

GST/HST Info Sheet

Newspaper Carriers

September 2006

This info sheet explains how the goods and services tax/harmonized sales tax (GST/HST) applies to the business activities of newspaper carriers.

Newspaper carriers (carriers) may be involved in a number of different business activities. For example, they may buy newspapers from a publisher to resell to subscribers or to customers through newspaper boxes; they may deliver bundles of newspapers to stores, to drop-off locations, or to newspaper boxes for the publisher; and they may deliver flyers or free publications to homes. In addition, a carrier may have service contracts with more than one newspaper publisher.

In this publication, “registrant” means a person who is registered or is required to register for the GST/HST. “Taxable” means subject to the GST/HST at 6% or 14%. “Consumers” means individuals or businesses that buy goods (e.g., newspapers) for their own use and not for resale. “Input tax credit” means amounts of GST/HST that a registrant has to pay on its business expenses that the registrant can claim in its net tax calculation.

Generally, carriers have to register for the GST/HST if the value of the taxable goods and services they provided in the last four calendar quarters was over \$30,000. A carrier may also register voluntarily. For more information on GST/HST registration, refer to the guide RC4022, *General Information for GST/HST Registrants*.

A carrier who is a registrant and provides taxable goods and services is required to charge and account for the GST/HST on these goods and services. The carrier is eligible to claim input tax credits (ITCs), subject to the normal rules respecting ITC eligibility.

Different rules apply if newspaper publishers use the Alternate Collection Method (ACM) to charge and account for the GST/HST on their sales of newspapers to independent carriers who resell them to consumers. Under the ACM, carriers pay the publisher the GST/HST calculated on the retail price of the newspapers even though the carriers purchase the newspapers at the wholesale price. Whether or not they are registrants, the carriers collect the tax on the retail price of the newspapers that they sell to consumers. The carriers do not, however, have to account for the tax collected from their customers. Under these conditions, for GST/HST purposes, the carriers are considered not to have made any sales of newspapers to their customers.

Carriers do not include their sales of newspapers under the ACM in their calculation to determine if they must register for the GST/HST. Carriers that are registrants are not eligible to claim ITCs for the tax they paid or pay on the newspapers they purchase for resale under the ACM.

Where a newspaper publisher uses the ACM, this does not necessarily mean that all of a carrier’s activities fall under the ACM. Carriers must identify which of their activities fall under the ACM and which do not so that they can determine if they have

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to be registered for the GST/HST. Carriers that are registrants must also know when to charge and account for the GST/HST.

Examples of a carrier's most common types of business activities are described below. These examples explain whether or not a carrier is required to charge and account for the GST/HST on a particular activity.

The carrier buys and sells newspapers

Sales made to consumers

Most daily newspaper publishers that sell newspapers to carriers for resale to consumers use the ACM. When a newspaper publisher using the ACM sells newspapers to carriers for resale to consumers, the publisher charges the carriers the wholesale price for the newspaper and the GST/HST based on the retail price. The carriers recover the GST/HST that they pay on the retail price when they collect the tax from their customers. The carriers do not account for the GST/HST that they collect in determining their net tax.

It does not matter how a consumer pays for the newspaper. The consumer can pay the carrier directly or the publisher can collect the payment on behalf of the carrier.

The ACM does not always apply even when a publisher is approved to use it. For example, if a carrier buys newspapers to resell to stores, the purchase and resale of these newspapers do not fall under the ACM. For more details, refer to the section "Sales made to stores".

If a carrier buys and resells newspapers where the ACM does not apply, the carrier will pay the GST/HST on the wholesale price of the newspaper. If the carrier is a registrant, the carrier will be required to charge and account for the tax on the retail price of the newspaper.

Carrier A is a carrier for the local daily newspaper publisher in Saskatchewan. He buys newspapers from the publisher (who uses the ACM) at the wholesale price and pays the GST based on the retail price. This is Carrier A's only business activity. He resells the newspapers to subscribers for the suggested retail price.

Carrier A collects the GST based on the newspaper's retail price from the subscribers, but he does not account for the GST collected on his sales of newspapers in determining his net tax.

Even if the carrier were a registrant, he would not account for the tax collected on the sale of newspapers to subscribers because the publisher is using the ACM. He would also not be eligible to claim an ITC for the tax paid on the newspapers that he purchased for resale.

The retail price of the newspaper is \$0.94.

Carrier A pays to the publisher	
Wholesale price of newspaper	\$0.75
GST on retail price of paper (6% x \$0.94)	<u>0.06</u>
TOTAL	\$0.81

Carrier A collects from the subscriber	
Retail price of newspaper	\$0.94
GST on retail price of newspaper	<u>0.06</u>
TOTAL	\$1.00

Sales made through newspaper boxes

Carriers may purchase newspapers from publishers for resale to consumers through newspaper boxes. If the carriers are making at least 50% of their newspaper sales to subscribers and if the publisher is using the ACM, the rules for the ACM described in the section "Sales made to consumers" apply to the sales of newspapers through newspaper boxes.

If the carriers are making more than 50% of their sales through newspaper boxes, the publisher and these carriers cannot use the ACM even if the publisher is using the ACM for other carriers. Instead, these carriers pay the publisher the GST/HST on the wholesale price of the newspapers they purchase. If the carriers are registrants, they have to charge and account for the GST/HST on the retail price of all their newspaper sales, including those made through newspaper boxes.

A carrier is considered to have sold the newspaper and received the GST/HST at the time the money is removed from the newspaper box.

Carrier B is a registrant in Ontario and sells newspapers to subscribers and through newspaper boxes. He does not make more than 50% of his sales through boxes. The newspaper publisher is using the ACM.

Carrier B pays the publisher the wholesale price of the newspapers and pays the GST on the retail price of the newspapers that he sells, including those sold through newspaper boxes. Customers pay the GST on the newspapers they buy. Carrier B does not account for the tax that he collects on his sales of newspapers.

Carrier B is not eligible to claim an ITC for the tax paid on the newspapers he buys to resell. However, he may be eligible to claim an ITC on the tax paid or payable on other business expenses.

Sales made to stores

Some carriers sell newspapers both to stores and to consumers. If the publisher is using the ACM, the ACM is used to charge and account for the GST/HST on those newspapers that the carrier sells to consumers. (See the section “Sales made to consumers”.) However, the publisher and the carrier do not use the ACM to account for the GST/HST on the newspapers that the carrier sells to stores. Instead, the publisher charges the carrier the GST/HST on the wholesale price of the newspapers that the carrier sells to stores. If the carrier is a registrant, the carrier is required to charge the tax to the stores and account for GST/HST on the wholesale price of the papers sold to the stores.

Carrier C is a registrant in New Brunswick. She buys daily newspapers to sell to subscribers and to stores located along her route. The publisher is using the ACM. The publisher charges the HST on the retail price of the newspapers that she purchases to resell to subscribers. For the newspapers that she sells to stores, the publisher charges her tax on their wholesale price.

The retail price of the newspaper is \$0.94.

Carrier pays	
– For a newspaper sold to a subscriber:	
Publisher's wholesale price of newspaper	\$0.75
HST on retail price of paper (14% x \$0.94)	<u>0.13</u>
TOTAL	\$0.88
– For a newspaper sold to a retail store:	
Publisher's wholesale price of newspaper	\$0.75
HST on wholesale price of paper (14% x \$0.75)	<u>0.11</u>
TOTAL	\$0.86

Carrier collects	
– From her subscribers:	
Retail price of newspaper	\$0.94

HST on retail price of paper (14% x \$0.94)	<u>0.13</u>
TOTAL	\$1.07
– From the retail stores:	
Carrier C's wholesale price of newspaper	\$0.85
HST on wholesale price of paper (14% x \$0.85)	<u>0.12</u>
TOTAL	\$0.97

Providing services

Delivery and other services

When a carrier has a service contract with a publisher, the carrier may provide such services as delivering newspapers and flyers to homes, business offices, stores and newspaper boxes; inserting advertising supplements into newspapers to be delivered; and, in the case of newspaper boxes, removing the previous day's unsold papers and collecting the money in the boxes. If a carrier has a service contract with a publisher, the carrier is not buying newspapers to resell.

Carriers who are registrants are required to charge the publisher the GST/HST on their services and to include this amount in determining their net tax. They may also be eligible to claim ITCs for the tax paid or payable on their business expenses, subject to the normal rules respecting ITC eligibility

For more information on situations where a carrier provides services such as delivering newspapers, and sells newspapers to consumers, refer to the section “Carriers selling newspapers to consumers and providing services”.

As part of its delivery business in Manitoba, Local Deliveries Inc. delivers a daily newspaper and free flyers twice a week to homes. It delivers the newspaper to home and business subscribers, and to stores.

Local Deliveries Inc. is a registrant. It charges the local newspaper publisher and the publisher of the free flyers the GST on the amounts they pay for its services. Local Deliveries Inc. includes the GST it charges both publishers in determining its net tax.

Carriers selling newspapers to consumers and providing services

A carrier may buy newspapers from a publisher to sell to subscribers and to consumers through boxes; deliver bundles of newspapers to stores and drop-off locations; and deliver flyers or free publications to homes.

Where the newspaper publisher is using the ACM, the publisher charges the carrier the wholesale price for the newspapers that the carrier buys and charges the GST/HST on their retail price (see the section “Sales made to consumers”). The carrier collects the GST/HST from the consumers who purchase the newspapers but does not account for the tax. If the carrier is a registrant, the carrier will charge and account for the GST/HST on the delivery services.

Carrier D buys 130 newspapers from the local daily publisher. She resells 100 of them to subscribers. The remaining 30 newspapers are sold to consumers through her three newspaper boxes. In addition, she delivers bundles of newspapers to several stores located along her route. Sometimes the newspapers come with advertising supplements that must be inserted into the newspapers before being sold or delivered.

Scenario 1 – Carrier D is not a registrant

Because the local daily publisher uses the ACM, Carrier D buys the newspapers at the wholesale price but pays the GST/HST on the retail price of the newspapers when she

buys them to resell to subscribers and through newspaper boxes.

She collects, but does not account for, the GST/HST on the newspapers that she sells to subscribers and through newspaper boxes.

Because she is not a registrant, she does not charge the publisher the GST/HST on the cost of her service of delivering bundles of newspapers with advertising supplements to the stores.

Scenario 2 – Carrier D is a registrant

As the local daily publisher is using the ACM, even though Carrier D is a registrant, she collects, but does not account for, the GST/HST on the newspapers she resells to subscribers and through the newspaper boxes. She is not eligible to claim an ITC for the tax she pays to the publisher. She does, however, charge tax to the publisher for her services of delivering the bundles of newspapers with the advertising supplements to the stores.

For situations not covered in this info sheet (e.g., special rules where one carrier sells newspapers to another carrier or where one carrier delivers newspapers to another carrier who then delivers the newspapers to subscribers), please call a GST/HST Rulings Centre toll-free at 1-800-959-8287.

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 Centre for additional information. These centres are listed in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres*. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287. A ruling should be requested for certainty in respect of any particular GST/HST matter.

If you are located in the province of Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenue Québec by calling the toll-free number 1-800-567-4692.

All GST/HST publications are available on the Internet at the CRA site at www.cra-arc.gc.ca/tax/technical/gsthst-e.html.

Reference in CRA publications is made to the harmonized sales tax (HST) that applies to property and services provided in Nova Scotia, New Brunswick, and Newfoundland and Labrador (the “participating provinces”) at a rate of 14%. The goods and services tax rate is 6%.