships the goods to a destination outside Canada that is specified in the contract for carriage of the goods;
- transfers possession of the goods to a common carrier or consignee that either the supplier or the purchaser’s employer retained for the purchaser to ship the goods to a destination outside Canada; or
- sends the goods by mail or courier to an address outside Canada.

If the purchaser takes delivery of the goods (other than excisable goods such as beer, spirits, wine, and tobacco products) in Canada, your supply of the goods may still be zero-rated if **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 soon 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.

- The goods are not further processed, transformed, or altered in Canada after the goods are acquired and before they are exported, except to the extent reasonably necessary or incidental to transport them.
- You keep satisfactory evidence, for audit purposes, that the purchaser has exported the goods.
- 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.

You generally have to charge (and the purchaser has to pay) the GST/HST on taxable supplies if the above conditions are **not** met.

### 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, 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 Memorandum 4.5.2, *Exports – Tangible Personal Property*.

### Export Distribution Centre Program

Under the Export Distribution Centre Program (EDCP), authorized export-oriented, non-manufacturing businesses can use a certificate to acquire or import most inventory and parts, or to import a customer's goods for processing, without paying the 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, send us a completed 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 the GST/HST on services you perform wholly outside Canada, or on services that relate to real property situated outside Canada.

Services you perform on temporarily imported goods (except transportation services) may be zero-rated. 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 may also be zero-rated.

Certain services provided to a non-resident person that are performed wholly 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 in 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 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 upon its completion;
- services of an agent acting for a non-resident person when the service relates to a zero-rated property or service, or if the supply to or by the person is made outside Canada; and
- 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 person is made outside Canada.

The above list is not exhaustive. For more information, see GST/HST Memorandum 4.5.3, *Exports – Services and Intellectual Property*.

Under proposed changes, certain exported supplies of call centre services may be zero-rated. Specifically, the supply of a service of rendering technical or customer support to individuals by means of telecommunications (for example, by telephone, email, or web chat) will generally be zero-rated if:

- the service is supplied to a non-resident person that is not registered for GST/HST purposes;
- the non-resident person is not a consumer of the service; and
- it can reasonably be expected at the time the supply is made that the technical or customer support is to be rendered primarily to individuals who are outside Canada at the time the support is rendered to those individuals.

Some such supplies will be excluded from being zero-rated, including a supply of an advisory, consulting, or professional service.

This measure will apply to supplies made after March 22, 2016. It will also apply to supplies made on or before March 22, 2016 where the supplier did not, on or before that day, charge, collect, or remit an amount as or on account of GST/HST in respect of the supply.

### Exported intangible personal property

Supplies of intangible personal property (IPP) made in Canada to non-residents who are not registered for the GST/HST are generally zero-rated. The exceptions are:

- a supply made to an individual who is in Canada when the supply is made;
- a supply of IPP that relates to real property in Canada or to tangible personal property that is ordinarily situated in Canada;
- a supply of IPP that relates to a supply of a service that is made in Canada. However, if that service is zero-rated as an export, a transportation service, or a financial service, the supply of IPP related to that service may also be zero-rated;
- a supply of IPP that can only be used in Canada; and
- a supply of making a telecommunications facility that is IPP available for use in providing a telecommunication service.

For more information, see GST/HST Info Sheet GI-034, *Exports of Intangible Personal Property*.

A supply in Canada of an invention, patent, trade secret, trademark, trade name, copyright, industrial design, or other intellectual property, or any right to use such property that is made to a non-registered non-resident may also be zero-rated.

You can generally claim ITCs to recover the GST/HST paid or payable on purchases and expenses related to your zero-rated supplies of property and services. For more information, see “Input tax credits” on page 19.

### Imported goods

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

- certain zero-rated goods (goods that are specifically zero-rated when supplied in Canada, such as prescription drugs, certain 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 authorized manufacturing service companies where the goods are processed for non-residents, are later exported without being used in Canada, and where certain other conditions are met. Any parts to be used in or attached to, and materials directly consumed or expended in, processing those goods are also non-taxable. The manufacturing service companies must apply in writing for an import certificate to be able to import those goods on a non-taxable basis;
- 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 the GST/HST, but did not do so.

The 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 and taxes. The owner or importer of record is responsible for paying the GST/HST 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 by a resident of a participating province are subject to the 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 the HST on imported motor vehicles is generally paid at the time the vehicle is registered in a participating province.

Although the provincial part of the 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.

For more information, see “Tax on property and services brought into a participating province” on page 45.

## Imported services and intangible personal property

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

If you consume, use, or supply the imported services or IPP less than 90% in your commercial activities, you generally have to report the GST or the 5% federal part of the 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 IPP and is payable in the reporting period in which the amount for the service or IPP was paid or became payable.

If you are a resident in a participating province and the imported services or IPP are for consumption, use, or supply less than 90% in your commercial activities and the services or IPP are for consumption, use, or supply 10% or more in the participating provinces, you may also have to pay the provincial part of the HST on the services or IPP to the extent that the services or IPP are for consumption, use or supply in those particular provinces. For more information, see “Services” or “Intangible personal property” on page 46.

If you are a financial institution and you are a qualifying taxpayer, you may also have to self-assess the GST/HST using the special rules for financial institutions.

For more information on imported services and the special rules for financial institutions, see GST/HST Technical Information Bulletin B-095, *The Self-Assessment Provisions of Section 218.01 and Subsection 218.1(1.2) for Financial Institutions (Import Rules)*.

## If you are not a GST/HST registrant

If you are not a GST/HST registrant, you may still have to pay tax on imported services or IPP. Use Form GST59, *GST/HST Return for Imported Taxable Supplies and Qualifying Consideration*, to remit the tax. The tax is due by the end of the month following the calendar month in which the amount of consideration for the services or IPP was paid without becoming payable or became payable.

## Financial services

Financial services, as defined for GST/HST purposes, are generally exempt from GST/HST and you cannot claim ITCs for GST/HST paid on purchases used in providing these 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;
  - a share of the capital stock of a corporation or any interest in or right to such a share;
  - an insurance policy;
  - an interest or a right in respect of an interest in a partnership, a trust, or the estate of a deceased individual;
  - a precious metal; and
  - an option for the future supply of a commodity where the option is traded on a recognized commodity exchange;
- the lending or borrowing of a financial instrument;
- the payment or receipt of money as dividends (other than patronage 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.

Please note that services in the nature of management, administration, marketing, or promotional activities are not themselves financial services. Where a number of services or properties and services are provided under an agreement and you determine that a single supply is being provided, the predominant element of that supply must be established to determine the nature of the supply. If the predominant element of the single supply is a financial service, then the supply as a whole will be considered a financial service.

The supply of certain financial services is zero-rated. Examples of zero-rated financial services include the lending of money by a bank to a non-resident to purchase a house in the United States, and a supply of a financial service that relates to a life insurance policy provided by the insurer that issued the insurance policy to the extent that the policy is issued in respect of a non-resident individual.

For more information on financial services, see the following publications:

- 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 17.8, *Credit Unions*;
- GST/HST Memorandum 17.10, *Tax Discounters*;
- GST/HST Memorandum 17.14, *Election for Exempt Supplies*;
- GST/HST Technical Information Bulletin B-105, *Changes to the Definition of Financial Service*; and
- GST/HST Policy Statement P-077R2, *Single and Multiple 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. The following is an explanation of 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 the payment of financial benefits. These payments are financial services and are generally GST/HST exempt.

### Property and casualty insurance claims

Under property and casualty insurance contracts, the insurer agrees to settle a claim for loss or damage to property 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

Other than a cash settlement, an insurer can settle a loss related to damaged property by:

- repairing or replacing the damaged property; or
- compensating 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 the GST/HST and would not be entitled to claim an ITC because 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 therefore 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, the insurer can 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 to you by an insurer 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, see GST/HST Memorandum 17.16, *GST/HST Treatment of Insurance Claims*.

### Example

You are a GST/HST registrant in Manitoba who uses a car exclusively in the course of your commercial activities. You are involved in an accident with that car. You arrange to have the repairs done at the dealership for \$5,000 plus \$250 GST. Under the car insurance policy, there is a \$500 deductible. You make a cheque payable to the dealership and claim \$250 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 .....	\$5,250
Less GST (\$5,000 × 5%) .....	(250)
Less deductible .....	<u>(500)</u>
<b>Total compensation from insurer .....</b>	<b><u>\$4,500</u></b>

## Real property

Supplies of real property are generally taxable. This includes supplies by way of sale and by way of lease, licence or similar arrangement. However, there are some specific supplies of real property that are **exempt** from the GST/HST. Some examples include:

- the sale of a house, that was last used by an individual as a place of residence, where the vendor is not a builder of the house for GST/HST purposes and has not claimed any ITCs for the purchase or improvements to the house;

### Note

There are special rules that apply to builders. Generally, we use the term “builder” to refer to a person that supplies new or substantially renovated housing. A person does not have to physically carry out the construction or substantial renovation to be a builder for GST/HST purposes. For more information, see Guide RC4052, *GST/HST Information for the Home Construction Industry*.

- the sale of farmland by an individual to a relative where the farmland was only used in a farming business and the relative is purchasing the farmland for personal use and enjoyment;
- the lease of a house to an individual who occupies it as a place of residence or lodging for a continuous period of at least one month; and
- the lease of a residential unit to an individual who occupies it as a place of residence or lodging for \$20 or less a day.

For more information, see GST/HST Memoranda Series Chapter 19, *Special Sectors: Real property*.

## Sales of new housing

### New housing in British Columbia

The GST at 5% applies where tax on the sale of newly constructed or substantially renovated housing in British Columbia became payable **on or after April 1, 2013**.

In addition to the GST, the British Columbia transition tax may apply to certain sales of housing where the HST does not apply to the sale and where the construction or substantial renovation of the housing is 10% or more completed before April 1, 2013.

Where both ownership and possession of the housing were transferred to the purchaser **on or after July 1, 2010**, and the tax on the sale became payable **before April 1, 2013**, the HST at 12% generally applied to a taxable sale by a builder of newly constructed or substantially renovated housing. However, the HST did **not** apply to a **grandparented** sale.

Sales of newly constructed or substantially renovated housing were generally **grandparented** in British Columbia, where a written agreement of purchase and sale was entered into **before November 19, 2009**, and both ownership and possession transferred to the purchaser under the agreement **after June 2010**. If the sale of the housing was grandparented, the builder was not required to collect the provincial part of the HST on the sale of the housing and the GST at 5% was applied.

For more information about transitional rules for new housing, see:

- GST/HST Notice 276, *Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing*; and
- GST/HST Info Sheet GI-156, *Elimination of the Harmonized Sales Tax in British Columbia – British Columbia Transition Tax on New Housing*.

For more information about grandparented sales, see GST/HST Info Sheet GI-084, *Harmonized Sales Tax: Information for Builders of New Housing in British Columbia*.

### New housing in New Brunswick

The HST at 13% applies to a taxable sale of new housing in New Brunswick where ownership **or** possession of the housing transfers to the purchaser **before July 1, 2016**.

Generally, the HST at 15% applies to a taxable sale by a builder of newly constructed or substantially renovated housing in New Brunswick where **both** ownership and possession of the housing are transferred to the purchaser **on or after July 1, 2016**.

However, the HST at 13% applies to the taxable sale of a new or substantially renovated detached house, semi-detached house, rowhouse unit, residential condominium unit, duplex, mobile home, or floating home, where the written agreement of purchase and sale was entered into **before March 31, 2016**, and ownership and possession transfer to the purchaser **on or after July 1, 2016**. This grandparenting rule applies regardless of who the purchaser is (for example, whether the person is an individual or a corporation) and how the purchaser plans to use the housing (for example, as rental property, principal residence, or vacation property).

Owner-built houses, apartment buildings, and condominium complexes are not grandparented for purposes of the New Brunswick HST rate increase.

For more information, including information about grandparented self-supplies of housing, see:

- GST/HST Info Sheet GI-190, *New Brunswick and Newfoundland and Labrador HST Rate Increases: Sales and Rentals of New Housing*; and
- GST/HST Notice 298, *New Brunswick HST Rate Increase - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in New Brunswick*.

### New housing in Newfoundland and Labrador

The HST at 13% applies to a taxable sale of new housing in Newfoundland and Labrador where ownership or possession of the housing transfers to the purchaser **before July 1, 2016**.

Generally, the HST at 15% applies to a taxable sale by a builder of newly constructed or substantially renovated housing in Newfoundland and Labrador where **both** ownership and possession of the housing are transferred to the purchaser **on or after July 1, 2016**.

However, the HST at 13% applies to the taxable sale of a new or substantially renovated detached house, semi-detached house, rowhouse unit, residential condominium unit, duplex, mobile home, or floating home, where the written agreement of purchase and sale was entered into **before May 4, 2016**, and possession and ownership transfer to the purchaser **on or after July 1, 2016**. This grandparenting rule applies regardless of who the purchaser is (for example, whether the person is an individual or a corporation) and how the purchaser plans to use the housing (for example, as rental property, principal residence, or vacation property).

Owner-built houses, apartment buildings, and condominium complexes are not grandparented for purposes of the Newfoundland and Labrador HST rate increase.

For more information, including information about grandparented self-supplies of housing, see:

- GST/HST Info Sheet GI-190, *New Brunswick and Newfoundland and Labrador HST Rate Increases: Sales and Rentals of New Housing*; and
- GST/HST Notice 299, *Newfoundland and Labrador HST Rate Increase - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Newfoundland and Labrador*.

### **New housing in Nova Scotia**

Generally, the HST at 15% applies to a taxable sale by a builder of newly constructed or substantially renovated housing in Nova Scotia where **both** ownership and possession of the housing are transferred to the purchaser **on or after July 1 2010**.

However, the HST at 13% applies to the taxable sales of a new or substantially renovated detached house, semi-detached house, rowhouse unit, residential condominium unit, duplex, mobile home, or floating home where the written agreement of purchase and sale was entered into **before April 7, 2010**, and possession and ownership transfer to the purchaser after **on or after July 1, 2010**. This grandparenting rule applies regardless of who the purchaser is (for example, whether the person is an individual or a corporation) and how the purchaser plans to use the housing (for example, as rental property, principal residence, or vacation property).

Owner-built houses, apartment buildings, and condominium complexes are not grandparented for purposes of the Nova Scotia HST rate increase.

For more information, see GST/HST Info Sheet GI-104, *Nova Scotia HST Rate Increase: Sales and Rentals of New Housing*.

### **New housing in Ontario**

Generally, the HST at 13% applies to a taxable sale by a builder of newly constructed or substantially renovated housing in Ontario where, under the written agreement of purchase and sale, both ownership and possession of the housing transfer to the purchaser **on or after July 1, 2010**. However, the provincial part of the HST does not apply to a grandparented sale.

Sales of newly constructed or substantially renovated housing are generally grandparented in Ontario where a written agreement of purchase and sale was entered into **before June 19, 2009**, and both ownership and possession transfer to the purchaser under the agreement **on or after July 1, 2010**. In the case of a detached house, semi-detached house or attached house, the purchaser must be an individual in order for the grandparenting rule to apply. In the case of residential condominiums, the grandparenting rule would apply whether or not the purchaser is an individual.

If the sale of the housing is grandparented, the builder is not required to collect the provincial part of the HST. The GST at 5% applies to the grandparented sale of the housing. However, the builder may be considered to have collected a transitional tax adjustment and if so, will be required to include that amount in its net tax calculation.

For more information, see:

- GST/HST Info Sheet GI-083, *Harmonized Sales Tax: Information for Builders of New Housing in Ontario*; and
- GST/HST Info Sheet GI-095, *Harmonized Sales Tax: Information on the Transitional Tax Adjustment for Builders in Ontario and British Columbia*.

### **New housing in Prince Edward Island**

Generally, the HST at 15% applies to a builder's taxable sale of newly constructed or substantially renovated housing in Prince Edward Island where both ownership and possession of the housing are transferred to the purchaser **on or after October 1, 2016**, unless the sale of the housing is grandparented.

Specifically, where ownership and possession of housing transfer to the purchaser **on or after October 1, 2016**:

- HST at the rate of 14% applies if the sale is grandparented for purposes of the increase to the rate of the HST from 14% to 15% (HST rate increase); or
- GST at the rate of 5% applies (and the provincial part of the HST does not apply) if the sale is grandparented for purposes of:
  - the harmonization of the GST with the provincial sales tax (harmonization); or
  - both the HST rate increase and harmonization.

#### **Note**

Certain types of housing may be grandparented for purposes of the HST rate increase, but not for purposes of the harmonization, and vice versa.

### **Grandparented housing for purposes of the Prince Edward Island HST rate increase**

Housing that is grandparented only for purposes of the HST rate increase is subject to the HST at the rate of 14%. This situation occurs where both ownership and possession of the housing transfer to the purchaser **on or after October 1, 2016** under a written agreement of purchase and sale entered into:

- in the case of a detached house, semi-detached house, rowhouse unit, or residential condominium unit, after November 8, 2012, and before June 17, 2016; or
- in the case of a duplex, mobile home, or floating home, before June 17, 2016.

Owner-built houses, apartment buildings, and condominium complexes are not grandparented for purposes of the HST rate increase.

### **Grandparented housing for purposes of Prince Edward Island harmonization**

Housing that is grandparented only for purposes of harmonization is subject to the GST at the rate of 5% and is not subject to the provincial part of the HST. This situation occurs in the case of a sale of a detached house, semi-detached house, rowhouse unit, residential condominium unit, or condominium complex that is sold under a written agreement of purchase and sale entered into **before November 9, 2012**, where both ownership and possession of the housing transfer under the agreement **after March 2013** and **before October 1, 2016**.

Owner-built houses, duplexes, apartment buildings, mobile homes, and floating homes are not grandparented for purposes of harmonization.

### **Grandparented housing for purposes of both the Prince Edward Island HST rate increase and Prince Edward Island harmonization**

Housing that is grandparented for purposes of both the HST rate increase and harmonization is subject to the GST at the rate of 5% and is not subject to the provincial part of the HST.

This situation occurs in the case of a sale of a detached house, semi-detached house, rowhouse unit, residential condominium unit, or condominium complex that is sold under a written agreement of purchase and sale entered into **before November 9, 2012**, where both ownership and possession of the housing transfer under the agreement **on or after October 1, 2016**.

Owner-built houses, duplexes, apartment buildings, mobile homes, and floating homes are not grandparented in this situation.

#### **Note**

Make sure to keep a record with a breakdown of the total sales prices and total number of the housing units that you sold in **each** of the three Prince Edward Island grandparenting situations (that is, whether it is grandparented for purposes of the HST rate increase, harmonization, or for both) in case we ask to see it.

For more information about sales of grandparented housing in Prince Edward Island, refer to:

- GST/HST Notice 302, *Prince Edward Island HST Rate Increase - Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Prince Edward Island*;
- GST/HST Info Sheet GI-194, *Prince Edward Island HST Rate Increase - Sales and Rentals of New Housing*;
- GST/HST Info Sheet GI-146, *Harmonized Sales Tax: Information for Builders of New Housing in Prince Edward Island*; and
- GST/HST Info Sheet GI-150, *Harmonized Sales Tax: Information on the Transitional Tax Adjustment for Builders of Housing in Prince Edward Island*.

### **Rebates for new housing**

In certain situations, the following **provincial rebates** may be available:

- a provincial transitional new housing rebate for the estimated Prince Edward Island provincial sales tax embedded in the purchase price of new housing;
- an Ontario or British Columbia new housing rebate for some of the provincial part of the HST paid to build or purchase new housing; and
- an Ontario or British Columbia new residential rental property rebate for some of the provincial part of the HST paid on the purchase, including a deemed purchase, of new rental housing or land for residential use.

These provincial rebates may be available in addition to the GST/HST new housing rebate or the GST/HST new residential rental property rebate that may be available for **some of the GST or federal part of the HST** on the purchase of new housing or new residential rental housing.

For more information, see:

- Guide RC4028, *GST/HST New Housing Rebate*;
- Guide RC4231, *GST/HST New Residential Rental Property Rebate*;
- GST/HST Info Sheet GI-096, *Harmonized Sales Tax: Provincial Transitional New Housing Rebates for Housing in Ontario and British Columbia*;
- GST/HST Info Sheet GI-128, *Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Housing Rebates*;
- GST/HST Info Sheet GI-129, *Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Residential Rental Property Rebates*; and
- GST/HST Info Sheet GI-157, *Elimination of the Harmonized Sales Tax in British Columbia – British Columbia Transition Rebate on New Housing*.

## Who remits the tax for a taxable sale of real property – Vendor or purchaser?

If you make a taxable sale of real property, you generally have to charge and collect the tax on the sale, **even if you are not registered for the GST/HST**. However, in some cases it is the purchaser who has to remit the tax directly to us instead of paying it to you.

Generally, if you are a vendor, you do **not** collect the tax from the purchaser when you make a taxable sale of real property if:

- the purchaser is registered for the GST/HST. This rule does not apply if you make a taxable sale to an individual of housing or a cemetery plot or place of burial, entombment, or deposit of human remains or ashes;
- you are a non-resident of Canada. This rule still applies if you are considered a resident for only certain activities you carry on through a permanent establishment in Canada; or
- you and the purchaser have made a type 2 election on Form GST22, *Real Property – Election to Make Certain Sales Taxable*. For more information, see the election form.

### Note

These rules only apply to taxable sales of real property. They do not apply, for example, if you lease real property or supply it in any other way.

If you do not have to collect the tax on your taxable sale of real property because one of these conditions applies, the purchaser has to pay any tax due on the purchase directly to us.

## If the vendor has to collect and remit the tax

If you are a vendor who has to collect the tax due on your taxable sale of real property, including a house, account for the tax as follows:

- If you are registered for the GST/HST, include the GST/HST collectible on your regular GST/HST return for the reporting period during which the GST/HST became collectible (in your **line 105** calculation if you are filing your return electronically or on **line 103** if you are filing a paper GST/HST return).
- If you are **not** registered for the GST/HST, report the tax collectible on **line 103** of Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized)*. File this return by the end of the month following the month in which the tax became collectible and remit the net tax due with that return.

### Note

Only a Form GST62 in the **pre-printed format** may be used to file your return or make a payment at your financial institution. To order a pre-printed Form GST62, go to [cra.gc.ca/orderforms](http://cra.gc.ca/orderforms).

## If the purchaser has to pay the tax directly to us

If you are a purchaser who has to pay the tax on the purchase of real property directly to us, account for the tax as follows:

- If you are a **GST/HST registrant** and will use or supply the real property:
  - **more than 50%** in your commercial activities, report the tax due on **line 205** (GST/HST due on the acquisition of taxable real property) of your GST/HST return for the reporting period in which the tax became payable and remit any positive amount of tax owing for that return; or
  - **50% or less** in your commercial activities, report the tax due on Form GST60, *GST/HST Return for Acquisition of Real Property*. File this return by the end of the month following the month in which the tax became payable and pay the tax due with that return.
- If you are **not** a GST/HST registrant, report the tax due on Form GST60, *GST/HST Return for Acquisition of Real Property*. File this return by the end of the month following the month in which the tax became payable and pay the tax due with that return.

### Note

Form GST60 is available on our website at [cra.gc.ca/gsthstpub](http://cra.gc.ca/gsthstpub). You cannot file Form GST60 electronically.

## Claiming ITCs for capital real property

The following rules are for GST/HST registrants. Generally, you can claim an ITC equal to either a percentage or the entire amount of the GST/HST paid or payable on acquisitions of real property (including improvements to real property) that you intend to use in your commercial activities.

### Note

The acquisition could be an actual acquisition or an acquisition you were deemed to have made for GST/HST purposes.

There are different rules for claiming ITCs for real property, depending on whether you are:

- a corporation or partnership;
- an individual;
- a public service body; or
- a financial institution.

### Note

See the chart “ITCs for capital real property” on the next page. This chart summarizes the ITC rules for purchases of real property that are explained in the following sections.

## Corporations and partnerships

The rules for claiming ITCs on the acquisition of real property are as follows:

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

### Note

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

### Example

A corporation buys a building in Manitoba and intends to use it 60% in its commercial activities. The corporation can claim an ITC for 60% of the GST it paid.

Cost of building .....	\$500,000
GST payable (\$500,000 × 5%).....	\$25,000
ITC = \$25,000 × 60%.....	\$15,000

## Individuals

Individuals have to follow the same rules for claiming ITCs on the acquisition of real property as those mentioned for corporations and partnerships. However, an individual cannot claim any ITC for the acquisition of capital real property if the property is intended to be primarily (more than 50%) for their or a relative's personal use and enjoyment, either individually or in combination.

## Public service bodies

The general rule that applies to public service bodies (PSBs) for purchases of capital real property is the same as the rule for calculating ITCs on purchases of capital personal property (that is, the primary use rule applies).

However, if a PSB has filed an election to treat certain exempt supplies of a particular real property as taxable, the rules for determining ITCs that apply to corporations and partnerships apply for determining ITCs for the purchase of **that particular property**. Real property for which an election was not filed remains subject to the **primary use rule** (see the "ITCs for capital real property" chart below).

For more information on the ITC rules that apply to PSBs when they purchase real property, see the following publications:

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

## Financial institutions

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

Percentage of use in commercial activities	ITCs for capital real property			
	Partnerships and corporations***	Individuals*	Public service bodies**	Financial institutions
≤10%	None	None	None	% of use
>10% and ≤50%	% of use	% of use*	None	% of use
>50% and <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, either individually or in combination.

\*\* Where a PSB is determining ITCs for real property for which it **has not** made an election. If the PSB has made the election, see the column for Partnerships and corporations.

\*\*\* Also applies where a PSB is determining ITCs for real property for which it **has** made an election (for information on the election, see Form 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*).

## Claiming ITCs for improvements to capital real property

An **improvement** to capital real property means any property or service acquired, or goods imported, to improve the capital real property, to the extent that the price paid for those acquisitions or importations is included in determining the adjusted cost base of the capital real property for income tax purposes (or would be included if the owner of the property were a taxpayer under the *Income Tax Act*).

The ITC you can claim for an improvement to capital real property is based on the percentage of use of the real property in your commercial activities at the time you last acquired the real property or portion of it. This means the ITC is based on the **use of the real property** in your commercial activities, **not on the use of the improvement itself** in your commercial activities.

### Note

Your last acquisition of the real property could be an actual acquisition, or an acquisition you were deemed to have made under the self-supply rules.

However, if you are an **individual**, you **cannot** claim an ITC for an improvement to capital real property if the real property is primarily for your **personal use and enjoyment** or that of a relative, either individually or in combination, at the time the tax in respect of the improvement became payable.

## Change-in-use rules for capital real property

### Corporations and partnerships

The following rules apply to corporations and partnerships that are GST/HST registrants. They also apply to certain capital real property of a public service body (PSB) that has made an election to treat certain otherwise exempt supplies of that property as taxable.

If you are a corporation, a partnership, or a PSB that has made an election as previously discussed, and you begin to use, or you increase your use of, capital real property in your commercial activities, you may be able to claim an ITC. If you stop using or decrease your use of capital real property in your commercial activities, you generally have to repay all or part of the ITC you previously claimed or were entitled to claim.

If you change your use of capital real property, any ITC you may be entitled to claim, or any amount you have to repay, is calculated based on the **basic tax content** of the property at the time of the change in use. The basic tax content formula in its simplified form is as follows:

$$(A - B) \times C$$

where:

**A** is the GST/HST payable for your last acquisition of the property and for later improvements you made to the property;

**B** is any rebate or refund you were entitled to claim (or would have been entitled to claim if you had not been entitled to claim an ITC) for the GST/HST payable for your last acquisition of the property and for later improvements you made to it, but not including ITCs you were entitled to claim; and

**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 total cost (not including the GST/HST) for your last acquisition of the property and for later improvements you made to it.

### Beginning use in commercial activities – Corporations and partnerships

If you own capital real property that you do not use in your commercial activities, you would not have been entitled to claim any ITCs when you last acquired the property. However, if you begin to use that property more than 10% in your commercial activities, you are considered to have purchased the real property at that time and, unless the purchase is exempt, to have paid the GST/HST on the purchase equal to the **basic tax content** of the property at the time you begin using it in commercial activities. If you are considered to have paid the GST/HST, you can claim an ITC equal to the **basic tax content** of the property multiplied by the percentage of use of the property in your commercial activities.

### Note

If you become a registrant on the same day that you begin to use the property in your commercial activities, see “New registrants” on page 23 for the rules that apply on becoming a registrant.

### Example 1 – Beginning use – Corporations/Partnerships

A corporation that is a registrant buys an office building and the related land, located in Manitoba, to use only in exempt activities (other than residential rentals). Therefore, it cannot claim an ITC for any of the tax it paid to purchase the property.

Cost of property .....	\$500,000
GST (\$500,000 × 5%) .....	\$25,000

The corporation has not made any improvements to the property. The corporation later begins to use the property 60% in commercial activities. As a result, the corporation is considered to have made a taxable purchase of the property and to have paid an amount of GST/HST equal to the basic tax content of the property at that time.

The fair market value of the property at the time the corporation begins using it in commercial activities is \$550,000. The corporation can claim an ITC, based on the basic tax content of the property, calculated as follows:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \$550,000 / \$500,000 \\ &= \$25,000 \times 1 \text{ (maximum)*} \\ &= \underline{\$25,000} \\ \text{ITC allowable} &= \$25,000 \times 60\% \\ &= \underline{\$15,000} \end{aligned}$$

\*We use 1 as the value for C in the above calculation because C is equal to the lesser of 1 and the fair market value at the time of the change in use divided by the cost of the property and improvements made since it was last acquired.

### Increasing use in commercial activities – Corporations and partnerships

When you increase the percentage of use of capital real property in your commercial activities by 10% or more, you are considered to have purchased the real property to the extent you increased the use in such activities and, unless the purchase is exempt, to have paid an amount of GST/HST calculated by the formula:

$$A \times B$$

where:

**A** is the basic tax content of the property at the time of the change in use; and

**B** is the percentage by which you **increased** the use of the property in your commercial activities.

You can claim an ITC equal to the GST/HST you are considered to have paid.

#### Note

If you increase the use in your commercial activities to 90% or more, you are considered to be using the property 100% in your commercial activities.

### Example 2 – Increasing use – Corporations/Partnerships

Continuing with example 1, the corporation later increases the use of the real property in its commercial activities from 60% to 80% (an increase of 20%). As a result, the corporation is considered to have purchased an additional 20% of the property. In this case, the purchase of that part of the property is taxable.

The fair market value of the property at the time of this change in use is \$600,000. Since the corporation increased the commercial use of the property by 10% or more, they can claim an additional ITC calculated as follows:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \$600,000 / \$500,000 \\ &= \$25,000 \times 1 \text{ (maximum)} \\ &= \underline{\$25,000} \end{aligned}$$

To calculate the ITC allowable for the increase in commercial activities, multiply the basic tax content by the percentage of increase in commercial use:

$$\begin{aligned} &A \times B \\ \text{Additional ITC} &= \$25,000 \times 20\% \\ &= \underline{\$5,000} \end{aligned}$$

### Decreasing use in commercial activities – Corporations and partnerships

When you decrease the use of capital real property in your commercial activities by 10% or more (without stopping its use in those activities), for purposes of determining the amount of tax you owe, you are considered to have **sold** the property to the extent by which you have decreased the use, and, unless the sale is exempt, to have collected the GST/HST on the part of the property that you are no longer using in your commercial activities.

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

$$\text{GST collected} = A \times B$$

where:

**A** is the basic tax content of the property at the time of the change in use; and

**B** is the percentage by which you **decreased** the use of the property in your commercial activities.

### Example 3 – Decreasing use – Partnerships/Corporations

Continuing with example 2, the corporation later decreases the use of the property in its commercial activities from 80% to 30% (a decrease of 50%). As a result, the corporation is considered to have sold 50% of the property. In this case, the sale of that part of the property is taxable.

The fair market value of the property at the time of this change in use is \$550,000. The corporation has to account for the GST it is considered to have collected, calculated as follows:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \$550,000 / \$500,000 \\ &= \$25,000 \times 1 \text{ (maximum)} \\ &= \underline{\$25,000} \\ \text{GST collected} &= \$25,000 \times 50\% \\ &= \underline{\$12,500} \end{aligned}$$

The corporation has to account for the tax it is considered to have collected, by including \$12,500 GST in its **line 105** calculation if it is filing electronically, or on **line 103** if it is filing a paper GST/HST return, when it calculates its net tax for the reporting period during which the change in use occurs.

### Stopping use in commercial activities – Corporations and partnerships

When you stop using capital real property for commercial activities (that is, when you reduce the use in commercial activities to 10% or less) and you begin to use the property 90% or more for non-commercial activities, we consider you to have sold the property and, unless the sale is exempt, to have collected the GST/HST on this sale. You are also considered to have repurchased the property and to have paid the same amount of tax.

The GST/HST that you are considered to have collected is equal to the basic tax content of the property. As a result, you have to include the amount of the basic tax content in your net tax calculation on your GST/HST return for the reporting period in which the change in use occurs.

#### Example 4 – Stopping use – Corporations/partnerships

Continuing with example 3, in which the property was being used 30% in commercial activities, it is now no longer being used in commercial activities and is used exclusively in exempt activities. As a result, the corporation is considered to have sold the property and, because the sale in this case would be a taxable sale, to have collected the GST/HST equal to the basic tax content of the property at that time. The corporation is also considered to have repurchased the property and to have paid the same amount of tax.

The fair market value of the property at the time of this change in use is \$650,000. The GST the corporation is considered to have collected is calculated as follows:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \$650,000 / \$500,000 \\ &= \$25,000 \times 1 \text{ (maximum)} \\ \text{GST collected} &= \underline{\$25,000} \end{aligned}$$

The corporation has to account for the tax it is considered to have collected by including \$25,000 GST in its **line 105** calculation if it is filing electronically, or on **line 103** if it is filing a paper GST/HST return, for the reporting period during which it stopped using the building in its commercial activities and began using it exclusively in exempt activities.

The corporation may be eligible to claim an ITC to recover the tax it previously paid on the property but was not entitled to recover. See "Claiming ITCs when you make a taxable sale of real property" on page 67.

For more information on the change in use rules, see GST/HST Memorandum 19.4.2, *Commercial Real Property – Deemed Supplies*, or call 1-800-959-8287.

### Individuals

The following rules apply to individuals who are GST/HST registrants.

If you are an individual and you begin to use, or you increase your use of, capital real property in your commercial activities, you may be considered to have purchased the property at that time and to have paid the GST/HST. Therefore, you may be entitled to claim an ITC. Any ITC you are entitled to claim is based on the **basic tax content** of the property at the time of the change in use.

If you stop using, or decrease your use of capital real property in your commercial activities, or you begin to use it primarily for your or a relative's personal use and enjoyment, either individually or in combination, you generally have to repay all or part of the ITC you previously claimed or were entitled to claim. Any GST/HST you have to repay is based on the fair market value or the basic tax content of the property at the time of the change in use, depending on whether there is an increase in personal use or in the use in exempt activities.

### Calculating the basic tax content

The basic tax content formula in its simplified form is as follows:

$$(A - B) \times C$$

where:

- A** is the GST/HST payable for your last acquisition of the property and for later improvements you made to the property;
- B** is any rebate or refund you were entitled to claim (or would have been entitled to claim if you had not been entitled to claim an ITC) for the GST/HST payable for your last acquisition of the property and for later improvements you made to it, but not including ITCs you were entitled to claim; and

**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 total cost (not including the GST/HST) for your last acquisition of the property and for later improvements you made to it.

### Beginning use in commercial activities – Individuals

If you are an individual and you own capital real property that you use primarily (more than 50%) for your or a relative's personal use and enjoyment, either individually or in combination, or if you do not use the property in commercial activities (10% or less), you would not have been entitled to claim an ITC when you last acquired the property.

However, if you begin to use that property more than 10% in your commercial activities and you do not use the property primarily for such personal use, you are considered to have purchased the property at that time and, unless the purchase is exempt, to have paid the GST/HST on the purchase equal to the **basic tax content** of the property at the time you begin using it in commercial activities. If you are considered to have paid the GST/HST, you can claim an ITC equal to the **basic tax content** of the property multiplied by the percentage of use of the property in your commercial activities.

#### Note

If you become a registrant on the same day that you begin to use the property in your commercial activities, see "New registrants" on page 23 for the rules that apply on becoming a registrant.

### Example 1 – Beginning use – Individuals

You are an individual who is registered for the GST/HST. You paid a total of \$300,000 plus \$15,000 GST to purchase land, construction materials, and services to construct a building in Alberta. The property is capital property used exclusively to provide exempt music lessons.

You were not entitled to claim any rebates or ITCs for the tax paid on the land or on any of your construction costs.

You later begin to use the property 60% in your bookkeeping business (commercial activity). As a result of the change in use, you are considered to have purchased the property at that time and, because the purchase is taxable in this case, you are considered to have paid an amount of GST equal to the basic tax content of the property.

The fair market value of the property at the time you begin using it in your commercial activities is \$400,000. You are entitled to claim an ITC, calculated as follows:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$15,000 - \$0) \times \$400,000 / \$300,000 \\ &= \$15,000 \times 1 \text{ (maximum)} \\ &= \underline{\$15,000} \\ \text{ITC allowable} &= \$15,000 \times 60\% \\ &= \underline{\$9,000} \end{aligned}$$

### Increasing use in commercial activities – Individuals

When you increase the percentage of use of capital real property in your commercial activities by 10% or more, and you are not using the property primarily for your or a relative's personal use and enjoyment, either individually or in combination, you are considered to have purchased the property to that extent and, unless the purchase is exempt, to have paid an amount of GST/HST calculated by the formula:

$$A \times B$$

where:

**A** is the basic tax content of the property at the time of the change in use; and

**B** is the percentage by which you **increased** the use of the property in your commercial activities.

You can claim an ITC equal to the GST/HST you are considered to have paid.

### Example 2 – Increasing use – Individuals

You are an individual who is a registrant and you purchase a building in Saskatchewan. You use 40% of the property in your daycare business to provide exempt daycare services and 60% of the property is for use in your taxable construction activities. The building is capital property used primarily in your commercial activity. You claimed an ITC for a portion of the tax you paid at the time you purchased the property.

Cost of property .....	\$500,000
GST (\$500,000 × 5%) .....	\$25,000
ITC claimed (\$25,000 × 60%) .....	\$15,000

You later increase the use of the property in your commercial activities from 60% to 80%. As a result, you are considered to have purchased an additional 20% of the property and to have paid an amount of GST on the purchase.

The fair market value of the property at the time of this change in use is \$600,000. You can claim an additional ITC, calculated as follows:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \$600,000 / \$500,000 \\ &= \$25,000 \times 1 \text{ (maximum)} \\ &= \underline{\$25,000} \end{aligned}$$

To calculate the additional ITC you can claim, multiply the basic tax content by the % of increase in commercial use.

$$\begin{aligned} \text{Additional ITC} &= \$25,000 \times 20\% \\ &= \underline{\$5,000} \end{aligned}$$

#### Note

If you increase the use in your commercial activities to 90% or more, you are considered to be using the property 100% in your commercial activities.

### Decreasing use in commercial activities – Individuals

When you decrease the use of capital real property in your commercial activities by 10% or more (without stopping its use in those activities) and you do not begin to use it primarily (more than 50%) for your or your relative's personal use and enjoyment, either individually or in combination, you are considered to have **sold** the property to the extent that you reduced the use in commercial activities. Unless the sale is exempt, you are considered to have collected the GST/HST on the part of the property that you are no longer using in your commercial activities.

#### Note

If you decrease the use of the property in your commercial activities to 10% or less, you are considered to have stopped using the property in your commercial activities. For more information, see "Stopping use in commercial activities without changing the use to primarily personal use – Individuals" on this page, or "Changing the use of the property to primarily personal use – Individuals" on the next page.

When you **decrease** the use in your commercial activities, use the following formula to calculate the amount of the GST/HST you are considered to have collected:

$$(A \times B) - C$$

where:

- A** is the basic tax content of the property at the time of the change in use;
- B** is the percentage by which you reduced the use of the property in your commercial activities; and
- C** is the amount of any GST/HST that you are considered to have collected on the fair market value of the property, or a part of the property, because you appropriated the property (or part) that was used as capital property in your business or commercial activities for your or your relative's personal use and enjoyment, including residential use. For more information see "Changing the use of the property to primarily personal use – Individuals" on the next page.

### Example 3 – Decreasing use – Individuals

Continuing with example 2, you later decrease your use of the property in commercial activities from 80% to 40% (a decrease of 40%). You are now using the building 60% to provide the exempt daycare services.

As a result of this change in use, you are considered to have made a taxable sale of the part of the building that you were using in commercial activities and are now using in exempt activities (40%).

The fair market value of the property at the time you reduce its use in commercial activities is \$650,000. The GST you are considered to have collected on that sale is calculated as follows:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \$650,000 / \$500,000 \\ &= \$25,000 \times 1 \text{ (maximum)} \\ &= \underline{\$25,000} \\ \text{GST collected} &= (A \times B) - C \\ &= (\$25,000 \times 40\%) - \$0 \\ &= \underline{\$10,000} \end{aligned}$$

### Stopping use in commercial activities without changing the use to primarily personal use – Individuals

If you reduce the use of capital real property in your commercial activities to 10% or less and begin to use it exclusively (90% or more) for other purposes (but not primarily for your or your relative's personal use and enjoyment, either individually or in combination), you are considered to have stopped using the property in commercial activities, to have sold the property and, unless the sale is exempt, to have collected the GST/HST on the sale.

In most cases, the GST/HST you are considered to have collected is equal to the basic tax content of the property at the time of the change in use.

### Example 4 – Stopping use in commercial activities – Individuals

Continuing with example 3, in which the property was being used 40% in commercial activities and 60% in exempt activities, you now decide to use the entire building to provide exempt daycare services. The property is no longer being used in commercial activities. As a result, you are considered to have sold the property. The fair market value of the property at the time of this change in use is still \$650,000.

As you have not appropriated the property for personal use, the GST you are considered to have collected is based on the basic tax content and is calculated as follows:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$25,000 - \$0) \times \$650,000 / \$500,000 \\ &= \$25,000 \times 1 \text{ (maximum)} \\ \text{GST collected} &= \underline{\$25,000} \end{aligned}$$

Account for the tax you are considered to have collected by including \$25,000 GST in your **line 105** calculation if you are filing electronically, or on **line 103** if you are filing a paper GST/HST return, for the reporting period during which you stopped using the building in your commercial activities.

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 the tax you previously paid on the property but were not entitled to recover. For details see “Claiming ITCs when you make a taxable sale of real property” on the next page.

---

### Changing the use of the property to primarily personal use – Individuals

If you were using the property in your commercial activities and **not primarily** for your or your relative’s personal use and enjoyment, and begin using the property **primarily** for your or your relative’s personal use and enjoyment, either individually or in combination, you are considered to have:

- stopped using the property in your commercial activities;
- sold the property; and
- collected the GST/HST on that sale (unless that sale is exempt).

The method used to calculate the GST/HST you are considered to have collected depends on the extent to which you increase the personal use or enjoyment of the property.

If you begin to use the property primarily for personal use but do not use it **exclusively (90% or more)** for personal use, the GST/HST you are considered to have collected is equal to the basic tax content of the property at the time you and/or your relative begin to use it primarily for personal use.

---

#### Example 5 – Changing use to primarily personal use – Individuals

Returning to example 3, in which the property was being used 40% in commercial activities and 60% in exempt activities, you later decide to close your daycare business and you begin to use that part of the building only as a place of storage for your personal items. This means that you are now using 40% of the building for commercial use and 60% for personal use. Because you are using the property primarily (but not exclusively) for personal use, you are considered to have stopped using the property in your commercial activities.

The fair market value of the property at the time you begin to use it **primarily** for personal use is \$700,000. The basic tax content of the property (as calculated in example 3) is \$25,000.

The GST you are considered to have collected because you began using the property primarily (but not exclusively) for your personal use is equal to the basic tax content of the property at the time you began using it primarily for personal use (\$25,000).

Report the \$25,000 GST, that you are considered to have collected, on your regular return for the reporting period in which you changed the use of the property (in your **line 105** calculation if you are filing your return electronically, or on **line 103** if you are filing a paper GST/HST return).

If you begin to use the property exclusively (90% or more) for personal use, and cease business use of the property, you are considered under two separate provisions to have sold the property and, unless the sale is exempt, to have collected the GST/HST on the sale.

Under the **first provision** (which applies to the appropriation of real property for personal use), you are considered to have collected the GST/HST calculated on the fair market value of the property because you had used the property as capital property in a business or commercial activity and began to use it entirely for your and/or your relative’s personal use and enjoyment.

Under the **second provision** (which applies to the cessation of use in commercial activities), you are considered to have collected the GST/HST calculated under the following formula:

$$A - B$$

where:

**A** is the basic tax content of the property at the time of the change in use; and

**B** is the amount of the GST/HST, if any, that you are considered to have collected on the fair market value of the property, or part of the property, because you had used the property, or part, as capital property in a business or commercial activity and begin using it for the personal use of you or your relative, either individually or in combination.

The combined effect of these two provisions, therefore, is that where you begin to use the property exclusively (90% or more) for personal use and cease business use of the property, you are considered to have collected tax equal to the greater of tax on the fair market value of the property or the basic tax content of the property.

---

#### Example 6 – Changing use to exclusively (90% or more) personal use – Individuals

Returning to example 3, in which the property was being used 40% in commercial activities and 60% in exempt activities, you now decide to use the entire building as a place of storage for your personal items. The property is no longer being used in any commercial activity or business activity. As a result, you are considered to have sold the property.

The fair market value of the property at the time of this change in use is \$700,000. The basic tax content of the property (as calculated in example 3) is \$25,000.

Because you have appropriated the property for personal use, you are considered (under the first provision) to have collected the GST calculated on the fair market value of the property at the time you began using it exclusively for personal use.

GST collected  $\$700,000 \times 5\% = \$35,000$

You are also considered (under the second provision) to have collected the GST because you stopped using the property in commercial activities. In this case, the GST is \$0, calculated as follows:

$$\begin{aligned}\text{GST collected} &= \mathbf{A} - \mathbf{B} \\ &= \$25,000 - \$35,000 \\ &= \mathbf{\$0^*}\end{aligned}$$

\* Since the result of this calculation is negative, the amount you are considered (under the second provision) to have collected for stopping the use in commercial activities is equal to \$0.

Therefore, you are considered to have collected a total of \$35,000 GST (under the first provision).

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 the tax you previously paid on the property but were not entitled to recover.

---

See “Claiming ITCs when you make a taxable sale of real property” on this page.

### Public service bodies

If you are a public service body (PSB), the change-in-use rules that apply to you for capital real property are generally the same as those that apply to you for capital personal property. For more information, see the following guides:

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

If you have filed an election (Form GST26) to treat your exempt supplies of certain real property as taxable, the change-in-use rules for capital real property do **not** apply. The change-in-use rules for capital real property that apply to corporations and partnerships would apply, **but only for the property for which you filed the election**. For more information, see the change-in-use rules for corporations and partnerships on page 61.

### Financial institutions

The change-in-use rules for real property that apply to financial institutions are similar to those that apply to corporations and partnerships, described on page 61; however, there are some differences. For more information, see GST/HST Memorandum 19.4.2, *Commercial Real Property – Deemed Supplies*.

## Claiming ITCs when you make a taxable sale of real property

If you are a GST/HST registrant and you make a taxable sale (including a deemed taxable sale) of real property, you may be entitled to claim an ITC for some or all of the GST/HST embedded in the property (generally tax that you paid for your last acquisition of the property or for a later improvement to the property, but were not previously entitled to recover). Your last acquisition could, for example, be when you originally purchased the property, or when you were last considered to have purchased it under the self-supply rules for builders of new housing.

For more information, see GST/HST Memorandum 19.2.3, *Residential Real Property – Deemed Supplies*, GST/HST Memorandum 19.4.2, *Commercial Real Property – Deemed Supplies*, or call 1-800-959-8287.

---

### Example 1 – Corporations and partnerships

Returning to example 4 on page 63, since the registrant corporation is considered to have made a taxable sale of the building, the corporation may be eligible to claim an ITC to recover some or all of the tax it previously paid on the property but was not entitled to recover.

To calculate the amount of the ITC that may be available, multiply the percentage that the property was used in non-commercial activities immediately before the sale that the corporation is considered to have made by the **lesser** of the following two amounts:

- the basic tax content of the property at the time of the deemed sale; and
- the tax payable (the tax the corporation is considered to have collected) on that sale.

The corporation would be eligible to claim an ITC as follows:

$$\text{ITC} = 70\%^* \times \$25,000^{**} = \$17,500$$

\* We use 70%, because it is the percentage of use in non-commercial activities immediately before the corporation’s deemed sale (since the corporation was using the property 30% in its commercial activities and 70% in making exempt supplies).

\*\* We use \$25,000 because, in this case, the basic tax content of the building and the tax payable on the deemed sale both equal \$25,000.

### Example 2 – Individuals

You are an individual who is a GST/HST registrant and you construct a building in Saskatchewan. You paid a total of \$500,000 plus \$25,000 GST to purchase land, goods, and services to construct the building. You use 40% of the building to provide exempt daycare services and 60% to provide taxable construction services. The building is capital property used primarily in a commercial activity.

You claimed ITCs of \$15,000 (60% × \$25,000) for the tax paid on the land and on your construction costs. Because you are using 40% of the building in exempt activities, you were unable to recover the GST you paid on the land and construction costs that relate to those activities.

You then make a taxable sale of the building for \$700,000, plus \$35,000 GST. Since you made a taxable sale of the building, you are eligible to claim an ITC to recover some or all of the tax that you paid on your purchase of the property but that you could not previously recover.

To calculate the amount of the ITC that may be available, multiply the percentage that the property was used in non-commercial activities immediately before the sale by the **lesser** of the following two amounts:

- the basic tax content of the property at the time of that sale; and
- the tax payable on that sale.

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

$$\text{ITC} = 40\% * \times \$25,000^{**} = \$10,000$$

\* We use 40% since it is the percentage of use in non-commercial activities immediately before the sale (you were using it 60% in your commercial activities and were already entitled to claim ITCs for the property for that use).

\*\* We use \$25,000, which is the basic tax content of the property, since this is less than the \$35,000 tax payable on the sale.

## 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, the 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 the 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 .....	<u>0.15</u>
Subtotal .....	\$1.15
Plus GST (\$1 × 5%).....	<u>0.05</u>
<b>Total .....</b>	<b>\$1.20</b>

#### Non-refundable deposits

In some provinces, only part of the deposit is refundable to the consumer. 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 the 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 (includes \$0.05 refundable) .....	0.10
Container recycling fee .....	<u>0.15</u>
Subtotal .....	\$1.25
Less: refundable part of the deposit .....	<u>(0.05)</u>
Total subject to tax .....	\$1.20
Plus GST (\$1.20 × 5%).....	<u>0.06</u>
<b>Total (\$1.25 + \$0.06).....</b>	<b><u>\$1.31</u></b>

You have to collect and remit the GST/HST on non-refundable deposits you charge when you sell beverages. Also, you may be eligible to claim ITCs for the 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 New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island where the deposits include tax, 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 sends 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 remit the HST on the sale of the beverage and the HST included in the non-refundable part of the deposit.

For the list of all applicable GST/HST rates, go to [cra.gc.ca/gsthst](http://cra.gc.ca/gsthst) and select "GST/HST calculator (and rates)" under "Tools."

### Example

You are a retailer in New Brunswick. You sell a beverage in a returnable container to a consumer and charge a deposit, half of which is refundable.

Beverage.....	\$1.00
Deposit (\$0.05 of which includes HST).....	<u>0.10</u>
Beverage + deposit.....	\$1.10
Beverage.....	\$1.00
Portion of non-refundable deposit excluding tax (\$0.10 - 0.05) × (100 ÷ 115) = \$0.043 rounded at .....	<u>0.04</u>
Total subject to tax.....	\$1.04
Amount paid for beverage + deposit.....	\$1.10
HST (\$1.04 × 15%) .....	<u>0.16</u>
<b>Total</b> .....	<b><u>\$1.26</u></b>

Some 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 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.

For more information, see Technical Information Bulletin B-089, *Returnable Containers*.

### Returnable containers

The 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 can treat the transaction in one of two ways, depending on the terms of the original agreement as either:

- 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 the GST/HST on the return of the container. You may be eligible to 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 "Returned goods" on this page.

For more information, see Technical Information Bulletin B-038, *Returnable Containers Other than Beverage 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 can adjust, refund, or credit the customer the GST/HST you first charged or collected on these goods. If you do this, 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 the 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, the customer has to add that amount back when calculating its net tax. If your customer claimed a rebate, the customer has to 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 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 the 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 sent us 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

When warrantors, under a warranty in respect of the quality, fitness or performance of goods, reimburse warranty holders for goods or services covered under the terms of a warranty and provided by a third party, they may be eligible to claim ITCs for the GST/HST portion of the reimbursement.

For example, if you are a **warrantor** you may reimburse a **warranty holder** who pays for repairs. The ITC you can claim is based on the part of the total cost that you reimburse the warranty holder. Calculate your ITC using the formula:

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

**A** is the GST/HST payable by the warranty holder for the repairs;

**B** is the amount of the reimbursement; and

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

Include with the reimbursement a written statement that part of the reimbursement represents the GST/HST.

If the **warranty holder** is registered for the GST/HST, the warranty holder may be entitled to claim an ITC or a rebate for all or part of the GST/HST it paid on its purchase of the repairs.

However, part of the reimbursement a **warranty holder** receives from a warrantor is for some of the GST/HST the warranty holder paid on the purchase of the repairs. Where the warranty holder was also entitled to claim an ITC or rebate for the GST/HST on that purchase, we consider the warranty holder to have made a taxable supply at the time the reimbursement is paid.

The warranty holder has to remit an amount of tax in respect of the supply 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 and services; and

**C** is the GST/HST payable by the warranty holder for the goods and services.

### Example

Michael is a sales person in Saskatchewan who uses his car, which is subject to a warranty, 80% in his commercial activities. He is a GST/HST registrant. His car breaks down and he calls for emergency roadside assistance. 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 \$630 (\$500 plus \$100 for a remote service charge, plus \$30 GST).

Michael pays the bill and sends it to the warrantor who agrees to reimburse him for his repair costs plus the applicable GST, except for the remote service charge and the deductible, as provided for under the terms of the warranty. There is a \$50 deductible plus the GST under the warranty. The warrantor reimburses Michael \$472.50, calculated as follows:

Total paid by Michael..... \$630.00  
Less \$100 remote service charge plus \$5 GST ..... (105.00)  
Less \$50 deductible plus \$2.50 GST ..... (52.50)  
**Amount reimbursed to Michael ..... \$472.50**

The warrantor provided Michael with a written statement that part of the reimbursement represents GST. Using the formula on this page, the warrantor can claim an ITC of \$22.50 calculated as follows:

$$\begin{aligned} \text{ITC} &= \$30.00 \times \frac{\$472.50}{\$630.00} \\ &= \underline{\underline{\$22.50}} \end{aligned}$$

Since Michael uses his car 80% in commercial activities, he is entitled to claim an ITC of \$24 ( $\$30 \times 80\%$ ) for the GST he paid on the car repair charges.

We consider Michael to have made a taxable supply and to have collected tax at the time of the reimbursement. This means that he has to remit the GST calculated as follows:

$$\begin{aligned} \text{GST to remit} &= \$22.50 \times \frac{\$24.00}{\$30.00} \\ &= \underline{\underline{\$18.00}} \end{aligned}$$

Michael remits \$18 by adding this amount to **line 103** of his GST/HST return or in the **line 105** calculation if filing electronically, for the reporting period in which he received the reimbursement.

Michael can claim an ITC of \$24 by including this amount in his **line 108** calculation if he is filing electronically or on **line 107** if he is filing a paper GST/HST return.

## Selling goods, services, and rights 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 taxable sale of goods. This means that it does not matter if the vendor is, or is not, a GST/HST registrant, because it is the auctioneer who must charge and remit the GST/HST on the sale of the vendor's goods, unless you made a zero-rated sale of goods.

There is no GST/HST charged on your commission or other services provided to the vendor that relate to the sale of the goods, such as short-term storage and advertising.

For more information, see GST/HST Info Sheet GI-010, *Auctioneers*.

## Election

A vendor (who may also be referred to as an owner or principal) and an auctioneer can make a joint election to have the vendor account for the GST/HST on the sale of auctioned goods if the following conditions are met:

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

Prescribed goods include:

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

Once the auctioneer makes a joint election with a vendor, the auctioneer collects the GST/HST on the sale of the goods and gives it to the vendor. The vendor accounts for the GST/HST. The auctioneer charges the vendor the GST/HST on their commission and on any services provided to the vendor, such as short-term storage and advertising and accounts for that GST/HST in their net tax calculation.

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

## Agents

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

To help you determine whether you are acting as an agent of another person, see GST/HST Info Sheet GI-012, *Agents*.

### When the vendor has to charge GST/HST

If a vendor would have had to charge the GST/HST for taxable property and services sold directly to the purchaser, it is the vendor who must charge and account for the GST/HST on the taxable property and services sold through you as the agent.

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

## Example

Daniel, a registrant 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 the GST.

<b>Transaction summary</b>	
<b>Amount agent charges purchaser</b>	
Painting .....	\$2,000.00
Plus GST (\$2,000 × 5%) .....	<u>100.00</u>
Amount purchaser pays .....	<u>\$2,100.00</u>
<b>Amount agent charges vendor</b>	
Commission .....	\$400.00
Advertising .....	<u>50.00</u>
Subtotal .....	\$450.00
Plus GST (\$450 × 5%) .....	<u>22.50</u>
Total .....	<u>\$472.50</u>
<b>Amount agent gives vendor</b>	
Amount purchaser pays .....	\$2,100.00
Less agent's charges .....	<u>(472.50)</u>
Amount due to Daniel .....	<u>\$1,627.50</u>
<b>GST to report and remit</b>	
<b>Agent</b>	<b>Vendor</b>
GST charged to vendor: \$22.50	GST charged to purchaser: \$100.00
The art gallery includes this amount in its net tax	Daniel includes this amount in his 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. The joint election can also be made between a vendor and a billing agent. A billing agent is a person acting as an agent only for charging and collecting the tax, but not for making the sale.

By making this joint election, the agent becomes responsible for collecting, reporting, and remitting (as required), the tax on the supply of taxable property or services made on behalf of 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 the GST/HST on the commission and other services they provide to the vendor that relate to this supply. Agents must also include the tax on their supplies in their GST/HST return.

### Note

The rules pertaining to bad debt adjustments, the recovery of bad debts, and returned goods apply to agents and billing agents of a vendor who have made the election. For more information, see "Bad debt adjustments" and "Bad debt recovered" on page 30, and "Returned goods" on page 69.

### When the vendor does not have to charge GST/HST

If a vendor would not have had to charge the GST/HST for sales of goods (other than zero-rated or exempt sales of goods) to a purchaser, then, as a registrant agent, you have to charge and include the GST/HST on the sale of the goods in your net tax calculation. However, you do not charge the 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 Ontario to sell for her. The agent, a registrant, sells the used car for \$6,000 plus the HST. The agent charges Marie a commission of \$600 plus an advertising fee of \$25. The agent does not charge the HST on the commission and advertising.

Transaction summary	
<b>Amount agent charges purchaser</b>	
Used vehicle .....	\$6,000
Plus HST (\$6,000 × 13%) .....	780
Amount purchaser pays .....	<u>\$6,780</u>
<b>Amount agent charges vendor</b>	
Commission .....	\$600
Advertising .....	25
Total .....	<u>\$625</u>
<b>Amount agent gives vendor</b>	
Selling price excluding HST .....	\$6,000
Less agent's charges .....	<u>(625)</u>
Amount due to Marie (vendor) .....	<u>\$5,375</u>
HST to report and remit	
Agent	Vendor
Agent includes the \$780 HST charged to purchaser in his or her net tax.	Marie does not report any HST for this sale

#### Exception

Generally, agents have to charge and remit the 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 the tax and includes it in its net tax.

The vendor also pays the 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 the GST/HST. Whether the vendor is a registrant or not, the agent charges the GST/HST on its commissions and other services, such as advertising, provided in relation to the sale.

#### Example

As an agent of a vendor, you made zero-rated sales of medical supplies in June 2016, in Ontario, for \$2,000. Your commission was 20% of the selling price and you charged an advertising fee of \$100.

Transaction summary	
<b>Amount agent charges vendor</b>	
Commission (\$2,000 × 20%) .....	\$400
Advertising .....	100
Plus HST (\$500 × 13%) .....	<u>65</u>
Total .....	<u>\$565</u>
<b>Amount agent gives vendor</b>	
Amount purchaser pays .....	\$2,000
Less agent's charges .....	<u>(565)</u>
Amount due to vendor .....	<u>\$1,435</u>
HST to report	
Agent	Vendor
Agent includes HST of \$65 charged to vendor in his or her net tax.	HST charged to purchaser is \$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.

There are two types of consignment arrangements:

- 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 "Agents" on the previous page).

When you are buying and 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 the GST/HST on the price the consignor charges you (assuming your purchase of the goods is taxable, other than zero-rated) and collect the GST/HST from your customer on your selling price (assuming your sale of the goods is taxable, other than zero-rated). If the consignor is not a registrant, you do not pay the GST/HST to the consignor, and you collect the GST/HST from your customer on your selling price.

### Example

You sell clothing on consignment to a customer in Saskatchewan for \$100 plus the GST, which you include on your GST/HST return. You pay the consignor \$60. You are considered to have bought the clothing from the consignor for \$60 immediately before the sale. The consignor, if a GST/HST registrant, charges you the GST on the \$60, which you can claim as an ITC on your return. If not a registrant, the consignor does not charge you the GST.

When you return any unsold items to the consignor, you do not have to pay the 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*.

### Direct selling industry

Businesses in the direct selling industry sell their products directly to consumers through sales representatives or to independent sales contractors who, in turn, sell the products to purchasers. Their business structure is usually based on one or both of the two following models:

- direct sellers who sell their products to distributors and independent sales contractors who, in turn, sell them to purchasers; or
- network sellers who sell their products directly to consumers through sales representatives who receive commissions for arranging the sales.

### Alternate collection method

Direct sellers may apply for approval to use the alternate collection method (ACM), another method for accounting for the GST/HST on their sales of exclusive products.

Under the ACM, direct sellers charge and account for the GST/HST on the suggested retail price of the exclusive products as if they had made the sales directly to purchasers. For more information, including how to apply for approval to use the ACM, see GST/HST Info Sheet GI-125, *Direct Selling Industry – The Alternate Collection Method for Approved Direct Sellers and Approved Distributors*.

With the ACM, most independent sales contractors do not have to register for the GST/HST because they do not include revenues from their sales of exclusive products in their calculation to determine if they are small suppliers. For more information, see GST/HST Info Sheet GI-126, *Direct Selling Industry – The Alternate Collection Method for Independent Sales Contractors*.

### Network sellers method

Network sellers who meet certain conditions may apply for approval to use the network sellers method.

As a result, the commissions and bonuses paid to sales representatives for arranging for the sale of the network seller's select products would not be subject to the GST/HST and would not be used for determining whether sales representatives are small suppliers.

For more information, including how to apply for approval to use the network sellers method, see GST/HST Info Sheet GI-052, *Direct Selling Industry – The Network Sellers Method for Network Sellers and Sales Representatives*.

## Supplies to diplomats, governments, and Indians

### Diplomats

As a registrant, you must charge and collect the GST/HST on taxable supplies of property and services you provide to diplomatic missions, consular posts, international organizations, and foreign representatives and officials. Foreign representatives and officials include diplomatic agents, consular officers, members of administrative and technical staff of diplomatic missions, designated officials of international organizations, and their respective spouses.

If approved by Global Affairs Canada, diplomatic missions, consular posts, international organizations, and foreign representatives and officials and their spouses may obtain a rebate of GST/HST by filing Form GST498, *GST/HST Rebate Application for Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, or Visiting Forces Units*.

### Federal government

In general, we consider the federal government to be a single entity that includes all its departments, branches, agencies and some corporations. Federal Crown corporations are separate legal entities and are registered separately for GST/HST purposes.

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

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

### Provincial and territorial governments

The governments of the participating provinces (see definition of "participating provinces" on page 8) have agreed to pay the GST/HST on their taxable purchases. In addition, all British Columbia, Nunavut, and Quebec government departments and agencies pay the GST/HST on their taxable purchases. Therefore, you have to charge the GST/HST on taxable supplies of property and services you make to the departments and agencies of the participating provinces as well as to the departments and agencies of British Columbia, Nunavut, and Quebec.

The remaining provincial and territorial governments, including all their government departments or ministries, and some of their Crown corporations, boards, commissions, and agencies, do not pay the GST/HST on their taxable purchases if they provide certification. You do not charge the GST/HST on taxable supplies of property and services made to these governments if an authorized official provides evidence that the supplies are being purchased by a provincial or territorial department or entity.

We will accept a certification clause that an authorized official of a provincial or territorial government entity, in one of these provinces or territories, 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 property or services with Crown funds. As the vendor, keep the purchase documents with the certification clause in case we ask to see them.

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

You may be eligible to claim ITCs for any GST/HST paid or payable on purchases you made to make taxable supplies of property and services to provincial or territorial governments.

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

## Municipalities

Municipalities pay the GST/HST on their taxable purchases. As a registrant, charge the GST/HST on the taxable supplies of property and services you make to municipalities.

Municipalities also have to charge the GST/HST on their taxable supplies. Certain property and services provided by municipalities are exempt from the GST/HST. Most supplies of property and services made between municipalities and their own para-municipal organizations are also exempt.

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

## Indians

Indians, Indian bands, and band-empowered entities pay the GST/HST on the taxable purchases they make off a reserve unless they provide proper documentation and the purchases meet the conditions outlined in the following sections. We recognize that many First Nations people in Canada prefer not to describe themselves as Indians. However, the term Indian is used because it has a legal meaning in the *Indian Act*.

## Note

The Government of Ontario made regulations under the *Retail Sales Tax Act of Ontario* that allow for point-of-sale relief equal to the 8% provincial part of the HST to be provided to Indians, Indian bands, and councils of an Indian band for eligible purchases made off a reserve. This relief is referred to as the Ontario First Nations point-of-sale relief.

As a result, GST/HST registrant suppliers in Ontario may credit an amount equal to the 8% provincial part of the HST at the point-of-sale.

For information on which goods or services qualify, who is eligible, and the documents required to support the amounts credited, go to the Ontario Ministry of Finance website at [fin.gov.on.ca/en/guides](http://fin.gov.on.ca/en/guides). To see the regulations, go to the Government of Ontario website at [e-laws.gov.on.ca](http://e-laws.gov.on.ca).

## Goods

The GST/HST does not apply to goods bought **on a reserve** by Indians, Indian bands, or unincorporated band-empowered entities.

Goods bought **off a reserve** by an Indian, Indian band, or unincorporated band-empowered entity are subject to the GST/HST, unless the goods are delivered to a reserve by the vendor or the vendor's agent.

For incorporated band-empowered entities, the purchase must also be made for band management activities to be relieved of the GST/HST.

## Services

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

Services provided to an Indian band or band-empowered entity for real property **located off** a reserve are **subject to the GST/HST**.

## Intangible personal property

Intangible personal property, such as a right to use software or a membership, is not a physical object that can be delivered to a reserve and is generally subject to the GST/HST, unless the right supplied can be used or exercised exclusively on a reserve.

## Documentation

An Indian must present you with proof of registration under the *Indian Act* to purchase goods or services without paying the GST/HST. For individuals, we accept the Certificate of Indian Status card as proof of registration or the original Temporary Confirmation of Registration Document (TCRD).

The TCRD will include:

- the Canadian maple leaf logo, followed immediately by Indian and Northern Affairs Canada;
- 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; and
- a raised seal of the Indian Registrar on the bottom right-hand corner, containing the name of the individual, a registration number, the effective date of registration, and the expiration date.

You must keep, as 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 or treaty number) from the card, or the registration number and the expiration date of the TCRD.

### Note

An individual presenting any other **membership** or **association** type card, such as a Métis Association card, is not entitled to tax relief.

When the purchaser is an Indian band or band-empowered entity, a certificate must be provided to, and retained by, the vendor to show the following:

- that the property is being acquired by an Indian band or an unincorporated band-empowered entity;
- in the case of an incorporated band-empowered entity, that the property is being acquired for band management activities or for real property on a reserve; or
- that the service is being acquired for band management activities or for real property on a reserve.

When goods are delivered to a reserve, you must also keep proof of delivery, such as a way bill.

You may be eligible to claim ITCs for any GST/HST paid or payable on purchases you made to supply taxable goods and services to Indians and Indian bands, even though you did not collect the 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 as full or partial payment for goods you sell or lease, special rules apply depending on whether 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 you accept used goods in trade from a person who has to charge the 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 you make a sale or a lease to the same customer. Collect the GST/HST on the full price charged for the goods you sell or lease, and pay the 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 the GST on the full \$50,000 selling price. Gilson Company will invoice and collect the GST on the trade-in value of \$20,000.

Both you and your customer can generally claim an ITC for the GST/HST paid or payable.

When you accept a trade-in from a customer who has to collect the GST/HST, make sure the invoice includes the information listed in the chart, "Input tax credit information requirements" on page 17, 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 does not have to charge the GST/HST (usually a person who is not a GST/HST registrant). A person may also trade in a leasehold interest in used goods.

In this case, you charge the GST/HST on the net amount (the price of the goods you sell or lease minus the amount you allow for the trade-in). This is similar to the treatment of trade-ins under most provincial sales taxes. For more information, see Technical Information Bulletin B-084R, *Treatment of Used Goods*.

### Example

John has used his car for personal use only. He 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 the GST on \$15,000.

Selling price of new car .....	\$25,000
Less trade-in of used car .....	<u>(10,000)</u>
Subtotal .....	\$15,000
Plus GST (\$15,000 × 5%).....	<u>750</u>
<b>John pays.....</b>	<b><u>\$15,750</u></b>

## Sale-leaseback arrangements

When you purchase goods from a person who does not have to collect tax on the sale and you immediately lease the goods back to that person, the amount of the 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 goods by the number of lease payments. If the terms of the lease change, recalculate this amount. The maximum you can deduct from any one lease payment is the amount needed to bring that payment to zero.

### Example

Larry sells a piece of heavy duty equipment to a leasing company in Alberta for \$100,000, who leases it back to Larry. The terms of the lease were for 100 monthly lease payments of \$1,200. Larry is not registered for the GST/HST. The leasing company calculates the GST on the monthly lease payment as follows:

Lease payment .....	\$1,200
Less purchase credit (\$100,000 ÷ 100) .....	(1,000)
Value of each lease payment for GST purposes...	\$200
GST per lease payment (\$200 × 5%) .....	\$10

If the terms of the lease do not change, Larry will pay \$10 GST on each lease payment.

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 goods remain the same, you recalculate the amount that you can credit against each lease payment. When a lessee exercises an option to purchase the goods, you can deduct any unused credit from that purchase price up to the amount of the purchase price.

## Barter-exchange networks

A barter-exchange network is a group of persons who have agreed in writing to accept credits (barter units) on the 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 they are registered for the GST/HST, they would continue to charge tax on their taxable supplies of goods and services provided for the barter units.

## Selling your business

If you are selling your business, you can jointly elect with the purchaser to have no tax payable on the sale if:

- you sell 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.

### Note

You may also be eligible to make this election if you are selling part of a business.

To make this election, use Form GST44, *Election Concerning the Acquisition of a Business or Part of 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 generally must 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 able to carry 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 made if:

- a registrant is selling to another registrant;
- a non-registrant is selling to another non-registrant; or
- a non-registrant is selling to a registrant.

You still have to charge the 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.

This election **cannot** be used for selling individual assets of your business, or if you are a registrant and the purchaser is not.

The purchaser has to file the GST44 election with us no later than the due date of the GST/HST return for the purchaser's first reporting period in which tax would have been payable if the election had not been made.

For more information on selling your business and the election to have no tax payable on the sale, see GST/HST Memorandum 14.4, *Sale of a Business or Part of a Business*.

## 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. To cancel your GST/HST account, send a letter or a completed Form RC145, *Request to Close Business Number Program Accounts* to your tax centre. The tax centres are listed at [cra.gc.ca/taxcentre](http://cra.gc.ca/taxcentre).

If you do intend to carry on with another type of business activity, call **1-800-959-5525** to 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 or limousine 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 the GST/HST.

However, you may have to remit the 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, file all GST/HST returns and remit any GST/HST that was charged or collected on taxable supplies while you were a registrant. For more information, see GST/HST Memorandum 2.7, *Cancellation of Registration*.

## Non-capital property held at the time of deregistration

When you cancel your registration, you are considered to have sold each property (other than capital property) that you held for consumption, use, or supply in a commercial activity and to have collected the GST/HST on these sales. As a result, ITCs previously claimed on such property will be recaptured. Determine the GST/HST on the fair market value of each of these properties immediately before you cease to be a registrant. Report the GST/HST on your last return as a registrant and remit any net tax owing.

## Capital property held at the time of deregistration

When you cease to be a registrant, you are considered to have stopped using capital property you held for use in your commercial activities immediately before ceasing to be a registrant. Some examples of capital property include land, buildings, vehicles, and computers. Use the change-in-use rules for this property to determine if you have tax owing.

Under these rules, you are considered to have sold the capital property immediately before you cancel your registration and to have collected tax equal to the **basic tax content** of the capital property at that time.

Include the tax you are considered to have collected in your net tax calculation on your last return as a registrant. Generally, all or part of the ITCs previously claimed on this property have to be repaid.

For more information, see “Change-in-use rules for capital personal property” on page 24 and “Change-in-use rules for capital real property” on page 61.

## ITCs for services, rent, royalties, and similar payments

You **cannot** claim ITCs for rent, royalties, or similar payments that relate to the period after you cease to be a registrant. You have 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 these payments.

However, you may be eligible to claim an ITC for the GST/HST that becomes payable after you cancel your registration for services, rent, royalties, or similar payments that relate to a period before you cease to be a registrant.

## Filing your final GST/HST return

When you cancel your registration, you are considered to have two separate reporting periods. You may, therefore, have to file two returns as follows:

- a return for a reporting period that ends the day before you cancel your registration; and
- a second return for a reporting period that begins the day you cancelled your registration and ends on the last day of that month. This return is only required if you have tax to remit for that period.

If you do have tax to remit or ITCs to claim after your business closes, call us at **1-800-959-5525** to determine what cancellation date to use for your GST/HST account.

---

### Example 1

You are an annual filer with a reporting period of January 1 to December 31, 2016. You close your business (cease to be a registrant) on January 1, 2017. Send us:

- a final return for the period January 1 to December 31, 2016. As this is a return for a reporting period that is a full fiscal year, the return is due March 31, 2017 (three months after the end of your fiscal year) or for an individual, the due date of the return is June 15, 2017; and
- an additional return if your business has tax to remit for the period January 1 to 31, 2017, which is due February 28, 2017 (one month after the end of your deemed reporting period).

### Example 2

You are an annual filer with a reporting period of January 1 to December 31, 2016. You close your business (cease to be a registrant) on October 21, 2016. Send us:

- a final return for the period January 1 to October 20, 2016, which is due November 20, 2016; and
- an additional return if your business has tax to remit for the period October 21 to 31, 2016, which is due November 30, 2016.

### Note

If you are an annual filer, and you cancel your registration part-way through your fiscal year, you will generally have to file your return within one month after the date you cancel your registration.

### Example 3

You are a quarterly filer with a reporting period of January 1 to March 31, 2017. You close your business (cease to be a registrant) on March 14, 2017. Send us:

- a final return for the period January 1 to March 13, 2017, which is due April 13, 2017; and
- an additional return if your business has tax to remit for the period March 14 to 31, 2017, which is due April 30, 2017.

## How to cancel your registration

To cancel your registration, send us a letter or a completed Form RC145, *Request to Close Business Number Program Accounts*.

## Instructions for completing your GST/HST return

To complete your GST/HST return, you usually need the following amounts:

- your sales and other revenues;
- the GST/HST you charged (even if it wasn't collected); and
- your GST/HST paid and payable.

You might have to include other amounts, such as instalments that you paid during the year, adjustments to your net tax and transitional information relating to new housing in Ontario, Nova Scotia, New Brunswick, British Columbia, Prince Edward Island, or Newfoundland and Labrador.

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.

A **special net tax calculation method** must be used by most **charities** for reporting the GST/HST they charge and collect and for claiming input tax credits (ITCs). For more information, see Guide RC4082, *GST/HST Information for Charities*.

Some GST/HST registrants are **required** to file electronically. A penalty will apply if you are required to file electronically and you do not do so. For more information, see "Mandatory electronic filing" on page 33.

We offer a printer-friendly version of the GST/HST return working copy at [cra.gc.ca/gsthstworkingcopy](http://cra.gc.ca/gsthstworkingcopy). This working copy is provided to enable registrants who file electronically to keep a copy of their GST/HST return calculations for record purposes.

If you file a **paper return**, once you have completed the lines in Part 1 of your return, copy the information onto the corresponding lines in Part 2. Only send us **Part 2**. Keep Part 1 for your records. You or your authorized representative must sign the return.

For line-by-line instructions on using the regular method for filing both electronic and paper returns, see "Regular method" below.

## Quick method

This is a method of calculating and reporting your GST/HST. Whether the quick method will be more beneficial for you to use than the regular method depends on your specific situation. You have to file an election to use this method **before** you file your return using the quick method. For information on eligibility for the quick method and how it works, see "Quick method of accounting" on page 30.

For detailed information and line-by-line instructions to complete your GST/HST return, see Guide RC4058, *Quick Method of Accounting for GST/HST*. If you are a public service body (other than a charity that is not a designated charity), go to our webpage "Special quick method of accounting for public service bodies".

## Regular method

The following section explains how to file your GST/HST return, using the regular method of calculating and reporting your GST/HST. **Line 135, line 136, and Schedules A, B, and C do not apply to paper returns.**

If you are filing your return **electronically** using GST/HST **NETFILE** or **TELEFILE**, you will **only** need to enter amounts on certain lines. For example, you will enter an amount on line 105. However, to give you the amount applicable for **line 105**, you will need to total the GST/HST collected and collectible and the GST/HST adjustments on your working copy by following the instructions for **line 103** and **line 104**. The following section advises which of the line numbers do not appear on an electronic return.

For some electronic filers, information entered for Schedule A, *Builders – Transitional Information*, Schedule B, *Calculation of Recaptured Input Tax Credits*, or Schedule C, *Reconciliation of Recaptured Input Tax Credits (RITCs)*, will automatically calculate the amounts for line 105 and line 108. For more information about these schedules, go to pages 83 to 86 in this guide.

If you are a **builder**, see GST/HST Info Sheet GI-118, *Builders and GST/HST NETFILE*, for more information about mandatory electronic filing using GST/HST NETFILE, and potential penalties if electronic returns are not completed correctly.

## Line 101 – Sales and other revenue

If you file your return online, use the following instructions:

You will be asked if you want to report one or more of the following types of sales on your return:

- exempt supplies, zero-rated exports, goodwill, financial services, sales of capital real property, and supplies made outside of Canada; or
- taxable sales of my associates (including zero-rated supplies) made in Canada.

Reporting these sales will help us to properly calculate your reporting period threshold amount.

If you choose to do so, you will be asked to complete new lines 90, 91, and 102. If you choose **not** to do so, follow the line 101 instructions for filing a paper GST/HST return using the regular method (see later on this page).

### Line 90:

Enter the total of your taxable sales including zero-rated supplies (other than zero-rated exports) made in Canada for this reporting period. If you have nothing to report, enter “0.”

### Line 91:

Enter the total of your exempt supplies, zero-rated exports, and other sales and revenue for this reporting period. Other sales and revenue include goodwill, financial services, sales of capital real property, and supplies made outside of Canada. If you have nothing to report, enter “0.”

### Line 101:

Line 101 is populated based on what is entered on lines 90 and 91. To make sure your reporting period stays accurate, put your supplies and sales on the correct lines. Reporting periods are generally determined based on the total of your reported taxable supplies and the supplies of any associates.

For more information, see “Reporting periods” on page 13.

### Line 102:

Enter your associates’ total of all taxable sales and other revenues including zero-rated supplies (other than zero-rated exports) made in Canada for this reporting period. If you have nothing to report, enter “0.”

If you file a paper return, use the following instructions:

### Line 101

Enter the total amount of revenue from supplies of property and services, including zero-rated and exempt supplies, and other revenue for the reporting period. Do **not** include provincial sales tax, GST, HST, or any amounts you reported on a previous return. Round off the amount to the nearest dollar. Enter this amount on Part 2 of the return that you take to the bank with your payment or that you send to us. Enter a “0” if you have no revenue to report.

### Notes

Registrants using the quick method of accounting for GST/HST enter the total amount of revenue from taxable supplies of property and services including the GST/HST.

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 property and services sold to Indians or provincial or territorial governments that are relieved of paying the GST/HST. Similar instructions apply for the special quick method of accounting for public service bodies.

Instructions for completing the GST/HST return using the quick method can be found in guide RC4058, *Quick Method of Accounting for GST/HST*, or go to our webpage “Special quick method of accounting for public service bodies”.

## Line 135 – Total GST/HST new housing rebates (amounts to be included on line 108)

Complete **line 135 only** if you are a builder who is required to file **electronically**. On this line, enter the total GST/HST new housing rebate amounts that you paid or credited to eligible purchasers during this reporting period. These amounts must be entered on **line 135** and **line 108** or, if you are required to complete Schedule B, on **line 1400** of Schedule B and **line 135** of your return. You may be subject to a penalty if you fail to report the correct amount of GST/HST new housing rebate or provincial new housing rebate on **line 135**.

Where applicable, the provincial new housing rebates for some of the provincial part of the HST that you paid or credited to eligible purchasers should also be included on this line. However, do **not** include on this line the amount of any provincial transitional new housing rebates that you are entitled to claim as a builder or that were assigned to you by eligible purchasers. These amounts should be reported on Schedule A. See “Schedule A, Builders – transitional information” on page 83.

### Note

Builders are **not** entitled to pay or credit a Nova Scotia new housing rebate where:

- the written agreement of purchase and sale for the housing was entered into **after** April 6, 2010; and
- both ownership and possession of the housing transferred under the agreement to the purchaser **after** June 2010.

## Line 136 – Deduction for pension rebate amount (information to be included on line 108)

**Line 136** is to be completed by participating employers who file electronically, and have made an election to share a pension rebate amount with a pension entity. The net tax deduction that the employer may make as a result of the election should be included on **line 108** and **line 136**. Note that **line 136** is an information line and amounts entered on this line are not automatically included on **line 108**. Therefore, the participating employer should ensure that the same amount is included on **line 108**.

#### Note

A pension entity that is entitled to a pension entity rebate can make the election to share a rebate by using Form RC4607, *GST/HST Pension Entity Rebate Application and Election*. The pension entity would report on **line 111** any rebate amount that it does **not** share with the employer.

### Line 103 – GST/HST collected or collectible

Enter all GST/HST you were required to collect as well as all amounts collected on property and services (including the GST/HST you collected or were required to collect on any sale of real property and other capital property).

#### Notes

Do not include the tax on a taxable sale of real property if you are not required to collect the tax payable (unless you collected it by mistake). For more information, see “Who remits the tax for a taxable sale of real property – Vendor or purchaser?” on page 59.

If you provide the Ontario First Nations point-of-sale relief, the amount of HST collected or collectible on the supply must be included at the **full** 13% rate.

For each reporting period, include the amount of the GST/HST you collected, or were required to collect, on both paid and unpaid invoices.

**Line 103 does not appear on an electronic return.**

### 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 on a previous return, and then recovered some or all of those debts, add the amount of the GST/HST you have recovered. For more information, see “Bad debt recovered” on page 30.
- If you have claimed 100% ITCs for lease payments for a passenger vehicle during the year, and these lease payments are more than the maximum lease costs that are deductible under the *Income Tax Act*, once a year you have to add the amount of the ITCs over-claimed on **line 104**. The maximum lease cost is \$800 per month (this amount does not include federal or provincial taxes). Although you are allowed to claim 100% ITCs for lease payments greater than \$800 during the year, you have to pay back the ITCs claimed for the portion of lease payments that are greater than \$800 per month.
- If you have claimed 100% ITCs for meal and entertainment expenses during the year, once a year you have to add 50% (or the applicable percentage for long-haul truck drivers – see “Long-haul truck drivers” on page 21) of those credits to your net tax. For more information, see “Meal and entertainment expenses” on page 21.

**Line 104 does not appear on an electronic return.**

### Line 105 – Total GST/HST and adjustments for the period

Add **line 103** and **line 104**, and enter the result on **line 105**. If you file a **paper return**, enter this amount on Part 1 and Part 2 of the return.

#### Notes

If you provide the Ontario First Nations point-of-sale relief, the amount of HST collected or collectible on the supply must be included in the **line 105** calculation at the **full** 13%. Report the amount credited at the point-of-sale on **line 111**.

If you are a builder who is required to complete Schedule A, **line 105** will automatically be calculated based on the information that you entered on Schedule A. See “Schedule A, Builders – transitional information” on page 83.

### Line 106 – Input tax credits (ITCs)

Enter on **Line 106** eligible ITCs for the GST/HST paid or payable on the value of property and services you acquired, imported, or brought into a participating province to the extent they are for consumption, use, or supply in the course of your commercial activities. Enter the total of all ITCs for the reporting period. Include any ITCs you did not claim in an earlier reporting period, provided the time limit for claiming the ITCs has not expired.

**Line 106 does not appear on an electronic return.**

### Line 107 – Adjustments

Complete **line 107** if you have adjustments that **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 on bad debts you write off if you have previously accounted for the full amount of the GST/HST on the supplies that resulted in those debts, and you have remitted any net tax owing. For more information, see “Bad debt adjustments” on page 30. You can also make an adjustment if you are a participating employer of a pension plan that made an election with a pension entity to share a pension rebate amount.

You can make an adjustment on **line 107** for the following amounts you paid or credited a purchaser:

- if you are a builder who is eligible to file a **paper return**, 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. As well, Form RC7190-ON, *GST190 Ontario Rebate Schedule*, or RC7190-BC, *GST190 British Columbia Rebate Schedule*, may also be required to be attached to Form GST190, to account for the **provincial** portion of a new housing rebate. If you **electronically** file your return, mail Form GST190, and the provincial rebate schedule if applicable, to the appropriate tax centre no later than the due date of the electronically filed return. (Builders also have the option of electronically submitting GST190 Type 1A or Type 1B rebate applications online with their 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, and you complete and send Form GST518, *GST/HST Specially Equipped Motor Vehicle Rebate Application*, with your GST/HST return;
- if you are a registrant supplier of tour packages, the rebate amount you paid or credited to a non-resident for an eligible tour package. Complete Form GST106, *Information on Claims Paid or Credited for Foreign Conventions and Tour Packages*, and send it to your tax centre at the address shown on your GST/HST return. For more information, see Guide RC4036, *GST/HST Information for the Travel and Convention Industry*;
- if you are a registrant organizer of a foreign convention or a convention facility operator, the rebate amount you paid or credited for the convention facility and related convention supplies. Complete Form GST106, *Information on Claims Paid or Credited for Foreign Conventions and Tour Packages* and send it to your tax centre at the address shown on your GST/HST return. For more information, see Guide RC4036, *GST/HST Information for the Travel and Convention Industry*;
- the amount of a rebate you paid or credited to a non-resident for taxable installation services if you filed the rebate application, Form GST189, *General Application for Rebate of GST/HST*, with your GST/HST return; and
- the amount you paid or credited in respect of a **point-of-sale rebate** if you included the total HST collected or collectible (for example, 13% in Ontario) on **line 103**. This **does not** include Ontario First Nations point-of-sale relief.

**Line 107 does not appear on an electronic return.**

## Line 108 – Total ITCs and adjustments

Add **line 106** and **line 107**, and enter the result on **line 108**. If you file a **paper return**, enter this amount on the return portion (Part 2) that you will send to us.

If you file using **GST/HST NETFILE**, and you are required to complete Schedule B, the amount for **line 108** will be calculated automatically based on the information you entered on Schedule B. See "Schedule B, Calculation of recaptured input tax credits" on page 85.

Builders who are required to file their returns electronically using GST/HST NETFILE, can submit Form GST190 for Type 1A or Type 1B rebate applications online together with their GST/HST return for the reporting period in which the amount of the rebate was paid or credited to the buyer. These rebate amounts **are not** automatically included on **line 108**. Therefore, builders must include these rebate amounts in the calculation for **line 108**, and also enter these amounts on **line 135** or, if the builder is required to complete Schedule B, the builder must include these amounts on **line 1400** of Schedule B and **line 135** of its GST/HST NETFILE return.

## Line 109 – Net tax

Subtract **line 108** from **line 105**. The difference is your net tax. Enter the amount on **line 109**. If you file a **paper return**, enter this amount on the return portion (Part 2) that you will send to us.

If you file your return **electronically** using GST/HST NETFILE or TELEFILE, **line 109** will be automatically calculated based on the information you provided to complete the other lines.

If you file your return late and **line 109** shows an amount owing, we will charge you a penalty and interest on the amount, minus any instalments you have already paid.

If the amount entered 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. If you file a **paper return**, enter this amount on the return portion (Part 2) that you will send to us.

For more information, see "Instalment payments" on page 38.

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 the ITCs or refunds you expect to receive.

## Line 111 – Rebates

Some rebates can reduce or offset your amount owing. Those rebate forms contain a 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 a rebate that you are entitled to claim, tick **yes** on the rebate form and include it with your **paper return** when you send it to us. For more information, see “Using a rebate or refund to decrease an amount owing on your GST/HST return” on page 34.

If you are filing an **electronic return**, most applicable rebate forms have to be mailed separately on or before the due date of your GST/HST return. However, the following rebate applications can be filed electronically with your return, using GST/HST NETFILE, or the “File a return” service, at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or through [cra.gc.ca/representatives](http://cra.gc.ca/representatives):

- Form GST66, *Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund* (non-personalized);
- Form GST189, *General Application for Rebate of GST/HST* (Reason Code 23 – rebate application for the Ontario First Nations point-of-sale relief and credited by a supplier); and
- Form GST284, *Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund* (personalized).

If you are a builder who is required to complete Schedule A, **line 111** will **automatically be calculated** based on the information that you entered on Schedule A. See “Schedule A, Builders – transitional information” on the next page.

An example of rebate amounts that can be included on **line 111** (or on **line 1300** if you are required to complete Schedule A), if you are a builder and this rebate was **assigned to you by the purchaser**, are amounts from Form RC7000-PE, *Prince Edward Island Provincial Sales Tax Transitional New Housing Rebate*.

Examples of rebate amounts that can be included on **line 111** (or on **line 1301**, if you are required to complete Schedule A), are:

- amounts from Form GST66, *Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund* (non-personalized);
- amounts from Form GST189, *General Application for Rebate of GST/HST*;
- amounts from Form GST284, *Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund* (personalized);
- amounts from Form GST524, *GST/HST New Residential Rental Property Rebate Application*;
- amounts from line H on Form RC4607, *GST/HST Pension Entity Rebate Application and Election*;
- amounts from Form RC7000-PE, *Prince Edward Island Provincial Sales Tax Transitional New Housing Rebate*, if you are a builder that is claiming this rebate **as a result of a self-supply**;

- amounts from Form RC7001-PE, *Prince Edward Island Provincial Sales Tax Transitional New Housing Rebate – Residential Condominiums*; and
- amounts from Form RC7002-PE, *Prince Edward Island Provincial Sales Tax Transitional New Housing Rebate – Apartment Buildings*.

Enter the total amount of the rebate(s) you are claiming. If you file a **paper return**, enter this amount on the return portion (Part 2) that you will send to us.

### Notes

If you provide the Ontario First Nations point-of-sale relief, include the amount credited at the point of sale on **line 111**. You can complete and file this rebate application electronically.

If you file a paper return, complete and send Form GST189, *General Application for Rebate of GST/HST* (application for reason code 23) with your return. On Form GST189, indicate in Section II of Part C, the reporting period in which the amounts credited at the point of sale have been set off on **line 111**. The amount of HST collected or collectible on the supply must be included on **line 105** at the **full** 13% rate.

For more information, see GST/HST Info Sheet GI-106, *Ontario First Nations Point-of-Sale Relief – Reporting Requirements for GST/HST Registrant Suppliers*.

Do **not** include the following on **line 111**:

- amounts from rebate applications that you **have not** sent with the return;
- ITCs;
- pension entity rebate amounts shared with participating employers under an election made with a participating employer of a pension plan; or
- amounts you paid or credited to the purchaser such as:
  - amounts from Form GST115, *GST/HST Rebate Application for Tour Packages*;
  - amounts from Form GST189, *General Application for Rebate of GST/HST*, under reason code 10, 14 and 26;
  - amounts from Form GST386, *Rebate Application for Conventions*; or
  - amounts from Form GST518, *GST/HST Specially Equipped Motor Vehicle Rebate Application*, under reason code 17.

## Line 112 – Total other credits

If you file a **paper return**, add **line 110** and **line 111**, and enter the result on **line 112**.

**Line 112 does not appear on an electronic return.**

## Line 113 A – Balance

If you file a **paper return**, 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 113 A does not appear on an electronic return.**

## Line 205 – GST/HST due on acquisition of taxable real property

Complete this line only if **all** of the following conditions apply:

- you are a registrant who purchases real property;
- you are required to pay the tax directly to us (see “Who remits the tax for a taxable sale of real property – Vendor or purchaser?” on page 59); and
- the real property is for use or supply more than 50% in the course of your commercial activities.

Enter the amount of the GST/HST due on the purchase of real property on this line. If you file a **paper return**, enter this amount on the return portion (Part 2) that you will send to us.

## Line 405 – Other GST/HST to be self-assessed

Complete this line if:

- you are a registrant and have to self-assess the provincial part of the HST on property or services brought into a participating province. For more information, see “Tax on property and services brought into a participating province” on page 45;
- you are a registrant who imports a taxable supply for consumption, use, or supply in less than 90% of your commercial activities and you have to self-assess the GST/HST. Enter on this line the total amount of the GST/HST due on imported property or services. For more information, see “Imported goods” on page 53 and “Imported services and intangible personal property” on page 54;
- you are an international organization and internal use of a support resource or intangible resource occurs in Canada for a supply of a service or intangible personal property that was made outside Canada, but that is not exclusively (90% or more) for consumption, use, or supply in commercial activities, and you have to self-assess the GST/HST on the deemed supply; or
- you are a financial institution and a qualifying taxpayer and have to self-assess the GST/HST using the special rules for financial institutions. For information, see Technical Information bulletin B-095, *The Self-assessment Provisions of Section 218.01 and Subsection 218.1(1.2) for Financial Institutions (Import Rules)*.

If you file a **paper return**, enter this amount on the return portion (Part 2) that you will send to us.

## Line 113 B – Total other debits

If you file a **paper return**, add **line 205** and **line 405**, and enter the result on **line 113 B**.

**Line 113B does not appear on an electronic return.**

## Line 113 C – Balance

If you file a **paper return**, add **line 113 A** and **line 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 113 C does not appear on an electronic return.**

## Line 114 – Refund claimed

If the amount on **line 113 C** is negative, enter this amount on **line 114** to claim your refund. If you file a **paper return**, enter this amount on the return portion (Part 2) that you will send to us.

If you are filing your return using GST/HST NETFILE or TELEFILE, **line 114 will be calculated automatically** based on the information you have already provided.

### Note

After we process your return and apply any interest and/or penalty charges, if an amount of \$2 or less is owed to you, the amount will not be refunded; however, we will apply it to any existing liability you may have.

## Line 115 – Amount owing

If the amount on **line 113 C** is positive, enter this amount on **line 115**.

You can pay electronically using your financial institution’s online or telephone banking services. You do not need a remittance voucher to pay online.

You can also pay electronically using the CRA’s My Payment option. For more information, go to [cra.gc.ca/mypayment](http://cra.gc.ca/mypayment).

Another online option is to authorize the CRA to withdraw a pre-determined payment from your bank account to pay tax on a specific date or dates. You can set up an agreement at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount).

If you file a **paper return** and choose not to pay electronically, enter the amount from **line 115** on the return portion (Part 2) that you will send to us. Use Form RC158, *GST/HST NETFILE/TELEFILE Remittance Voucher*, to make your payment and enclose with your return and voucher a cheque for the amount owing.

### Note

After we process your return and apply any interest and/or penalty charges, if the total amount owing at that time is \$2 or less, you will not have to pay that amount.

## Schedule A, Builders – transitional information

Complete Schedule A electronically if you are a builder and you are required to report the:

- transitional tax adjustment;
- sales of certain grandparented housing;
- resales of certain housing that you purchased on a grandparented basis; or
- **provincial** transitional new housing rebate that was assigned to you by the purchaser.

For more information, see:

- GST/HST Info Sheet GI-095, *Harmonized Sales Tax: Information on the Transitional Tax Adjustment for Builders of Housing in Ontario and British Columbia*;
- GST/HST Info Sheet GI-096, *Harmonized Sales Tax: Provincial Transitional New Housing Rebates for Housing in Ontario and British Columbia*;
- GST/HST Info Sheet GI-098, *Harmonized Sales Tax: Resales of New Housing in Ontario and British Columbia*;
- GST/HST Info Sheet GI-104, *Nova Scotia HST Rate Increase: Sales and Rentals of New Housing*; or
- GST/HST Info Sheet GI-118, *Builders and GST/HST NETFILE*.

### Line 705

Enter the 2% British Columbia transition tax payable by the purchaser of new housing, or the builder of new or substantially renovated housing. **Do not** report GST or HST amounts in this field.

For more information, see Guide RC4052, *GST/HST Information for the Home Construction Industry*.

### Line 122

Enter the amount of eligible British Columbia transition rebate for builders of newly constructed housing or substantially renovated housing. The amount of the rebate will depend on the percentage of completion on April 1, 2013, and is based on the consideration for the property in the case of a sale or fair market value in the case of self-supply. A transition rebate is only available if the transition tax has become payable in respect of the new housing for which it is claimed. The British Columbia transition rebate applicable form must be mailed separately to the CRA.

For more information, see Guide RC4052, *GST/HST Information for the Home Construction Industry*.

### Line 1100

For reporting periods ending **after March 22, 2016**: enter on **line 1100** the total amount of the sale prices for all of the grandparented housing that you sold in the province during this reporting period that had a total sales price (including any amount for any other taxable supply made to the person of an interest in the grandparented housing) of \$450,000 or more. Do not include the GST or HST (for example, in the case where the province has increased the provincial portion of its HST, the HST collectible at the old rate) that you are required to collect on these grandparented sales.

For reporting periods ending **prior to March 23, 2016**: enter on **line 1100** the total amount of the sale prices for all of the grandparented housing that you sold in the province during this reporting period where the purchaser was **not** entitled to claim a GST/HST new housing rebate or a GST/HST new residential rental property rebate. Do not include the GST or HST (for example, in the case where the province has increased the provincial portion of its HST, any HST collectible at the old rate) that you are required to collect on these grandparented sales.

For more information, see “Who remits the tax for a taxable sale of real property – Vendor or purchaser?” on page 59. Enter the amount on the line that corresponds to the province where the housing is located.

### Line 1101

Enter on **line 1101** the total number of units that relate to the sales entered on **line 1100**.

### Line 1102

If you are the first reseller (that is, the first purchaser of grandparented housing from the original builder), enter on **line 1102** the total amount of all sales of housing where you had to charge the HST on the sale of the housing that you originally purchased on a grandparented basis and for which the HST became payable during this reporting period, whether or not you were required to collect the tax payable on the sales. See “Who remits the tax for a taxable sale of real property – Vendor or purchaser?” on page 59. Enter the amount on the line that corresponds to the province where the housing is located.

### Line 1103

Enter on **line 1103** the total number of units that relate to the sales entered on **line 1102**.

### Line 1200

Enter on **line 1200** all of the GST/HST you had to charge during the reporting period for property and services you provided, including the GST/HST you had to charge on any taxable sales of real property. Do not include the amount of any transitional tax adjustments that you are considered to have collected on certain sales of housing. These amounts must be reported on **line 1201**.

#### Note

Include in your calculations for **line 1200** all amounts that are included in the calculations for **line 103** and **line 104** on page 80.

### Line 1201

Enter on **line 1201** the total amount of all transitional tax adjustments that you are considered to have collected during the reporting period. Enter the amount on the line that corresponds to the province where the housing is located.

## Line 105

Line 105 will be **calculated automatically** based on the information you provided for **line 1200** and **line 1201** when you select the **Calculate** button at the bottom of Schedule A. This is your total GST/HST and adjustments for the reporting period.

## Line 1300

Enter on **line 1300** the total of all **provincial** transitional new housing rebates that were **assigned** to you by purchasers. Do **not** include on this line any provincial transitional rebates that you are entitled to claim as the builder of new housing. For more information on provincial transitional rebates, see GST/HST Info Sheet GI-096, *Harmonized Sales Tax: Provincial Transitional New Housing Rebates for Housing in Ontario and British Columbia*.

## Line 1301

Enter on **line 1301** the total of all provincial transitional rebates that you are entitled to claim as the builder of new housing, such as a condominium unit or condominium complex. Also include in your calculations for **line 1301** all rebate amounts that are included in the calculations for **line 111** on page 82, such as any GST/HST new residential rental property rebates that you are entitled to claim.

### Note

Do not include any amounts for the GST/HST new housing rebates that you paid or credited to your purchasers. See the information for **line 135** and **line 108** of the GST/HST NETFILE return, discussed earlier.

Send all transitional rebate applications (including those with amounts that are included in your GST/HST NETFILE return) to the following address:

**Prince Edward Island Tax Centre**  
**275 Pope Road**  
**Summerside PE C1N 6A2**

## Line 111

Line 111 will be **calculated automatically** based on the information you provided for **line 1300** and **line 1301** when you select the **Calculate** button at the bottom of Schedule A. This is the total amount of the rebates that you are using to reduce or offset your amount owing for the reporting period.

## Schedule B, Calculation of recaptured input tax credits

Complete Schedule B electronically if you are required to recapture ITCs for the provincial part of the HST on specified property or services. For more information on recaptured ITCs, see "Recapture of ITCs" on page 20, and the following publications:

- GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia*;
- GST/HST Info Sheet GI-165, *Prince Edward Island: Transition to the Harmonized Sales Tax – Builders and Recaptured Input Tax Credits*; and
- GST/HST Info Sheet GI-171, *Phasing out of Recaptured Input Tax Credits in Ontario*.

## Line 1400

Enter on **line 1400** your gross ITCs and adjustments. This is the total of all your eligible ITCs and adjustments for the reporting period before accounting for the recaptured ITCs.

## Line 1401

Enter on **line 1401** the total of your gross recaptured ITCs next to the applicable recapture rate for each province with a recapture requirement. The recapture rate that applies to a recaptured ITC in respect of a specified property or service is the rate that applied at the time the tax first became payable, or was paid without having become payable, in respect of that property or service.

For the province of Ontario, the recapture rate is 100% for tax that first became payable, or was paid without having become payable, before July 1, 2015. For tax that became payable, or was paid without having become payable, on or after July 1, 2015, and before July 1, 2016, the recapture rate is 75%.

For tax that becomes payable, or is paid without having become payable, on or after July 1, 2016, and before July 1, 2017, the recapture rate is 50%.

For the province of Prince Edward Island, the recapture rate is 100% for tax that became payable, or is paid without having become payable, before April 1, 2018.

## Line 1402

Line 1401 will automatically be multiplied by the applicable recapture rate and the result will be entered on **line 1402**.

## Line 1403

Enter on **line 1403** the deduction allowed in respect of the sale, or removal from Ontario or Prince Edward Island, of a qualifying motor vehicle for which a recaptured ITC has been previously reported.

For information on how to calculate the deduction, see GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia*, under the heading “Deduction from net tax – for qualifying motor vehicles sold or removed from the province.”

## Line 108

**Line 108** will be **calculated automatically** based on the information you provided for **lines 1400, 1401, and 1403** when you select the **Calculate** button at the bottom of Schedule B. This is the amount of your allowable ITCs to be reported on your GST/HST return.

## Schedule C, Reconciliation of recaptured input tax credits (RITCs)

Complete Schedule C electronically if you are required to recapture ITCs for the provincial part of the HST on specified property and services, and you elected to use the estimation and reconciliation method to report them.

This schedule must be completed within three months of your fiscal year-end. For more information, see “Recapture of ITCs” on page 20, and the following publications:

- GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia*;
- GST/HST Info Sheet GI-165, *Prince Edward Island: Transition to the Harmonized Sales Tax – Builders and Recaptured Input Tax Credits*; and
- GST/HST Info Sheet GI-171, *Phasing out of Recaptured Input Tax Credits in Ontario*.

## Line 105 – Total GST/HST and adjustments for period (before RITC reconciliation)

**Line 105** before RITC reconciliation is **calculated automatically** based on the information you provided on Schedule A, if applicable.

If Schedule A does not apply, enter on **line 105** the total amount of GST/HST you were required to charge during this reporting period and any adjustments (for example, bad debts that you recovered) that increase your net tax for the reporting period.

Only include amounts for the current reporting period. Do **not** include amounts for the fiscal year being reconciled.

## Line 108 – Total ITCs and adjustments (before RITC reconciliation)

**Line 108** before RITC reconciliation is **calculated automatically** based on the information you provided on Schedule B, if applicable.

If Schedule B is not applicable, enter on **line 108** all ITCs and any adjustments (for example, rebates paid or credited to customers or for bad debts) that decrease the net tax for this reporting period. Include ITCs for the provincial part of the HST on specified property or services that are subject to recapture.

Only include amounts that decrease the net tax for this reporting period. Do **not** include amounts for the fiscal year being reconciled.

## Line 1402A

Enter on **line 1402A** the actual amount of net RITCs for the provincial part of the HST on specified property and services acquired during the fiscal year being reconciled. This would be determined by reviewing your financial records at the end of the fiscal year.

## Line 1402R

Enter on **line 1402R** the total amount of net RITCs that was reported on **line 1402** of Schedule B throughout the fiscal year being reconciled.

## Line 116

**Line 116** will be **calculated automatically** based on the information you provided for **line 1402A** and **line 1402R** when you select the **Calculate** button at the bottom of Schedule C. This is the adjustment to net tax that will be automatically added or subtracted from your net tax amounts reported on your GST/HST return.

## Line 105 – Total GST/HST and adjustments for period (after RITC reconciliation)

**Line 105** will be **automatically calculated** when you select the **Calculate** button at the bottom of Schedule C. In most cases, **line 105** will not be affected by the reconciliation of input tax credits.

## Line 108 – Total ITCs and adjustments (after RITC reconciliation)

**Line 108** after RITC reconciliation will be **automatically calculated** when you select the **Calculate** button at the bottom of Schedule C. This amount will equal **line 108** before RITC reconciliation less **line 116**.

## Publications and forms

We offer a wide range of publications in both official languages. For a list of all GST/HST publications, go to [cra.gc.ca/gsthstpub](http://cra.gc.ca/gsthstpub).

- Pamphlets and booklets are available on a variety of subjects.
- Guides contain more detailed information on how the GST/HST affects specific types of businesses and organizations.
- 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.
- GST/HST Notices provide explanations on recent changes.
- Technical Information Bulletins announce changes to GST/HST legislation and administrative policy in specific areas.

Revenu Québec administers the GST/HST in Quebec. If the physical location of your business is located in Quebec, contact Revenu Québec at **1-800-567-4692**, unless you are a person that is a selected listed financial institution (SLFI) for GST/HST or QST purposes or both then go to [cra.gc.ca/slfi](http://cra.gc.ca/slfi).

### Forms

There are a number of options available to businesses and organizations to make it easier to comply with the GST/HST. These options, called **elections** or **applications**, allow you to adapt the administrative requirements of the GST/HST to your own business activity. While 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.

### Elections

You can use an election if you meet all the eligibility criteria.

You are responsible for ensuring that 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.

### 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.

## Online services

### GST/HST electronic filing and remitting

You have several options for filing your GST/HST return or remitting an amount owing electronically. For more information, go to [cra.gc.ca/gsthst-filing](http://cra.gc.ca/gsthst-filing) or see “How to file your return” on page 32.

### Handling business taxes online

Save time using the CRA’s online services for businesses. You can:

- authorize a representative, an employee, or a group of employees, who has registered with Represent a Client, for online access to your business accounts;
- request or delete authorization online through Represent a Client, if you are a representative;
- register for online mail, get email notifications, and view your mail online;
- calculate a balance that includes interest calculated to a future date;
- authorize the withdrawal of a pre-determined amount from your bank account;
- transfer payments and immediately view updated balances;
- enrol for direct deposit, update banking information, and view direct deposit transactions;
- change addresses;
- view answers to common enquiries, and if needed, submit account related enquiries;
- submit documents; and
- do much more.

To register or log in to our online services, go to:

- [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount), if you are a business owner; or
- [cra.gc.ca/representatives](http://cra.gc.ca/representatives), if you are an authorized representative or employee.

For more information, go to [cra.gc.ca/businessonline](http://cra.gc.ca/businessonline).

### Receiving your CRA mail online

You, or your representative (authorized at a level 2), can choose to receive most of your CRA mail for your business online.

When you or your representative registers for online mail, an email notification will be sent to the email address(es) provided when there is new mail available to view in My Business Account. Correspondence available through online mail will no longer be printed and mailed. To register, select the “Manage online mail” service and follow the steps.

Using our online mail service is faster and easier than managing paper correspondence.

### Authorizing the withdrawal of a pre-determined amount from your bank account

Pre-authorized debit (PAD) is an online, self-service, payment option. Through this option, you agree to authorize the CRA to withdraw a pre-determined amount from your bank account to pay tax on a specific date or dates. You can set up a PAD agreement using the CRA’s secure My Business Account service at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount). PADs are flexible and managed by you. You can view historical records, modify, cancel, or skip a payment. For more information, go to [cra.gc.ca/payments](http://cra.gc.ca/payments) and select “Pre-authorized debit.”

### Electronic payments

Make your payment using:

- your financial institution’s online or telephone banking services;
- the CRA’s My Payment service at [cra.gc.ca/mypayment](http://cra.gc.ca/mypayment); or
- pre-authorized debit at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount).

For more information on all payment options, go to [cra.gc.ca/payments](http://cra.gc.ca/payments).

## For more information

### What if you need help?

If you need more information after reading this publication, go to [cra.gc.ca/gsthst](http://cra.gc.ca/gsthst) or call 1-800-959-5525.

### Direct deposit

Direct deposit is a fast, convenient, reliable, and secure way to get your CRA payments directly into your account at a financial institution in Canada. To enrol for direct deposit or to update your banking information, go to [cra.gc.ca/directdeposit](http://cra.gc.ca/directdeposit).

### Forms and publications

To get our forms and publications, go to [cra.gc.ca/gsthstpub](http://cra.gc.ca/gsthstpub).

### Ordering personalized remittance forms

The following personalized remittance forms are not available on our website. We only provide them in a pre-printed format:

- RC158, *GST/HST NETFILE/TELEFILE Remittance Voucher*;
- RC159, *Amount Owing Remittance Voucher*;
- RC160, *Interim Payments Remittance Voucher*; and
- RC177, *Balance Due Remittance Voucher*.

You can order these remittance vouchers online, by selecting the “Enquiries service” at [cra.gc.ca/mybusinessaccount](http://cra.gc.ca/mybusinessaccount) or through [cra.gc.ca/representatives](http://cra.gc.ca/representatives).

### Excise and GST/HST News

As a GST/HST registrant, you may want to review the quarterly issues of the **Excise and GST/HST News**, which discuss different issues that concern GST/HST registrants, including new online services. We can notify you by email when new information on a subject of interest to you is available on our website. To subscribe to our electronic mailing lists, go to [cra.gc.ca/lists](http://cra.gc.ca/lists). You can also go to [cra.gc.ca/gsthsttech](http://cra.gc.ca/gsthsttech) to read the latest edition of **Excise and GST/HST News** online.

### Teletypewriter (TTY) users

If you have a hearing or speech impairment and use a TTY call 1-800-665-0354 during regular business hours.

### GST/HST rulings and interpretations

You can request a ruling or interpretation on how the GST/HST applies to a specific transaction for your operations. This service is provided free of charge. For the mailing address or fax number of the closest GST/HST Rulings centre, see the publication RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*, or call 1-800-959-8287.

### Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the Canada Revenue Agency (CRA); see the *Taxpayer Bill of Rights*.

If you are not satisfied with the service you received, try to resolve the matter with the CRA employee you have been dealing with or call the telephone number provided in the CRA’s correspondence. If you do not have contact information, go to [cra.gc.ca/contact](http://cra.gc.ca/contact).

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee’s supervisor.

If you are still not satisfied, you can file a service complaint by filling out Form RC193, *Service-Related Complaint*. For more information, go to [cra.gc.ca/complaints](http://cra.gc.ca/complaints).

If the CRA has not resolved your service-related complaint, you can submit a complaint with the Office of the Taxpayers’ Ombudsman.

### Reprisal complaint

If you believe that you have experienced reprisal, fill out Form RC459, *Reprisal Complaint*.

For more information about reprisal complaints, go to [cra.gc.ca/reprisalcomplaints](http://cra.gc.ca/reprisalcomplaints).

### Tax information videos

We have a tax information video series for new small businesses that provides an introduction to topics such as registering a business, GST/HST, and payroll. To watch our videos, go to [cra.gc.ca/videogallery](http://cra.gc.ca/videogallery).