



GST/HST

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May 4, 2016

MNP
LLP



Agenda

- What is GST/HST and how does it work?
- Registration requirements
- Sales and purchases - invoicing
- Audit Issues
- Quick Method
- Sales to Indians*
 - * term used for purposes of the Indian Act



Goods and Services Tax / Harmonized Sales Tax

- Federal sales tax – applies to most supplies made in Canada
- 5%, 13%*, 14%*, 15%, 0%
- Ontario is 13% HST
- Manitoba, Saskatchewan, BC are 5% GST
- * New Brunswick, Newfoundland/Labrador, PEI have each recently announced increases to 15%



Zero-rated Supplies – most common

- Prescription drugs
- Medical devices
- Basic groceries
- Agricultural
- Exports
- International travel



Exempt supplies – most common

- Certain real property
- Health care
- Education
- Day care
- Legal aid
- Charities, non-profits, public sector
- Financial services



Zero-rated vs. Exempt

- No tax collectible on either one
- Zero-rated supplies => can claim input tax credits
 - Tax on inputs is deducted from tax collected on sales
- Exempt supplies => cannot claim input tax credits
 - Tax on inputs is a cost when making exempt supplies



Registration – Small Supplier Threshold

- \$30,000 for commercial businesses (based on associated group)
- From taxable supplies (not “exempt”) made worldwide
- Based on any four consecutive calendar quarters
 - By end of the month that follows the fourth quarter
- If exceeded all within one quarter
 - Sale that puts you over is taxable



Filing Frequencies

- Based on annual taxable supplies made in Canada of the associated group
 - Threshold includes zero-rated supplies, but not “exports”
 - Does not include sales of capital real property
 - Does not include supplies of financial services
- Up to \$1.5 million => annually, quarterly, monthly
- \$1.5M - \$6M => quarterly, monthly
- > \$6 million => monthly



Audits

- Targeted audits for high risk sectors including: all refund returns, real property, holding companies, companies with associated revenues > \$10M, non-residents...
- Refund Integrity Program – previous pre-payment/desk audits; appear to be junior auditors
- PST audits are looking at temporary importations as well as carrying on business within that provincial jurisdiction
- Mandated turnaround times
- Documentation is key focus during audits
- Voluntary Disclosure Program



Audits – invoice 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	✓	✓	✓
The invoice date or, if you do not issue an invoice, the date on which the GST/HST is paid or payable	✓	✓	✓
The total amount paid or payable	✓	✓	✓
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		✓	✓
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		✓	✓
Your Business Number or your intermediary's Business Number		✓	✓
The buyer's name or trading name or the name of the buyer's duly authorized agent or representative			✓
A brief description of the goods or services			✓
The terms of payment			✓
* 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			



Place of Supply

General rules – 1st order

- Goods – place of delivery
- Services – contracting address of recipient (purchaser)
- Intangible property - contracting address of recipient (purchaser)
 - If 1st order rule is unknown, you look to next order, etc.



Recaptured Input Tax Credits

Feds deal with Ontario, BC and PEI

- Applicable to “large businesses” – Cdn revenues of associated group > \$10M
- July 1, 2010 – June 30, 2018
- Phase out July 1, 2015 – June 30, 2018
- Effectively – restrictions on input tax credits
- Separate reporting required
- 4 main categories – and each has exceptions
 - Specified vehicles
 - Specified energy
 - Specified telecommunications
 - Meals & Entertainment



Real Property

- Supply of all real property is taxable unless there is an exemption
 - many exemptions – depends what you are, what you do and what you're selling
 - Part I, Schedule V to the ETA
- Taxable sale of real property – often the recipient reports GST/HST, not the seller
 - Recipient is registered
 - real property vs personal property
- Commercial vs exempt use – affects taxability and input tax credit entitlements



Quick Method for Small Business

Threshold and rates (Ontario)

- total annual sales that do not exceed \$400,000
- Forego ITCs and remit a reduced amount of tax
- ITCs are allowed for purchases of capital property and real property
- Full HST must be remitted on sales of real property and capital assets
- Current rates (Ontario):
 - Where total taxable purchases for resale exceed 40% of sales
 - 4.4% of HST-included sales (1% reduction for first \$30,000 of HST-included sales).
 - If providing primarily services
 - 8.8% of HST-included sales (1 % reduction for first \$30,000 of HST-included sales).



Quick Method for Small Business

Not eligible:

- Legal, accounting, actuarial, bookkeeping, financial consulting, tax return preparation
- Listed financial institutions
- MUSH sector and qualifying NPOs



Purchases By An Indian, Indian Band, or Band Empowered Entity

- **CRA - GST/HST Administrative Policy**
 - Set out in CRA GST/HST **Bulletin B-039**
- Section 87 of the *Indian Act* exempts Indians and Indian Bands from taxation with respect to their property situated on a reserve.



Purchases By An Indian, Indian Band, or Band Empowered Entity

- For GST/HST purposes, the relief granted to an Indian Band also applies to a band council, tribal council, and a band-empowered school, hospital, or social service entity that is:
 - Located on reserve AND is
 - Owned or controlled by a band, a tribal council, or a group of bands other than a tribal council.



Purchases By An Indian, Indian Band, or Band Empowered Entity

- Property is not subject to GST/HST when:
 - Purchased on reserve
 - Purchased off reserve, but delivered to the reserve by the vendor or by the vendor's agent. (e.g. common carrier or postal service)
 - Purchased at a remote store – defined as:
Within 10 km of reserve, selling over 90% of goods to Indians or Indian Bands (as defined in Section 87 of the *Indian Act*)

Otherwise all property transactions are subject to GST/HST



Purchases By An Indian, Indian Band, or Band Empowered Entity

- Service for property
 - If service is performed totally on reserve and the property for which the service is provided is situated on a reserve at that time, the GST/HST will not apply.
- Example – (from TIB B-039):
 - A repair service performed on a vehicle off a reserve will be subject to tax. If the repair service involves the provision of parts (e.g., a new engine) and the parts are supplied and invoiced separately on the Indian purchaser's invoice, the parts will be relieved of tax if the vehicle with the installed parts is delivered to a reserve by the vendor or vendor's agent.



Purchases By An Indian, Indian Band, or Band Empowered Entity

- Personal services for Indians
 - If performed totally on reserve, no GST/HST will apply
 - e.g. haircut
 - e.g. a transportation service within the boundaries of a reserve, e.g. taxi with origin/destination on reserve, or from one reserve to another
- Services performed for Indians not totally on reserve
 - Taxable
 - unless for real property interests on a reserve



Purchases By An Indian Band, or Band Empowered Entity

- Services acquired on or off reserve by an Indian band or band-empowered entity for band management activities or for real property **on** a reserve are not subject to the GST/HST.
 - **Exception:** GST/HST applies to off-reserve purchases of transportation, short-term accommodation, meals and entertainment. A rebate of the tax is available in most instances.
 - GST/HST applies to services acquired for real property situated **off** a reserve (e.g., construction services acquired by an Indian band to build a friendship centre located off a reserve).



Vendor Documentation Requirements

- Adequate documentation of individual Indian status and where applicable, the information about the delivery to the reserve where GST/HST is not collected
- Registry number or the band name and family number from the individual's Certificate of Indian Status card on the invoice



Vendor Documentation Requirements

- Band or band empowered entity must provide signed certification to the effect of:



Vendor Documentation Requirements

Band or band empowered entity must provide signed certification – example:

This is to certify that the property or service being acquired by [Insert the name of band or band-empowered entity] is for band management activities (if applicable) or for real property on the reserve. This supply will not be subject to the goods and services tax/harmonized sales tax (GST/HST).

Signature of Authorized Officer

Date

Title of Signing Officer



Contact Details

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