



## Builders and GST/HST NETFILE

The Government of Canada has introduced changes to the reporting requirements that apply to most GST/HST registrants. It has also introduced changes to the reporting requirements for certain builders of newly constructed or substantially renovated housing in Ontario, British Columbia, and Nova Scotia.

This info sheet reflects tax changes included in section 278.1 of the *Excise Tax Act*, the *Electronic Filing and Provision of Information (GST/HST) Regulations* and the press release of January 4, 2010, *Government of Canada Announces New Electronic Filing Requirements for GST/HST Registrants*.

### Reporting changes for builders

Many builders are required to file their GST/HST returns electronically for reporting periods ending on or after July 1, 2010, and to use new information fields on their return to report specific information.

Filing paper returns instead of the required electronic return, or inaccurate reporting of information can result in processing delays, net tax assessments, penalty and interest charges, and the retention of other refunds or rebates that the builder may be expecting from the Canada Revenue Agency (CRA).

This info sheet provides builders with step-by-step instructions for completing their GST/HST NETFILE return. It also explains the assessment, penalty and interest consequences for builders if they do not report information and file their return according to the new rules.

### When must a builder use GST/HST NETFILE?

A builder **must** use GST/HST NETFILE to file its return for any reporting period in which the builder:

- is required to recapture input tax credits (RITCs) for the provincial part of the HST paid or payable on certain taxable supplies acquired in Ontario or British Columbia (B.C.);

- makes a taxable sale of a grandparented housing unit<sup>1</sup> in Ontario, B.C. or Nova Scotia where the purchaser is not entitled to claim a GST/HST new housing rebate or a GST/HST new residential rental property rebate in respect of the GST or federal part of the HST payable on the grandparented sale;
- is required to account for the transitional tax adjustment in its net tax calculation;
- is reporting a provincial transitional new housing rebate (either a rebate that the builder is entitled to claim or a rebate that is assigned to the builder by a purchaser who is entitled to claim the rebate); or
- is a first reseller<sup>2</sup> who made a taxable sale of a housing unit where the sale was subject to the HST at 13% in Ontario, 12% in B.C. or 15% in Nova Scotia, and the builder purchased that housing unit on a grandparented basis.

<sup>1</sup> For purposes of this info sheet, a “housing unit” in Ontario or B.C. means a detached house, a semi-detached house, a rowhouse unit, a residential condominium unit or a condominium complex. It does not include an owner-built house, a duplex, apartment building, mobile home or floating home. A “housing unit” in Nova Scotia means a detached house, a semi-detached house, a rowhouse unit, a residential condominium unit, a duplex, mobile home or floating home. It does not include an owner-built house, an apartment building or a condominium complex. A modular home may be considered to be a mobile home for GST/HST purposes. For more information, refer to GST/HST Policy Statement P-223, *The Meaning of “Manufacture and assembly of which is completed or substantially completed” in the Definition of “Mobile Home”*.

<sup>2</sup> A first reseller is the first person that entered into a grandparented purchase and sale agreement with the original builder, obtained possession of the substantially completed grandparented housing unit from the original builder and made a taxable resale of that housing.

For information on RITCs, refer to GST/HST Info Sheet GI-100, *Harmonized Sales Tax: Builders and Recaptured Input Tax Credits*.

For information on the HST transitional rules for new housing in Ontario and B.C., refer to:

- GST/HST Info Sheet GI-083, *Harmonized Sales Tax: Information for Builders of New Housing in Ontario*,
- GST/HST Info Sheet GI-084, *Harmonized Sales Tax: Information for Builders of New Housing in British Columbia*,
- 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*.

For information on the HST rate increase for new housing in Nova Scotia, refer to GST/HST Info Sheet GI-104, *Nova Scotia HST Rate Increase: Sales and Rentals of New Housing*.

### **Penalty for not using GST/HST NETFILE**

Builders who are required to use GST/HST NETFILE for reporting periods ending on or after July 1, 2010, may be subject to penalties if they use another filing method (for example, file paper returns instead). A \$100 penalty applies the first time a builder fails to use GST/HST NETFILE when required to do so. A \$250 penalty applies every other time the builder fails to use GST/HST NETFILE when required to do so.

If you are not required to use GST/HST NETFILE to file your return and you choose to use another method, the rest of this info sheet does not apply to you.

### **Accessing GST/HST NETFILE**

There are two ways to access GST/HST NETFILE on the CRA Web site:

- via My Business Account,
- at [www.cra-arc.gc.ca/gsthst-netfile](http://www.cra-arc.gc.ca/gsthst-netfile).

The following includes step-by-step instructions on how to complete the GST/HST NETFILE return.

### **Step 1: General information**

If you access GST/HST NETFILE at [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile), enter your Business Number, your reporting period dates, and your four digit access code in the fields provided. Your access code can be found in Part 1 of your personalized return (GST34-2) or on the electronic filing information sheet (GST34-3) that we mailed to you. If an access code is not printed on your information sheet or return, or if you have misplaced it, call us at 1-877-322-7849 and we will give you a new access code over the telephone.

If you access GST/HST NETFILE via My Business Account, your Business Number will be automatically entered and an access code is not required. However, you have to enter your reporting period dates.

You then have to answer several questions. If you answer YES to a question, a form or schedule will automatically open after you have answered all of the questions on that screen.

If you need help completing any of the fields on the GST/HST NETFILE return, click on the red circle with a question mark and you will be provided with more information.

#### **First question**

The first question determines whether you are filing the following rebate applications:

- Form GST189 (the Ontario First Nations point-of-sale relief); and
- Form GST284 (a public service body rebate).

If you answer YES to one of those rebates, a rebate application form will open for you to complete after you have answered all of the remaining questions on that screen.

#### **Second question**

The purpose of the second question is to determine whether or not you are required to complete Schedule A, *Builders – Transitional Information*.

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If you are a builder who has sold a newly constructed or substantially renovated housing unit in Ontario, B.C., or Nova Scotia during the reporting period, and the sale is subject to the HST transitional rules for housing in those provinces, you will generally be required to answer YES to the second question.

In particular, you must answer YES if you are required to report any of the following on your return:

- a transitional tax adjustment on housing;
- the sale of grandparented housing in Ontario, B.C. or Nova Scotia where the purchaser is not entitled to claim a GST/HST new housing rebate or a GST/HST new residential rental property rebate on the sale;
- the sale of housing that is subject to the HST, where you purchased that housing from the original builder on a grandparented basis; or
- a provincial transitional new housing rebate assigned to you by a purchaser (Type 2 of Forms RC7000-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate* or RC7000-BC, *British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate*).

If you answer YES to the second question, Schedule A will open for you to complete after you have answered all of the questions. Instructions to complete Schedule A are provided below. If you are not sure how to answer, click on the red circle with the question mark.

### **Third question**

The purpose of the third question is to determine whether or not you are required to complete Schedule B, *Calculation of Input Tax Credits*.

If you meet the definition of a “large business” and you are required to recapture the provincial part of certain amounts claimed as input tax credits (ITCs) for purchases in Ontario or B.C. during the reporting period, you will generally be required to answer YES to the third question.

If you answer YES, Schedule B will open for you to complete after you have answered all of the

questions. Instructions to complete Schedule B are provided below.

Refer to GST/HST Info Sheet GI-100, *Builders and Recaptured Input Tax Credits*, for information on RITCs and the meaning of “large business”.

### **Fourth question**

The fourth question relates to the estimation and reconciliation of RITCs if you have filed the election form RC4531, *Election or Revocation of an Election to use the Estimation and Reconciliation Method to Report the Recapture of Input Tax Credits* and you wish to reconcile for a prior fiscal year. If you answer YES, Schedule C will open for you to complete after you have answered all of the questions. For more information on reconciliation of RITCs, refer to GST/HST Info Sheet GI-100.

### **After you have answered all of the questions**

After you have answered all of the questions, click on the NEXT button. If you have answered YES to any question in Step 1, the relevant form or schedule will open and will be presented in order.

The rest of this info sheet provides step-by-step instructions on how to complete Schedules A and B and the GST/HST return. If you require assistance to complete the rebate forms or Schedule C, call us at 1-800-959-8287.

## **Step 2: Schedule A, Builders – Transitional Information**

If you answered NO to the second question in Step 1, Schedule A will not open. Skip to Step 3. If you are not required to complete Schedule A, the instructions for you to report housing and other rebates are provided under Step 4 of this info sheet.

Your Business Number and reporting period information is displayed at the top of Schedule A, based on the information you provided on the previous page. Review this information to ensure it is correct.

Schedule A is broken down into three main parts:

- Grandparented housing,
- Calculation of line 105, and
- Calculation of line 111.

Each part is explained below. If you do not have any information to report on Schedule A, click on the PREVIOUS button and change your answer for the second question to NO.

### **Grandparented housing**

There are two types of sales that you may need to report in “Grandparented Housing” of Schedule A:

- the sale of grandparented housing units where the purchaser was not entitled to claim either a GST/HST new housing rebate or a GST/HST new residential rental property rebate; and
- the sale of housing units that you previously purchased on a grandparented basis, where your sale of those housing units is subject to the HST.

Depending on your situation, you may not be required to complete all of the fields in this section. As a general rule, however, if you are required to complete a field in the left column, you must also complete the field directly beside it in the right column, and vice versa.

### **Lines 1100 and 1101**

Line 1100 and line 1101 are used to report the details of your sales (if any) of grandparented housing units in the reporting period where the purchaser was not entitled to claim either a GST/HST new housing rebate or a GST/HST new residential rental property rebate. This information is broken down according to the province in which the housing is located. If you sold grandparented housing units under those circumstances during the reporting period, you are required to report both the number (on line 1101) and the total value of the sales of those housing units (on line 1100), on a province-by-province basis.

Refer to guide RC4028, *GST/HST New Housing Rebate*, and guide RC4231, *GST/HST New Residential Rental Property Rebate*, for an explanation of the rebate eligibility rules.

### **Example 1**

A builder has three sales of grandparented housing in Ontario during the reporting period, but in only one case is the purchaser ineligible to claim either a GST/HST new housing rebate or GST/HST new residential rental property rebate. The builder sold that housing unit for \$650,000.

The builder must enter the following in “Grandparented housing” of Schedule A:

- “650,000” on line 1100 – Total Sales for Ontario, and
- “1” on line 1101 – # Housing Units for Ontario.

### **Lines 1102 and 1103**

Line 1102 and line 1103 are used to report the details of your sales (if any) of housing units that were subject to the HST and that you previously purchased on a grandparented basis. This information is broken down according to the province in which the housing is located. If you sold any housing units under those circumstances during the reporting period, you are required to report both the number (on line 1103) and the total value of the sales of those housing units (on line 1102), on a province-by-province basis.

### **Penalty for not reporting details on lines 1100, 1101, 1102 or 1103**

If you fail to report the total value of these sales on line 1100 or line 1102 as required, you may be subject to a penalty of up to 10% of the value of the sales not reported.

You may be subject to a penalty of \$250 each time that you fail to correctly report on line 1101 or line 1103 the number of housing units sold during the reporting period, as required.

### **Example 2**

A builder has two sales of grandparented housing in B.C. during the reporting period where the purchaser was ineligible to claim either a GST/HST new housing rebate or GST/HST new residential rental property rebate. The builder sold the first housing unit for \$600,000 and the second housing unit for \$700,000.

The builder also sold two housing units in B.C. that were subject to the HST during that reporting period. The first unit was a housing unit that the builder had constructed for sale. The second unit was a housing unit that the builder had previously purchased from the original builder on a grandparented basis, and resold for \$500,000.

The builder must enter the following in “Grandparented housing” of Schedule A:

- “1,300,000” on line 1100 – Total Sales for British Columbia,
- “2” on line 1101 – # Housing Units for British Columbia,
- “500,000” on line 1102 – Total Sales for British Columbia, and
- “1” on line 1103 – # Housing Units for British Columbia.

However, in completing its GST/HST NETFILE return, the builder answered NO to the second question in Step 1, and did not complete Schedule A of the return.

The maximum penalty to the builder for not reporting the value of these sales on line 1100 and line 1102 as required is \$180,000 ( $\$1,800,000 \times 10\%$ ). The penalty to the builder for not reporting on line 1101 and line 1103 the number of these housing units sold during the reporting period is \$750 ( $\$250 \times 3$  occasions).

### **Calculation of line 105 – Total GST/HST and adjustments for period**

This part of Schedule A is used to calculate the total GST and HST that you were required to collect during the reporting period, as well as any transitional tax adjustments you are considered, as a builder, to have collected (even though not actually collected from anyone).

Enter on line 1200 the total of all amounts you would otherwise report on line 105 of your GST/HST return (that is, if you were not required to use Schedule A), namely:

- all of the GST or HST that you collected, or that became collectible by you, during the reporting period, and
- any adjustments you have to make to increase the amount of your net tax for the reporting period (for example, if you wrote off the GST/HST amount of any bad debts in a previous return and then recovered some or all of those debts in your current reporting period, add the amount of the GST/HST you have recovered).

Do not include any tax payable on a taxable sale of real property if you are not required to collect the tax payable. For more information, see guide RC4022, *General Information for GST/HST Registrants*.

Make sure you do not include any transitional tax adjustment information on line 1200. That information must go on line 1201 – Transitional tax adjustment.

The transitional tax adjustment information for line 1201 must be broken down on a province-by-province basis.

#### **Example 3**

A builder has three taxable sales of real property in the reporting period, all of which took place in Ontario.

- The first sale is the sale of a house for \$550,000, on which the builder is required to charge and collect the HST (\$71,500). The builder did not purchase the house on a grandparented basis.
- The second sale is the grandparented sale of a condo unit for \$300,000 on which the builder is required to charge and collect only the GST (\$15,000). Because it is a grandparented sale, the builder is also considered to have collected \$6,000 ( $\$300,000 \times 2\%$ ) as a transitional tax adjustment, and must report this amount in its return for the reporting period by including the amount of the adjustment on line 1201.
- The third sale is the sale of a vacant lot to a corporation that is registered for the GST/HST. HST applied to the sale, but as the purchaser is registered for the GST/HST, the purchaser is required to report the HST payable on the transaction.

The builder is required to include on line 1200 the GST/HST collectible by the builder (that is, \$86,500 on the first two sales).

The builder must report the \$6,000 transitional tax adjustment for the sale of the grandparented condo unit on line 1201 in the field for Ontario.

You cannot enter anything on line 105 – Total GST/HST and adjustments for period. This line will be filled in automatically when you have finished completing the rest of Schedule A and click on the CALCULATE button.

### **Penalty for not reporting the transitional tax adjustment on line 1201**

If you fail to report a transitional tax adjustment on line 1201, you may be subject to a penalty of up to 10% of the value of the transitional tax adjustments not reported.

#### **Example 4**

The builder in Example 3 reported the transitional tax adjustment on line 1200, together with the GST/HST the builder was required to collect, instead of reporting it on line 1201 as required under the new rules.

The maximum penalty to the builder is \$600 ( $\$6,000 \times 10\%$ ).

### **Calculation of line 111 – Rebates**

This part of Schedule A contains up to five lines. You can enter amounts on lines 1300 and 1301 only. Lines 23 and 409 will be displayed and filled in automatically only if you answered YES to the first question in Step 1 and have completed the relevant rebate application forms.

The Appendix to this info sheet provides a chart that highlights various housing rebate application forms and rebate types together with the corresponding lines for reporting these rebate amounts on your GST/HST NETFILE return.

### Line 1300

Enter on line 1300 **only** the total amount of provincial transitional new housing rebates (for embedded retail sales tax in Ontario or provincial sales tax in B.C.), if any, that were **assigned** to you by purchasers (**Type 2 only**) on form RC7000-BC, *British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate* or form RC7000-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate* and that you want to use to reduce the amount of tax owing on your GST/HST return.

Amounts reported on this line will be automatically included on line 111 of your GST/HST return and used to reduce your amount owing.

You must send the rebate application to the Summerside Tax Centre no later than the day your return is electronically filed.

Do not include on line 1300 any provincial transitional new housing rebates that you are entitled to claim as the builder of new housing (for example, in respect of a condominium unit or in respect of a self-supply).

### Line 1301

Enter on line 1301 the total amount of provincial transitional new housing rebates that you, as the builder, are entitled to claim on the following forms:

- RC7001-BC, *British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate – Residential Condominiums*,
- RC7001-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate – Condominiums*,
- RC7002-BC, *British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate – Apartment Buildings*,
- RC7002-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate – Apartment Buildings*,
- RC7000-BC, *British Columbia Provincial Sales Tax (PST) Transitional New Housing Rebate (Type 1 only)*, and

- RC7000-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate (Type 1 only)*.

Report these rebate amounts on line 1301 only if you wish to use the amounts to reduce your net tax for the reporting period.

You can also include on line 1301 certain other rebates that you are entitled to claim such as the GST/HST new residential rental property rebates and rebates for tax paid in error.

Amounts reported on this line will be automatically included on line 111 of your GST/HST return and used to reduce your amount owing.

Do not use line 1301 to report:

- any amounts you credited at the point of sale in respect of the Ontario First Nations point-of-sale relief or any public service body rebate amount that you are entitled to claim (These amounts will be automatically entered on lines 23 and 409 of Schedule A when you answer YES to the first question in Step 1 and complete the relevant rebate application forms);
- GST/HST new housing rebates for the GST or federal part of the HST or provincial new housing rebates for the provincial part of the HST that you have paid or credited to a purchaser. Instructions for reporting these new housing rebates are provided later in this info sheet.

You must send the rebate application to the Summerside Tax Centre no later than the day your return is electronically filed.

### Line 111

You cannot enter anything on line 111 – *Total Rebates*. This line will be filled in automatically when you click the CALCULATE button.

After clicking the CALCULATE button, ensure that the information in all of the fields is correct. If so, click the NEXT button. If you answered YES to the third question in Step 1, you will proceed to Schedule B. Information for completing Schedule B is provided under Step 3 of this info sheet. If you answered NO, you will proceed to your GST/HST return. Information for completing your return is provided under Step 4 of this info sheet.

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### **Consequences for improperly reporting rebates on line 1300 or line 1301**

If you are required to complete Schedule A and you use a rebate amount to reduce the amount owing on your return, you send the rebate application to the CRA, but you do not correctly report the rebate amount on line 1300 or line 1301, you may receive a cheque for the rebate amount (the rebate amount may be paid to you as there is no indication on your return that you made an offset). In this case, you are required to pay the rebate overpayment and any applicable interest to the Receiver General.

In addition, you may be subject to a penalty of \$250 each time that you deduct the amount of an assigned provincial transitional new housing rebate in calculating your net tax, but fail to report the rebate amount on line 1300, even if the amount is included on line 111 and you send the corresponding rebate applications to the CRA as required.

You can also expect to be assessed for the amount of the rebates, together with interest, where the rebate amounts are mistakenly included on line 108 of the return if you do not provide the rebate applications to the CRA at the time of audit.

Amounts that are assessed for GST/HST purposes may affect other accounts that you have with the CRA as debits on a GST/HST account will be offset by credits that you may have on other CRA accounts.

#### **Example 5**

The purchaser of a new house in B.C. agrees to assign his provincial transitional new housing rebate to the builder, and completes form RC7000-BC accordingly. The builder wants to use this rebate amount to reduce the amount owing on its return, and sends form RC7000-BC to the CRA on the same day as the builder files its return electronically. However, the builder includes the provincial transitional new housing rebate amount on line 108 instead of line 1300 as required.

The builder may be subject to a penalty of \$250 for reporting this rebate amount incorrectly. If the builder receives a cheque for the amount of the rebate, the builder must pay the rebate overpayment and any applicable interest to the Receiver General.

You may also be subject to a penalty of \$250 each time that you deduct the amount of your own provincial transitional new housing rebate in

calculating your net tax, but fail to report the rebate amount on line 1301, even if the amount is included on line 111 and you send the corresponding rebate applications to the CRA as required.

#### **Example 6**

A builder finishes construction of a condominium complex in Ontario in December 2010. As the complex is more than 10% complete as of July 1, 2010, the builder is eligible to claim a provincial transitional new housing rebate for the complex by filing form RC7001-ON, *Ontario Retail Sales Tax (RST) Transitional New Housing Rebate – Condominiums*. The builder wants to use the rebate amount to reduce its amount owing on its return, but includes the rebate amount on line 108 instead of line 1301 as required.

The builder may be subject to a penalty of \$250 for reporting this rebate amount incorrectly. The builder can also expect to be assessed for the amount of the rebate included on line 108 together with interest if the rebate application is not provided to the CRA at the time of audit.

Finally, you may be subject to a penalty of \$250 each time that you improperly include on line 1300 or line 1301 the amount of a GST/HST new housing rebate in respect of the GST or federal part of the HST or provincial new housing rebate in respect of the provincial part of the HST that you have paid or credited to a purchaser.

#### **Example 7**

In its first reporting period of 2011, a builder sells a new house in B.C. that is subject to HST (House #1), and credits the purchaser with both the GST/HST new housing rebate and the B.C. new housing rebate.

In the same reporting period, the builder begins to rent out another house in B.C. that it finished building before July 1, 2010, but was unable to sell (House #2). The builder is considered to have made a self-supply of House #2, and is eligible to claim both a provincial transitional new housing rebate, and a GST/HST new residential rental property rebate.

The builder correctly reports its provincial transitional new housing rebate and GST/HST new residential rental property rebate for House #2 on line 1301.

The builder incorrectly includes on line 1301 the amounts of the GST/HST new housing rebate and the B.C. new housing rebate that the builder credited to the purchaser of House #1, instead of reporting the amounts on line 135 of its return as is required (see the discussion in Step 4 of this info sheet).

The builder may be subject to penalties totalling \$500 (\$250 for each of the new housing rebates incorrectly reported on line 1301).

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### Step 3: Schedule B, Calculation of Input Tax Credits

If you answered NO to the third question in Step 1, Schedule B will not open. Skip to Step 4.

You can only enter information on line 1400 and line 1401. If you do not have any information to report on Schedule B, click on the PREVIOUS button until you reach the first Web form and change your answer for the third question to NO. In this case, you will have to re-enter the information you entered on Schedule A.

#### Line 1400

Line 1400 is used to report all of your eligible ITCs for the reporting period, including any ITCs that are subject to recapture.

Enter the total of all ITCs for the reporting period, as well as any eligible ITCs you did not claim in an earlier reporting period, provided the time limit for claiming the ITCs has not expired.

If you have adjustments that you want to apply to decrease the amount of your net tax for the reporting period, you may also include them on line 1400. For example, you can include:

- the amount of a GST/HST new housing rebate or provincial new housing rebate you paid or credited to an eligible purchaser in that reporting period, as long as you submit the purchaser's new housing rebate application no later than the day you electronically file your return; and
- the amount of any GST/HST on bad debts you write off in that reporting period if you have previously reported the full amount of the GST/HST on supplies that resulted in those debts, and you have remitted any net tax owing.

#### Example 8

Build Co. is a large business that is subject to the RITC rules and therefore required to complete Schedule B for the current reporting period. During this reporting period, Build Co. was liable to pay \$3,400 in GST/HST on its own eligible expenses, and credited \$76,400 in provincial new housing rebates to purchasers of its new housing.

Build Co. is eligible to claim \$79,800 on line 1400.

#### Line 1401

Line 1401 – Gross RITCs, is used to report the amount of your ITCs that are subject to recapture under the new rules in Ontario and B.C. Line 1401 will automatically be multiplied by the recapture rate and the result will be displayed on line 1402. For all recapture periods before July 1, 2015, the recapture rate is 100%.

Refer to GST/HST Info Sheet GI-100, *Builders and Recaptured Input Tax Credits*, for an explanation of the amounts you must include on line 1401. For a complete discussion on the topic of recaptured ITCs, refer to GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia*.

#### Line 108

Line 108 will be filled in automatically when you click on the CALCULATE button at the bottom of Schedule B, based on the information you provided for line 1400 and line 1401. This is the amount of your allowable ITCs that will be reported on line 108 of your GST/HST return.

After clicking the CALCULATE button, ensure that the information in all of the fields is correct. If so, click the NEXT button. If you answered YES to the fourth question in Step 1, you will proceed to Schedule C. If you answered NO, you will proceed to your GST/HST return. Information for completing your return is provided in Step 4 of this info sheet.

#### **Failure to send new housing rebate applications (form GST190 and/or forms RC7190-BC, RC7190-NS, RC7190-ON) to the CRA**

If you are required to complete Schedule B and you correctly report on line 1400 the total amount of the GST/HST new housing rebates and provincial new housing rebates that you paid or credited to eligible purchasers in the reporting period, but you do not send the CRA the corresponding rebate applications within a reasonable time after filing the return, you can expect to be assessed, generally for the lesser of the amount of the rebates claimed on line 135 (see Step 4) or the total amount claimed on line 108,



together with interest calculated from the date the return was due.<sup>3</sup>

As mentioned earlier, amounts that are assessed may affect other accounts that you have with the CRA as debits on a GST/HST account will be offset by credits that you may have on other CRA accounts.

#### **Penalty for not reporting RITCs on line 1401**

If you fail to report on line 1401 the ITCs that are subject to recapture, you may be subject to a penalty of up to 10% of the amounts not reported.

#### **Example 9**

Build Co. is a GST/HST registrant that is a large business for the recapture period July 1, 2011 to June 30, 2012, so it is subject to the RITC requirements for specified property and services it acquires or brings into Ontario or B.C., including those acquired to construct new houses, condos, etc.

On December 11, 2011, Build Co. buys a road vehicle (weighing less than 3,000 kilograms) for \$28,000 that it intends to use in its business in Ontario, and pays \$3,640 HST on the purchase. Build Co. is eligible to claim a full ITC of \$3,640 on line 1400. However, the vehicle is a specified road vehicle for RITC purposes because it was acquired by a large business for use in Ontario. Build Co. must recapture the provincial part of the HST it paid on the vehicle (\$2,240) by reporting this amount in the field for Ontario under line 1401 of the GST/HST return for Build Co.'s reporting period that includes December 11, 2011.

Rather than following the rules for reporting RITCs, Build Co. simply claimed on line 1400 the "net" amount of its ITCs (\$3,640 – \$2,240 = \$1,400).

Build Co. may be subject to a penalty of up to \$224 (\$2,240 × 10%).

If all of the information you entered on Schedule B is correct, click on the NEXT button to proceed to your GST/HST return.

#### **Step 4: GST/HST return using the regular method**

You will note that, depending on which lines you completed on Schedule A, Schedule B and certain other forms, some of the lines on your GST/HST return will have been filled in automatically.

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<sup>3</sup> Generally, an assessment would not be raised if the rebate applications are received by the CRA prior to the issuance of the assessment.

#### **Line 101**

Enter the total amount of revenue from your supplies of housing, goods, and services, including zero-rated 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.

#### **Line 135**

You **must** complete line 135 if, in the reporting period, you have paid or credited to an eligible purchaser a GST/HST new housing rebate in respect of the GST or federal part of the HST claimed on Form GST190, *GST/HST New Housing Rebate Application for Houses Purchased from a Builder* or a provincial new housing rebate in respect of the provincial part of the HST claimed on forms

- RC7190-BC, *GST190 British Columbia Rebate Schedule*,
- RC7190-ON, *GST190 Ontario Rebate Schedule*, or
- RC7190-NS, *GST190 Nova Scotia Rebate Schedule*.

Report on this line the total amount of those GST/HST new housing rebates and provincial new housing rebates (even though you already included the amount on line 1400 if you were required to complete Schedule B).

Do not include any provincial transitional new housing rebates claimed on Forms RC7000-BC, RC7000-ON, RC7001-BC, RC7001-ON, RC7002-BC, or RC7002-ON that you are entitled to claim as a builder or that were assigned to you by eligible purchasers. Those amounts are to be reported on Schedule A as discussed in Step 2 of this info sheet.

The Appendix to this info sheet provides a chart that highlights various housing rebate application forms and rebate types together with the corresponding lines for reporting these rebate amounts on your GST/HST NETFILE return.

#### **Failure to report on line 135 – rebate applications sent to CRA**

You may be subject to a penalty of \$250 each time that you fail to include the correct amount of a GST/HST new housing rebate or provincial new

housing rebate on line 135, even if the amount is included on line 1400 of Schedule B and line 108 of the return and you send the corresponding rebate applications to the CRA as required.

#### **Failure to report on line 135 – rebate applications not sent to CRA**

If you enter the total amount of the GST/HST new housing rebate amounts on line 1400 of Schedule B and line 108 of your GST/HST return but do not report the amounts on line 135 and you do not send the corresponding rebate applications to the CRA as required, you may be subject to a penalty of up to 10% of the total rebate amount. You can also expect to be assessed for the amount of the rebates claimed on line 108, together with interest calculated from the date the return was due if the rebate applications are not provided at the time of the audit.

If you report the amounts correctly, but do not send the CRA the corresponding new housing rebate applications, you can expect to be assessed, generally for the lesser of the amount of the rebates claimed at line 135 or the total amount claimed at line 108 together with interest calculated from the date the return was due if the rebate applications are not received by the CRA within a reasonable time after filing the return.

Amounts that are assessed for GST/HST purposes may affect other accounts that you have with the CRA.

#### **Line 105**

If you were required to complete Schedule A, this line will already be filled in based on the information you entered on Schedule A.

If this line is not already filled in, enter the total amount of:

- all the GST or HST that you collected, or that became collectible by you, during the reporting period, and
- any adjustments you have to make to increase the amount of your net tax for that reporting period (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 in your current reporting period, add the amount of the GST/HST you have recovered).

Do not include any tax payable on a taxable sale of real property if you are not required to collect the tax payable. For more information, see guide RC4022.

#### **Line 108**

If you were required to complete Schedule B, this line will already be filled in based on the information you entered on Schedule B.

If this line is not already filled in, enter on line 108 the total of all ITCs for the reporting period, as well as any ITCs you did not claim in an earlier reporting period, provided the time limit for claiming the ITCs has not expired.

If you have adjustments that you wish to use to decrease the amount of your net tax for the reporting period, you may also include them on line 108. For example, you can include:

- the amount of a GST/HST new housing rebate or provincial new housing rebate you paid or credited to an eligible purchaser in that reporting period, as long as you submit the purchaser's new housing rebate application no later than the day you electronically file your return; and
- the amount of any GST/HST on bad debts you write off in that reporting period if you have previously reported the full amount of the GST/HST on supplies that resulted in those debts, and you have remitted any net tax owing.

If you are entering an amount on line 108 for a GST/HST new housing rebate or provincial new housing rebate you paid or credited to a purchaser, you must also comply with the reporting requirements for line 135 as discussed above.

#### **Line 109**

You cannot enter anything on this line. Your net tax will be filled in automatically, based on the information you have provided, when you click on the CALCULATE button at the end of the return.

#### **Line 110**

If you are an annual filer and required to make quarterly instalments in addition to your remittance at the end of your fiscal year, enter the total amount of the quarterly instalments and remittance (if applicable) you have paid to date in your current fiscal year.

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**Line 111**

If you were required to complete Schedule A, line 111 will be filled in automatically based on the information you already provided on lines 1300 and 1301.

If you are not required to complete Schedule A, you may now reduce or offset your amount owing by entering on line 111 the value of certain rebates that you are entitled to claim, including:

- GST/HST new residential rental property rebates; and
- rebates for tax paid in error.

Do not include any amounts you credited at the point of sale in respect of the Ontario First Nations point-of-sale relief or any public service body rebate amount that you are entitled to claim (these amounts will be automatically entered on line 111 if you answered YES to the first question in Step 1 and completed the relevant rebate application forms).

Do not use line 111 to report GST/HST new housing rebates or provincial new housing rebates that you have paid or credited to a purchaser. Those amounts must be entered on line 135.

The applicable rebate form has to be filed no later than the day you electronically file your return.

**Consequences of reporting new housing rebates on line 111**

If you report the GST/HST new housing rebates in respect of the GST or federal part of the HST or provincial new housing rebates in respect of the provincial part of the HST on line 111 instead of line 135, you will be assessed, even if you provided the CRA with the rebate applications when your return was filed.

By recording amounts on line 111, the CRA is expecting to receive certain types of rebate applications (for example, a provincial transitional new housing rebate or a rebate for tax paid in error) other than the GST/HST new housing rebate applications. If we do not receive the expected rebate applications, a notice of assessment is generated. The assessment will include the rebate

amount reported on line 111, together with interest. If you receive such an assessment, you can contact the CRA to request an adjustment to lines 108 and 135 of the return.

In this situation, you may be subject to the penalty of \$250 for each time that you fail to correctly report a rebate amount on line 135, as indicated above.

Amounts that are assessed for GST/HST purposes may affect other accounts that you have with the CRA.

**Consequences for not reporting eligible rebates on line 111**

If you use a rebate amount to reduce the amount owing on your return, send the rebate application to the CRA and do not correctly report the rebate amount on line 111, you may receive a cheque for the rebate amount. In this case, the rebate amount is paid to you as there is no indication on your return that you made an offset. In this case, you are required to pay the rebate overpayment and any applicable interest to the Receiver General.

**Line 205**

Complete this line only if all of the following conditions apply:

- you are registered for the GST/HST and purchased real property during the reporting period or you purchased real property from a non-resident;
- you are required to pay the tax directly to the CRA (see “Who remits the tax for a taxable sale of real property – Vendor or purchaser?” in guide RC4022); and
- if you are a GST/HST registrant, the real property is for use or supply more than 50% in the course of your commercial activities.

Enter on line 205 the amount of GST/HST due on the purchase of real property.

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**Line 405**

Complete this line if:

- you have to self-assess the provincial part of the HST on property or services brought into a participating province, or
- you import a taxable supply for consumption, use, or supply less than 90% in 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 the imported property or services. For more information, see guide RC4022.

**Lines 109 and 114**

Click on the CALCULATE button. Your Net Tax field (line 109) will now be populated, as will either the Refund claimed (line 114) or Amount owing field, based on the information you have provided in the schedules, forms and return.

Review all the information on your return to make sure it is correct. If so, check the YES field and click the SUBMIT button to file your return.

After you submit your return, you will be brought to the confirmation page, which provides you with your confirmation number, as well as a line-by-line breakdown of your return information. Be sure to print a copy of this screen to file with your records.

When filing a return with an amount owing, you must make your payment by the due date. For information on making payments, visit the CRA's Web site at [www.cra.gc.ca/payments](http://www.cra.gc.ca/payments).

**Amending a previously filed return or rebate**

If, after submitting your GST/HST NETFILE return, you discover that you failed to report information as required, do not file another return.

If you need to report missed transitional housing information, increase the amount of the GST/HST charged or collected, or correct the amount of RITCs, you can access My Business Account to amend a previously filed return (including Schedules A and B) by using the feature "Adjust a return".

At this time, you cannot electronically amend an electronic rebate application that was previously filed. If you want to adjust an electronic rebate that was previously filed, or if you do not wish to adjust your return via My Business Account, you must send a letter to your designated tax centre indicating your Business Number, and the details relating to the rebate application or GST/HST return to be amended, such as the GST/HST reporting period, and the corrected amounts per line number on your return. Make sure an authorized person signs the letter and includes the name and telephone number of someone we can contact if needed.

If you forgot to include in your GST/HST return, an ITC amount that is not subject to the recapture rules, simply add the omitted amount on line 108 of your next GST/HST return (or line 1400 if you are required to complete Schedule B of the GST/HST NETFILE return for that period). In most cases, you have up to four years to claim your ITCs. For more information, see the section "Input tax credits" in guide RC4022.

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This info sheet does not replace the law found in *the Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation* explains how to obtain a ruling and lists the GST/HST rulings offices. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario, New Brunswick and Newfoundland and Labrador, 15% in Nova Scotia, and 12% in British Columbia. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, you may refer to GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province*.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec at 1-800-567-4692. You may also visit the Revenu Québec Web site to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech).

## Appendix – Housing rebates filed by builders

Form	Rebate type	Claimant	Filed by	Reported on
New Housing Rebates				
GST190 RC7190-BC RC7190-ON RC7190-NS	Type 1A or 1B	Purchaser	Builder, if the builder pays or credits the rebate amount	<ul style="list-style-type: none"> <li>Line 135 of your GST/HST return; and               <ul style="list-style-type: none"> <li>Line 1400 of Schedule B if you are required to complete this schedule; or</li> <li>Line 108 of your GST/HST return if you are not required to complete Schedule B</li> </ul> </li> </ul>
New Residential Rental Property Rebates				
GST524 GST525 RC7524-BC RC7524-ON	N/A	Builder	Builder	<ul style="list-style-type: none"> <li>Line 1301 of Schedule A if you are required to complete this schedule; or</li> <li>Line 111 of your GST/HST return if you are not required to complete Schedule A</li> </ul>
Transitional New Housing Rebates <sup>1</sup>				
RC7000-BC RC7000-ON	Type 1*	Builder	Builder	<ul style="list-style-type: none"> <li>Line 1301 of Schedule A if you are required to complete this schedule; or</li> <li>Line 111 of your GST/HST return if you are not required to complete Schedule A</li> </ul>
RC7000-BC RC7000-ON	Type 2	Purchaser	Builder, if the purchaser completes Section G and assigns the rebate amount to the builder	<ul style="list-style-type: none"> <li>Line 1300 of Schedule A</li> </ul>
RC7001-BC RC7001-ON	Condominiums*	Builder	Builder	<ul style="list-style-type: none"> <li>Line 1301 of Schedule A if you are required to complete this schedule; or</li> <li>Line 111 of your GST/HST return if you are not required to complete Schedule A</li> </ul>
RC7002-BC RC7002-ON	Apartments*	Builder	Builder	<ul style="list-style-type: none"> <li>Line 1301 of Schedule A if you are required to complete this schedule; or</li> <li>Line 111 of your GST/HST return if you are not required to complete Schedule A</li> </ul>

\* If you want to use the amount of the rebates to reduce your net tax for the reporting period, follow the instructions in the last column.

<sup>1</sup> For Forms RC7000, RC7001 and RC7002, you must submit a Letter of Good Standing with the rebate application, or have previously submitted such a letter that is still valid. For more information, see the general information section of these forms.