



2019 GST/HST/QST UPDATE

Prepared for: Professional Accountants PD Network
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Presented by: Diane Gaudon, FCPA, FCGA

Leading Your Way to Success

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Should you require assistance with respect to GST/HST compliance, recovery or any other sales tax issue, please feel free to contact me by email at diane@simplysalestax.com.

Presenters biography

Diane Gaudon, FCPA, FCGA specializes in Goods and Services Tax (GST), Harmonized Sales Tax (HST), Quebec Sales Tax (QST) and provincial sales tax training and consultation for businesses of all sizes. Over the past 30 years as a professional accountant, she has gained extensive accounting and taxation expertise spanning many industries.

For over fifteen years, Diane has been advising and training both Canadian and foreign companies on federal and provincial sales tax matters. During 2009 and 2010, Diane was on the Ontario government HST Implementation committee.

She is a very popular speaker who frequently presents commodity tax related material to numerous professional organizations, including CPA Ontario and CPA Canada. Diane has authored numerous publications and courses for CPA Ontario and CPA Canada. She also has been a contributor to the Bottom Line, CCH Canadian and Carswell publications.

Currently, Diane has her own practice providing sales tax training and advisory services to practitioners and businesses of all sizes across Canada and the United States. Should you require assistance with respect to GST/HST, QST or provincial sales tax compliance, recovery or any other sales tax issue, please feel free to contact Diane.

Diane Gaudon, FCPA, FCGA

Specializing in GST/HST/QST Training and Advice

diane@simplysalestax.com

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Agenda

- What's new?
- GST and HST some application rules
 - GST and HST place-of-supply rules
 - Commercial real property
- General recovery rules
- Some other issues
 - Reimbursements to non-employees
 - Foreign currency conversions
- GST/HST and taxable benefit remittance overview

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What's New?

- CRA audit update
 - Lots of GST/HST audit activity
- Effective July 1, 2018
 - Ontario recaptured input tax credit phased-out
- Effective January 1, 2019
 - QST large business restriction phase-out continues
 - January 1, 2018 - 75% restriction
 - January 1, 2019 - 50% restriction

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What's New?

- Department of Finance announcement
- 2019 Automobile Deduction Limits and Expense Benefit Rates for Business
 - Income tax-exempt allowances paid by employers to employees for use of their personal vehicle for business purposes
 - 58 cents per kilometre for the first 5,000 kilometres driven (2 cent increase)
 - 52 cents per kilometre for each additional kilometre
 - Automobile operating expense - prescribed rate to determine taxable benefit relating to personal portion paid by employer is 26 cents per kilometre.
 - For taxpayers employed principally in selling or leasing automobiles, the prescribed rate is 28 cents per kilometre

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What's New?

- June 27, 2018 - CRA changes for purchasers of carbon emission allowances (including those traded in cap-and-trade systems)
- Purchaser is required to self-assess (new subsection 221(2.1))
 - Self-assess and claim input tax credit is eligible
 - Note: The initial supply of emission allowances by a government entity remains generally exempt
 - If tax charged in error by supplier, ask for credit note to correct, cannot claim a tax paid in error rebate under section 261

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What's New?

- Quebec Sales Tax (QST)
 - Quebec confirms budget announcement to phase-out large business input tax refund restriction beginning January 1, 2018
 - 100% restriction on specified expenses to be phased-out as follows
 - 75% restriction 2018
 - 50% restriction 2019
 - 25% restriction 2020
 - January 1, 2021 completely phased-out
- Quebec new 2019 registration rules (revenue in Quebec over \$30,000)
 - Effective January 1, 2019 - Non-resident businesses located outside of Canada that sell services and intangibles to specified Quebec consumers
 - Effective September 1, 2019 - Canadian businesses located outside Quebec that sell taxable goods, intangibles or services to specified Quebec consumers in Quebec
- Go to Revenue Quebec website for more information

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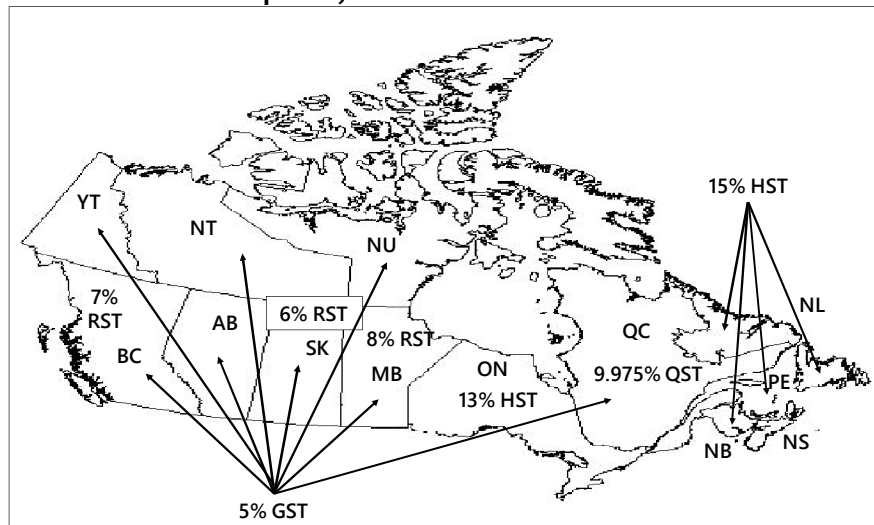
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Tax rates as of April 1, 2017



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GST/HST SOME APPLICATION RULES

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Place of supply rules

- Determining the tax rate - Zero-rated or GST or HST?

Step 1 - Determine type of taxable supply	Tangible personal property, services, intangible personal property, real property
Step 2 - Use place of supply rules to determine tax rate 1 - GST Place Of Supply - determine if supply is made in Canada	- Supply made in Canada - GST applicable - Supply made outside Canada - no GST applicable (zero-rated)
2 - HST Place Of Supply - determine if supply is made in an HST province	- Supply made in HST province - HST applicable

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GST place of supply rules

- Determine if supply is made in or outside Canada

Type of Supply	Location of supply
Goods	Location where goods are delivered or made available to recipient
Services	Location(s) where all or part of the service is performed
Intangible personal property	Location(s) where intangible personal property can be used
Real property	Location where real property is situated

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HST place of supply rules

- Determine if supply is made in or outside a participating province (TIB B-103)

Type of Supply	Place of supply
Goods - sales and rentals of less than 4 months	Province where goods are delivered or made available to recipient
Goods - leases of more than 3 months	Province where goods are used or ordinary location of goods at commencement of lease interval
Services	Recipient's address, province most closely connected with supply or province where most of service is performed
Intangible personal property	Province where IPP can be used, physical location where purchased or recipient's address
Real property	Province where real property is situated

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HST place of supply rules - sale of goods

- Determining province of delivery

Legal delivery GST place-of-supply rules	Deemed delivery HST and QST place-of-supply rules
<ul style="list-style-type: none"> • Supply made in province where supplier delivers or makes property available to the recipient • Actual and constructive delivery • Refer to the shipping terms in the sales agreement 	<ul style="list-style-type: none"> • HST purposes only • Supplier ships property to province specified in contract for carriage • Supplier retains (negotiates shipping contract) common carrier on behalf of recipient to ship property (does not matter who pays the common carrier) • Supplier sends property by mail or courier to an address in that province

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Sale of commercial real property

- Commercial real property sales are taxable
- Special rules - Reverse collection rule
 - Applies to most commercial real property contracts
 - Purchases of land and buildings
 - Excludes consideration paid for real property construction services
- Tax is generally, remitted by the GST registered purchaser and not supplier when the purchaser is a GST registrant
 - Paying GST to the supplier does not relieve purchaser of the self-assessment requirement
- Tax is calculated on the consideration which is
 - Selling/purchase price plus any adjustments
 - May include furnishings included in purchase price, adjustment for rental income, etc.
- Report tax and claim input tax credit
 - Report tax on line 205 (this is mandatory)
 - Claim ITC if eligible with other ITCs

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GST/HST GENERAL RECOVERY RULES

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General recovery rules

- Before an ITC can be claimed certain conditions must be met
 - Must be a GST registrant
 - Tax paid business inputs must be acquired or imported for consumption, use or supply in the course of a person's commercial activities
 - Use apportionment rules to determine percentage of recover
 - Documentation requirements
 - Recipient of the supply
 - Time limitation
 - Restrictions and limitations

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Commercial activity

TAXABLE SUPPLIES		EXEMPT SUPPLIES
Taxable supplies 5%, 13%, 14%, 15%	Zero-rated supplies - 0%	No tax
Commercial activity		No commercial activity
Input tax credits available to recover tax paid on inputs by registrants		No input tax credits

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Documentation requirements

- ITC documentation requirements are mandatory
- Not voluntary

Information required	Sale less than \$30	Sale \$30 to \$149.99	Sale \$150 and over
Name of supplier (or intermediary)	✓	✓	✓
Date of invoice or paid	✓	✓	✓
Total amount of invoice or paid	✓	✓	✓
Amount of tax charged ¹ /tax status		✓	✓
Valid supplier's GST/QST number		✓	✓
Purchaser's name			✓
Description of property or service			✓
Terms of payment			✓

¹ Report the GST and QST /PST separately

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General tax recovery rules

- Valid GST registration number must be obtained from the supplier
 - Confirm supplier's GST/HST account number on the CRA's website
 - GST/HST Registry
- Spelling of recipient's name on invoice must be correct
 - Correct spelling of "bill to" name may be an audit issue
 - For example, A Company versus A Ltd.
 - Consider the use of purchase orders and contracts to avoid confusion when company names are similar

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2019 GST/HST/QST Update

GST/HST recovery limitations for all businesses

General Restrictions

- 100% restriction**

 - Club dues
 - Home office
 - Personal use
 - Unreasonable expenses
- 50% restriction***

 - Meals and entertainment
- Other restrictions**

 - Automobiles
 - Large businesses in ON and PE

* Excludes charities and public institutions and there are some exemptions

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GST/HST OTHER ISSUES

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Reimbursements to non-employees

- Consultants, contractors, retirees, employees from U.S., former employees, relatives

GST Registrant

- Supplier must charge tax on supply and all out-of-pocket expenses and reimbursements, including flat rate allowances (e.g., meals or mileage) and surcharges

Non-GST registrant

- Cannot charge tax because they are not registered to charge GST
 - Therefore, no tax is charged
- Resulting in no tax recovery
- Receipts attached are irrelevant because non-registrant is recipient of supply

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Reimbursements to non-employees

<u>GST Registrant</u>		<u>Non-GST registrant</u>	
Consulting services		Consulting services	
Service fee	\$1,000.00	Service fee	\$1,000.00
<u>Expenses</u>		<u>Expenses</u>	
stationary	\$ 200.00	stationary	\$ 226.00
mileage	\$ 50.00	mileage	\$ 56.50
meals	\$ 100.00	meals	\$ 113.00
sub-total	\$1,350.00	Total	\$ 1,395.50
HST	\$ 175.50	HST is included in expenses	
Total	\$1,525.50	- No GST/HST is recoverable because no tax is charged	

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Foreign currency conversions

- New publication released July 2018
 - GST Memoranda 3.6, *Conversion of Foreign Currency*
- Use exchange rate on day
 - Supply was paid or
 - Currency was acquired or
- Use monthly average (Bank of Canada average rate)
- Method must be use consistently for full fiscal period

Non-legal currencies

- Non-legal currencies (cryptocurrencies, Bitcoins)
 - CRA has stated transactions involving payment by non-legal currencies are treated as a barter transaction
 - Sale of non-legal currencies are subject to GST/HST (FMV at time of sale)
 - Treated as intangible personal property

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GST/HST AND TAXABLE BENEFIT OVERVIEW

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Taxable benefit remittances

- Some taxable benefits require the employer to make a GST/HST remittance
- Examples
 - Employer provided vehicle (stand-by charge and operating cost)
 - Personal use of employer provided cell phone
 - Free parking
 - Sporting event tickets (if not included in gift and award benefit)
- GST/HST remittance to the CRA may be required and GST/HST is to be added to taxable benefit amount reported as employee's taxable income on the T4

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2018 GST/HST and QST remittance rates

Taxable benefit remittance rates for 2018	Non-HST provinces	NS, NB & NL	ON	QC	PE
Automobile operating costs					
• Small- and medium-sized businesses	3%	11%	9%	6%	11%
• Large businesses ¹	3%	11%	8.4% ^{2*}	1.5% ^{5*}	7.8% ^{4*}
Automobile standby charges					
• Small- and medium-sized businesses	4/104	14/114	12/112	9.975/109.975	14/114
• Large businesses for HST purposes ¹ • QST only – restricted automobile and other QST restricted expenses	4/104	14/114	10/110 ³	9.975/109.975 x 25% ^{6*}	Vehicle purchased prior to 4/1/18 4/104 after 3/31/18 6.5/106.5 [*]
Other benefits	4/104	14/114	12/112	9.975/109.975	14/114

* Will change in 2019

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2019 Upcoming Webinars

- Check my website for tax updates and upcoming webinars
- GST/HST administrative issues - JANUARY 17
- Understanding the basis about GST/HST - FEBRUARY 20
- GST/HST and invoicing issues - MARCH 20
- Federal and provincial budgets update - APRIL 17
- GST/HST issues for charities and non-profit organizations - MAY 16
- GST/HST and commercial vs residential real property - JUNE 19
- PST overview - SEPTEMBER 18
- GST/HST and recovery issues - OCTOBER 16
- GST/HST place-of-supply rules - NOVEMBER 20
- GST/HST and taxable benefits (2 HOURS) - DECEMBER 11
- Register at

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diane@simplysalestax.com

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*Thank you and
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