



GST/HST Memoranda Series

2.3 Voluntary Registration

May 1999

Overview

This memorandum identifies those persons who, while not required to register for the Goods and Services Tax (GST)/Harmonized Sales Tax (HST), are eligible to apply under the *Excise Tax Act* (the Act) for voluntary registration. It also explains why it may be an advantage to choose this option and briefly outlines the responsibilities of registrants.

Disclaimer

The information in this memorandum does not replace the law found in the *Excise Tax 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 a Canada Revenue Agency (CRA) GST/HST Rulings Centre for more 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.

If you are located in the Province of Quebec, please contact Revenu Québec by calling the toll-free number 1-800-567-4692 for additional information.

Note

This memorandum replaces GST/HST Memorandum 2.3, *Voluntary Registration*, dated June 1995. Significant changes have been side-barred.

Note - HST

Reference in this memorandum is made to supplies taxable at 7% or 15% (the rate of the HST). The 15% HST applies to supplies made in Nova Scotia, New Brunswick and Newfoundland (the “participating provinces”). If a person is uncertain as to whether the supply is made in a participating province, the person may refer to Technical Information Bulletin B-078, *Place of Supply Rules under the HST*, available from any Revenue Canada tax services office.

Who may register voluntarily?

Registration permitted ss 240(3)

1. Persons who are not required to register for the GST/HST may voluntarily apply to register if they are one of the following:

- (a) a person who is engaged in a commercial activity in Canada (a detailed explanation of the term “commercial activity” is found in GST/HST Memorandum 2.1, *Required Registration*), including where the person:
 - has not yet started making taxable supplies in Canada;
 - is making taxable supplies and is a small supplier; or

2.3 Voluntary Registration (continued)

- is making taxable supplies of real property by way of sale, otherwise than in the course of a business (the making of a supply of real property, other than an exempt supply, is a commercial activity);

(b) a non-resident person who, in the ordinary course of carrying on a business outside Canada:

- regularly solicits orders for the supply by the person of tangible personal property for export to, or delivery in, Canada;
- has entered into an agreement to supply services to be performed in Canada; or
- has entered into an agreement to supply intangible personal property that is to be used in Canada, or that relates either to real property situated in Canada, to tangible personal property ordinarily situated in Canada, or to services to be performed in Canada;

(c) a listed financial institution resident in Canada (for more information on listed financial institutions, refer to Chapter 17, *Special Sectors: Financial Institutions*);

(d) a particular Canadian holding corporation that has no commercial activity itself, but holds shares or debt of a related corporation, or that is acquiring, or proposes to acquire, all or substantially all of the capital stock of another corporation, having full voting rights under all circumstances, and all or substantially all of the property of the other corporation was, for purposes of determining an input tax credit (ITC) of the particular corporation, last acquired or imported by the other corporation for consumption, use, or supply exclusively in its commercial activities; and

(e) a partner (other than an individual) not engaged in commercial activity, other than the commercial activity engaged in by the person as a member of the partnership.

Para 272.1(2)(b)

- Where property or a service is acquired or imported by a member of a partnership for consumption, use, or supply in the course of the commercial activities of the partnership, the member (other than an individual) will be deemed to be engaged in those activities of the partnership for purposes of determining an ITC.
- As such, a partner (other than an individual) can voluntarily register, provided the partnership carries on commercial activities in Canada, and the partner may claim ITCs on its own GST/HST return for expenditures incurred in relation to the partnership.

Taxi business
ss 240(3.1)

2. As explained in GST/HST Memorandum 2.1, *Required Registration*, every person who carries on a taxi business in Canada must register for the GST/HST. Small suppliers carrying on a taxi business are required to be registered for the GST/HST but only in respect of their taxi business. These small suppliers do, however, have the option of extending their registration to their other commercial activities on a voluntary basis.

2.3 Voluntary Registration (continued)

Voluntary registration for persons starting a business

3. To qualify for voluntary registration, a person starting a business must demonstrate that there is a clear intention to be engaged in a commercial activity in Canada. Such information may include:

- the date on which the person intends to start making taxable supplies, (an explanation must be provided if the date cannot be supplied);
- the existence of proposed contracts for the purchase or supply of property or services;
- the establishment of a place of business or evidence of an intention to do so;
- exploration licences or patent application acknowledgements;
- a partnership agreement, or an application for, or proof of incorporation; or
- other evidence indicating efforts made to develop the business activities, including financial planning, raising capital, exploring for and developing natural resources, research and development, establishing sources of supply, acquiring plant assets and starting production.

Entitlements and obligations

4. GST/HST registrants must meet certain legal obligations imposed under the Act. Generally, they must file returns on a regular basis, collect the tax on taxable supplies they make in Canada, and remit any resulting net tax owing. Detailed information on liability for tax will be available in Chapter 3, *Tax on Supplies*.

ITCs

5. Generally, persons who are registered for the GST/HST are entitled to claim input tax credits for the tax paid or payable by them on inputs that are used, consumed, or supplied in the course of their commercial activities. Chapter 8, *Input Tax Credits: Eligible ITCs*, will provide detailed information on this subject.

Business Number

6. The Business Number (BN) is a new numbering system that includes Revenue Canada's four major business accounts: corporate income tax, import/export, payroll deductions, and the GST/HST. Persons who register for the GST/HST will receive a BN (registration number) which they can, or may be required to, provide to their customers. In some cases, the BN of the supplier is required to substantiate the claiming of an ITC by customers who are registrants. Businesses can register for a BN in person, by telephone, by mail, or by fax. Complete information on how to apply for a BN can be found in GST/HST Memorandum 2.1, *Required Registration*. Copies of the required forms are also contained therein.

Effective date of voluntary registration

7. In general, the effective date of a voluntary registration will be the date that the application is received by the Department.

Cancellation of registration

8. There are a number of reasons for the cancellation of a person's registration for the GST/HST. These reasons include an amalgamation, a dissolution of a partnership, death, a corporation ceasing to exist, a change in legal status, or becoming a small supplier. Depending on the reason for cancellation, certain conditions must be met in order for cancellation to occur. For example, a condition a small supplier requesting cancellation must meet is that it must have remained registered for not less than one year. GST/HST Memorandum 2.7, *Cancellation of Registration*, contains detailed information on this subject. As well, it contains a copy of the required form.

All GST/HST memoranda and other Revenue Canada publications are available on Internet at the Revenue Canada site <http://www.rc.gc.ca/> under the heading "Technical Information" in "General Information".