



GST/HST Memoranda Series

2.4 Branches and Divisions

May 1999

Overview	This publication explains the registration requirements for businesses and organizations with branches and divisions for purposes of the Goods and Services Tax (GST)/Harmonized Sales Tax (HST) under the <i>Excise Tax Act</i> .
Disclaimer	<p>The information in this memorandum does not replace the law found in the <i>Excise Tax Act</i> 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, <i>Canada Revenue Agency GST/HST Rulings Centres</i>. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287.</p> <p>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.</p>
Note	This publication replaces GST/HST Memorandum 2.4, <i>Branches and Divisions</i> , dated June 1995. Significant changes have been side-barred.
Note - HST	Reference in this publication 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, <i>Place of Supply Rules under the HST</i> , available from any Revenue Canada tax services office.

Separate returns

1. Generally, a registrant is required to file one GST/HST return for each reporting period covering all the registrant’s commercial activities in the period.
2. A registrant who engages in one or more commercial activities in separate branches or divisions may apply to file separate returns for these branches or divisions by using Form GST 10, *Application to File Separate GST Returns for Branches or Divisions*. A sample of the form is provided in Appendix A. Application may also be made by telephone, provided all required information is available.
3. To be eligible to file separate returns, each branch or division must:
 - be separately identifiable either by its location or by the nature of the activities engaged in by it; and
 - maintain separate books, records, and accounting systems.

Authority for separate
returns
s 239
Form GST 10

2.4 Branches and Divisions (continued)

4. The branches and divisions as part of one legal entity are not required to charge GST/HST on the transfer of property or services between one another.

5. The branches and divisions authorized to file separate returns are required to have the same fiscal year and reporting periods as the parent. As well, certain elections made by a parent will apply to all its branches and divisions.

Example

A parent company with two filing branches (i.e., three separate activities or locations in total) is eligible to file separate GST/HST returns, and elects to file returns monthly. It also elects to use the quick method of accounting. The parent and the two filing branches must all file GST/HST returns monthly using the quick method.

6. The GST/HST Business Number is assigned to the legal entity (i.e., the parent) and the division or branch will receive a program account number. The branch or division account number is mainly for accounting purposes.

Example

A parent company is registered for the GST/HST and is assigned Business Number 123456789 RT0001. The first branch/division will be assigned number 123456789 RT0002; the next branch/division will be assigned number 123456789 RT0003, etc.

Branches and divisions - small supplier threshold

Threshold includes
revenues of branches
and divisions
ss 148(1)

7. In general, a person is a small supplier during a calendar quarter and the following month, and is not required to register for the GST/HST if the total value of the consideration for taxable supplies made inside or outside Canada by the person or an associate of the person does not exceed \$30,000 or, in the case of a public service body, \$50,000 during the immediately preceding four calendar quarters.

8. This total must include consideration that became due, or that was paid without having become due, for taxable supplies provided by all branches and divisions of the person as well as any associates of the person. This total does not include consideration attributable to goodwill, supplies of financial services or supplies by way of sale of capital property of the person or associate.

Exception
ss 148(2)

9. As an exception to the rule in paragraph 7, a person ceases to be a small supplier at any time in a calendar quarter if the total value of the consideration that becomes due, or is paid without becoming due, in that quarter for taxable supplies made inside or outside Canada by the person or an associate of the person at the beginning of the calendar quarter exceeds \$30,000 or, if the person is a public service body, \$50,000. The person ceases to be a small supplier immediately before the consideration becomes due or is paid for the particular taxable supply that puts the person over the \$30,000 or \$50,000 small supplier threshold.

ss 148(3)

10. Certain non-resident persons supplying admissions in respect of a place of amusement, a seminar, an activity or an event are excluded from the small supplier status.

2.4 Branches and Divisions (continued)

Bets, games of chance and prizes para 148(1)(c)	11. The \$30,000 or \$50,000 small supplier threshold of a person will be increased by amounts of money paid or payable by the person or an associate of the person, as a prize or winnings in a game of chance or in satisfaction of a bet, or consideration paid or payable by the person or the associate for property or services given as a prize or winnings or in satisfaction of a bet. This will apply only where the person or the associate makes a taxable supply of a right to participate in a game of chance or is deemed, under section 187, to have made a supply in respect of a bet and the supply is taxable. For example, if a person sells raffle tickets and these taxable sales are included in the \$30,000 or \$50,000 small supplier threshold, the threshold is increased by the value of the raffle prizes or winnings awarded.
Example	<p>If a person sells raffle tickets and these taxable sales are included in the \$30,000 or \$50,000 small supplier threshold, the threshold is increased by the value of the raffle prizes or winnings awarded.</p> <p>12. More detailed information on small suppliers can be found in GST/HST Memorandum 2.2, <i>Small Suppliers</i>. Information on the timing of liability for consideration will be available in Chapter 3, <i>Tax on Supplies</i></p>

Public service bodies

Form GST 31 s 129	<p>13. Public service bodies may apply to have their branches or divisions that have \$50,000 or less in annual taxable supplies designated to be small supplier divisions. Application for this designation may be made by using Form GST 31, <i>Application for Public Service Bodies to Have Branches/Divisions Deemed to Be Separate Persons for Small Supplier Status</i>. A sample of the form is provided in Appendix B.</p> <p>14. To qualify for this designation, each branch or division must:</p> <ul style="list-style-type: none">• have taxable supplies of \$50,000 or less over the previous four consecutive calendar quarters and in the current calendar quarter;• have separate books, records, and accounting systems, whether maintained by the branch, division or head office;• be separately identifiable either by its location or its activities; and• within the past year, not have had an earlier designation revoked by the body.
ss 129.1(1) and (2)	<p>15. A designated small supplier division is treated as a non-registrant even though the body itself may be registered. No tax is collected on the taxable supplies of the small supplier division and no input tax credits are claimed by the body or the small supplier division with respect to the purchases of the small supplier division.</p> <p>16. The consideration for inter-branch or inter-divisional supplies should not be included in the small supplier threshold calculation because such transactions are deemed not to be supplies. Only when branches or divisions are persons in their own right must inter-branch or inter-division transactions be included in the calculation.</p>

Charities and public institutions
ss 148.1(2)

17. A charity or a public institution has an alternative means of qualifying as a small supplier. It will qualify as such if its gross revenue for either of its two preceding fiscal years does not exceed \$250,000. However, this applies only to the charity or public institution as a legal entity itself and not individually to each of their branches or divisions. More information on how the gross revenue threshold is calculated is available in GST/HST Memorandum, *Small Suppliers*, and in Chapter 21, *Special Sectors: Charities*.

18. In addition, GST/HST Memorandum 2.2, *Small Suppliers*, provides more information on public service bodies that apply and qualify to have their branches or divisions designated to be small supplier divisions. Chapters 21 to 25 of the GST/HST Memoranda Series will provide more information on public service bodies.

Unincorporated organizations

19. Where an unincorporated organization is separated into a number of branches or divisions, each of these branches or divisions could, if they are sufficiently autonomous, be considered separate persons for GST/HST purposes, and therefore, except for those that are small suppliers, each would be required to register for the GST/HST.

Guidelines for determining whether a branch or division is a separate person

20. The following guidelines can be used in determining whether a branch or division of an unincorporated organization is a person. It should be noted that these guidelines are not necessarily all-inclusive or of equal significance in each particular case. A branch or division may be considered a person if:

- the branch or division may sue and be sued in its own name;
- the branch or division is capable of holding property in its own name;
- the parent body is not liable for the debts and obligations of the branch or division, and the branch or division is not liable for the debts and obligations of the parent body or of any other branch or division;
- the branch or division has the capacity to contract in its own name;
- the branch or division has its own constitution (or charter) and by-laws;
- the branch or division has its own board of directors and does not have, to any significant extent, directors, officers or employees that are common with the parent body or any other branch or division;
- the branch or division enjoys a considerable degree of autonomy in its day-to-day operations (e.g., financial resources allocation, program development, staffing, payroll);
- the branch or division raises most of its revenues as opposed to receiving funding from the parent body (e.g., the branch or division is self-sustaining financially);

2.4 Branches and Divisions (continued)

- the accounting activities of the branch or division are separate from those of the parent body and other branches or divisions (e.g., separate books and records, financial statements, bank accounts, etc.);
- the financial and/or fiscal year of the branch or division is different from the financial and/or fiscal year of the parent body and other branches or divisions;
- the members of the branch or division are different from the members of the parent body and other branches or divisions;
- persons do not automatically become members of the parent body or of another branch or division by becoming members of the branch or division and vice versa; and
- the branch or division has its own distinct seal.

Application to have an unincorporated organization deemed to be a branch

Deemed branch
ss 130(1)
Form GST 32

21. Where a particular unincorporated organization is a member of another unincorporated organization and each is a person, both organizations can apply jointly to the Minister to have the particular organization deemed to be a branch of the other organization and not to be a separate person by using Form GST 32, *Application by an Unincorporated Organization to be Deemed a Branch of Another Unincorporated Organization*. A sample of the form is provided in Appendix C.

Effects of election

22. The effect of this application, once approved, will be that the organizations will be treated as one person for purposes of the GST/HST, requiring only a single registration. Tax will not apply to transfers of property or services between the organizations. This provision may be particularly useful to unincorporated local clubs or associations that are members of a regional or national unincorporated organization.

23. As a result of being treated as one person, each organization making the joint application will become jointly and severally liable for all tax obligations resulting from the activities of either organization.

Revoking the election
ss 130(3)

24. The election to be deemed a branch of a particular organization may be revoked by the Minister when either of the organizations makes a request in writing to this effect.

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".

Appendix A, Form GST 10(E), *Application of Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions*

Appendix A, Form GST 10 (E), *Application of Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions (continued)*

Appendix B, Form GST 31(E), *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*

Appendix B, Form GST 31(E), *Application by a Public Service Body to Have Branches or Divisions Designated as eligible Small Supplier Divisions (continued)*

Appendix C, Form GST 32 (E), *Application to Deem one Unincorporated Organization to be a Branch of Another Unincorporated Organization*

Appendix C, Form GST 32 (E), *Application to Deem one Unincorporated Organization to be a Branch of Another Unincorporated Organization (continued)*