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Understanding Canadian Sales Taxes

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Understanding Canadian Sales Taxes

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Reference Materials

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Canada Revenue Agency, GST/HST Memorandum 8.4, August 2012, "Documentary Requirements for Claiming Input Tax Credits"

Canada Revenue Agency, GST/HST Memorandum 9.3, June 2012, "Allowances"

Canada Revenue Agency, GST/HST Memorandum 9.4, June 2012, "Reimbursements"

GST/HST Registry: "Confirming a GST/HST Account Number"

Non-recoverable GST/HST Registry: "Confirming a simplified GST/HST account number"

Canada Revenue Agency, Guide RC4034, August 2024, "GST/HST Public Service Bodies Rebate"

Canada Revenue Agency, Guide RC4081, December 2023, "GST/HST Information for Non-Profit Organizations"

Canada Revenue Agency, Guide RC4082, January 2024, "GST/HST Information for Charities"

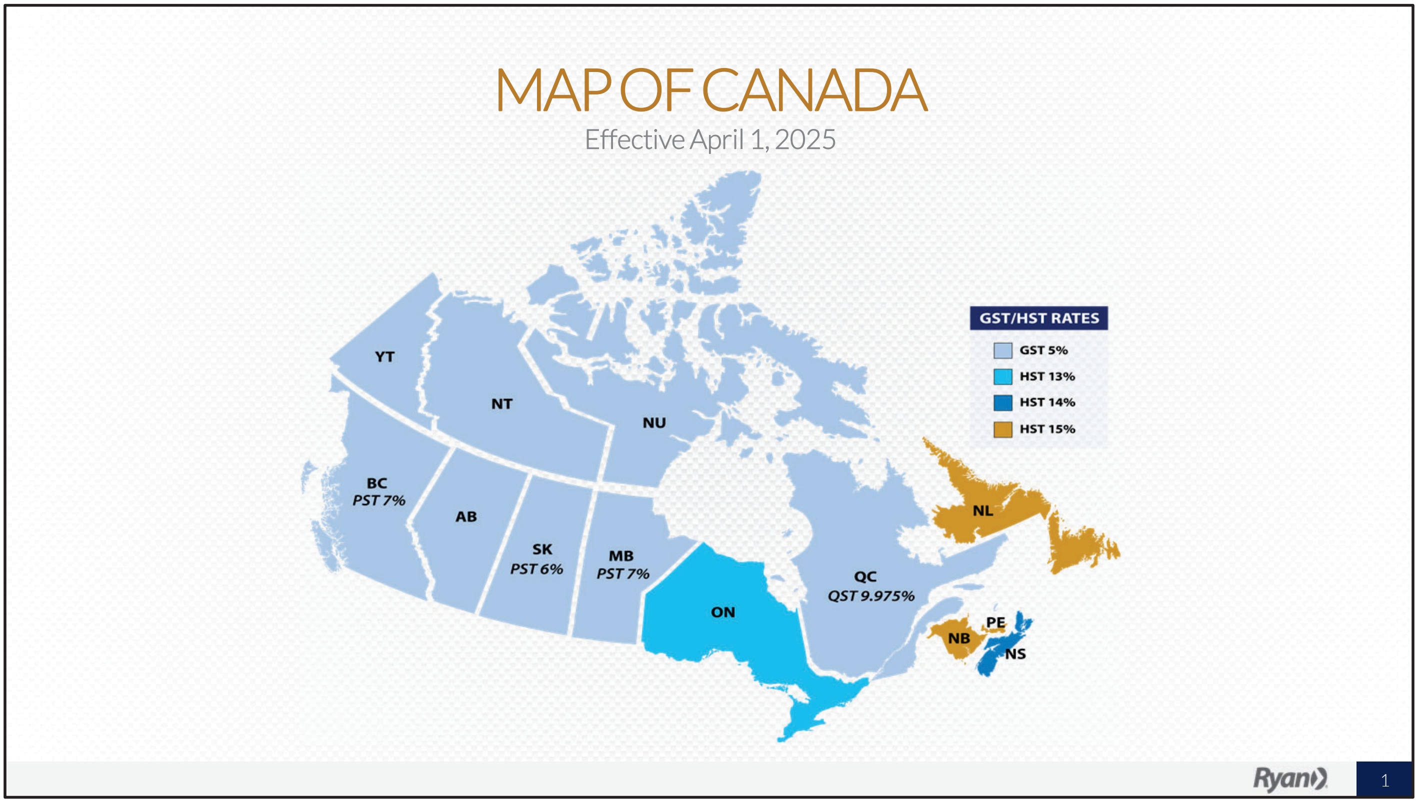
GST/HST Info Sheet GI-068, June 2015, "Basic GST/HST Guidelines for Public Institutions"

Understanding Canadian Sales Taxes

<u>Glossary of Terms</u>

CBSA:	Canada Border Services Agency
CRA:	Canada Revenue Agency
ETA:	*Excise Tax Act*
GST:	Goods and Services Tax
HST:	Harmonized Sales Tax
ITA:	*Income Tax Act*
ITC:	input tax credit
ITR:	input tax refund
PST:	Provincial Sales Tax
QST:	Quebec Sales Tax
QSTA:	*an Act respecting the Québec sales tax*
RITC:	recapture of input tax credits (provincial component)
TPP:	tangible personal property

June 2025



Province	PST/QST Rate	GST/HST Rate	Combined Rate
British Columbia (BC) [1]	7%	5%	12%
Alberta (AB)	N/A	5%	5%
Saskatchewan (SK) [6]	6%	5%	11%
Manitoba (MB) [2]	7%	5%	12%
Ontario (ON)	N/A	13%	13%
Québec (QC) [3]	9.975%	5%	14.975%
New Brunswick (NB) [4]	N/A	15%	15%
Nova Scotia (NS) [7]	N/A	14%	14%
Prince Edward Island (PE) [5]	N/A	15%	15%
Newfoundland and Labrador (NL) [4]	N/A	15%	15%
Yukon (YT), NWT (NT), Nunavut (NU)	N/A	5%	5%

[1] British Columbia de-harmonized effective April 1, 2013. From July 1, 2010 to March 31, 2013 HST was 12%.

[2] Effective July 1, 2019, Manitoba Retail Sales Tax decreased from 8% to 7%.

[3] QST increased to 9.975% effective January 1, 2013 and is no longer calculated on a GST-included basis.

[4] Effective July 1, 2016, the HST rates in New Brunswick and Newfoundland and Labrador increased from 13% to 15%.

[5] Effective April 1, 2013, PST was harmonized with GST, with an HST rate of 14%. Effective October 1, 2016, the HST rate increased from 14% to 15%.

[6] Effective March 23, 2017, Saskatachewan Provincial Sales Tax increased from 5% to 6%.

[7] Effective April 1, 2025, the HST rate in Nova Scotia decreased from 15% to 14%

BASIC CONCEPTS

BASIC CONCEPTS

- Goods & Services Tax ("GST") and Harmonized Sales Tax ("HST")
  - Value-added tax – rate 5%, 13%, 14% or 15%
  - Taxes consumption of property and services in Canada
  - HST is really GST at a higher rate

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- The GST is a value-added tax which applies to most goods and services sold at every level in the production, marketing and distribution chain. It is designed to be paid by the ultimate consumer or purchaser, but since it is levied at every stage in the business cycle, it impacts almost every organization doing business in Canada.

- GST/HST is collected on supplies of property and services made in, and imported into, Canada. Tax is payable by the recipient of a supply at the time the consideration is paid or becomes payable. A supply can include goods, services, intangibles and real property. Services include everything other than property (including goods, real property and intangibles), money and salaries or wages.

- HST is effectively GST at a higher rate, and generally applies to the same tax base. Its application includes supplies made, or deemed to be made, in the five participating provinces (Prince Edward Island (15%), Newfoundland and Labrador (15%), New Brunswick (15%), Nova Scotia (14%), and Ontario (13%)).

BASIC CONCEPTS

- Non-resident registration systems
  - GST/HST (July 1, 2021)
  - Requirements for non-resident entity registration
    - Taxable supplies exceed $30,000 annually to consumers

- A simplified GST/HST registration and remittance system became effective July 1, 2021, that will facilitate compliance by non-resident vendors and non-resident distribution or accommodation platform operators. Under this system, unregistered non-resident vendors supplying digital products or services, as well as distribution platform operators facilitating supplies to Canadian consumers, will be required to register for and collect GST/HST on taxable supplies to consumers in Canada. In addition, all short-term rental accommodations supplied in Canada through digital platforms will be subject to GST/HST, requiring the tax to be collected and remitted by either the property supplier or platform operator.

- These non-resident registration systems are completed online and apply to vendors making taxable supplies of digital products or services to Canadian consumers in excess, or expected to be in excess, of $30,000 over a 12-month period. For purposes of this system a consumer is defined as any person not registered for GST/HST.

BASIC CONCEPTS

- What is taxable?
  - Taxable supplies
    - Most goods and services, including zero-rated supplies
      - Basic groceries
      - Exports
    - Entitled to claim ITCs
  - Exempt supplies
    - Includes:
      - Financial services (e.g., insurance) and education supplies
    - Not entitled to claim ITCs

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- Most goods and services are taxable in Canada. A "taxable supply" means a supply that is made in the course of an organization's commercial activities, which generally includes everything other than the provision of exempt supplies. Therefore, this term includes supplies taxed at 5%, 13%,14% or 15% for GST/HST purposes. It also includes zero-rated supplies. Zero-rated means subject to tax at a rate of 0%. Zero-rated supplies include basic groceries (not snack foods), prescription drugs and biologicals, medical and assistive devices, agriculture products, and most exports.

- Other goods and services are exempt, meaning they are not subject to tax. Examples include used residential real estate, financial services (including insurance) and most supplies made by public sector bodies (e.g., school bus transportation, provided it is not supplied to another school authority).

- Unlike Provincial Sales Tax ("PST") that is only charged to the end-user, GST/HST is a value-added tax that is charged at each stage of the supply chain. However, most organizations in commercial activity are entitled to recover the tax as an input tax credit ("ITC"). As a result, there is no cost to these organizations and the GST/HST is really only a cost to the final consumer.

- Organizations that provide taxable supplies are eligible to claim ITCs for GST/HST paid in respect of expenses incurred to provide those taxable supplies. As a result, GST/HST do not become costs to these organizations.

- Organizations that provide exempt supplies are not eligible to claim ITCs in respect of expenses incurred to provide those tax-exempt supplies. Therefore, the tax becomes a cost to these organizations. However, certain qualifying organizations may be eligible to claim a rebate for a portion of the GST/HST paid.

BASIC CONCEPTS

- Who collects GST/HST ?
  - Registered suppliers
  - CBSA for the CRA on import
    - Possible to pay tax twice
  - Recipient who imports services or intangibles
    - Self-assessment generally not required when in commercial activity

- The legislation imposes the liability for the payment of GST/HST on the recipient of the supply. However, the liability to collect tax generally rests with the supplier. Failure to do so may result in an audit assessment for the uncollected tax, plus interest.

- GST only is collected by the Canada Border Services Agency ("CBSA"), on behalf of the CRA, on goods imported into Canada. HST is not collected by the CBSA on commercial imports into the harmonized provinces from a place outside of Canada. It is possible to pay GST twice on the same goods: once, to the CRA as the importer of record; and again, to a non-resident supplier that is registered for GST/HST. A GST/HST registrant using the goods in its commercial activities may recover both amounts as ITCs.

- Importers of taxable services and intangibles may be required to self-assess GST/HST where the imports relate to non-commercial activities. Except for this requirement to self-assess tax, and the reverse collection rules that apply to real property, the legislation generally does not provide for self-assessment where a recipient has not paid tax to the CRA, or a registered supplier has failed to collect the tax from the recipient.

BASIC CONCEPTS

- Miscellaneous sales
  - General rules apply
  - Includes
    - Sales of obsolete goods
    - Sales to employees
    - Sales of used goods

- Registered organizations are responsible for collecting GST/HST on all taxable supplies, other than zero-rated supplies, that are made in Canada by the registrant. Miscellaneous sales of goods or services are considered supplies and are subject to tax, unless a particular zero-rating or exempting provision applies.

- Examples include sales of obsolete equipment, used goods or sales made to employees.

- Charges made to another organization for services, including recharges for salaries, are also subject to tax.

- An area that appears to generate a significant amount of confusion for both buyer and seller is the application of GST/HST to the purchase and sale of a business, which is taxable. However, an election is available under section 167 of the Excise Tax Act ("ETA") to relieve the vendor of the necessity to collect GST/HST on the sale of the assets of a business in certain circumstances.

- However, it is important to realize that even though the legislation does provide some relief on the sale of a business segment, the relief available under the ETA is subject to certain conditions and is not all encompassing. For example, the relief does not apply to supplies acquired under the agreement otherwise than by way of sale, (e.g., by lease).

PLACE OF SUPPLY RULES

PLACE OF SUPPLY RULES

- Taxable supplies made in Canada
  - First, determine if the supply is made in Canada
  - Second, determine if the supply is made in a participating province
  - Supply made in Canada, or a participating province will be taxable, unless
    - Zero-rated
    - Exempt

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- Once an organization has determined that it has made a supply, it then needs to determine whether the supply is taxable for GST/HST purposes. In order to assist suppliers in this determination, the legislation has provided us with a set of rules, commonly referred to as the "place of supply rules", to use in determining which tax, if any, is applicable to a particular transaction.

- The first set of "place of supply" rules determines if a supply is made in Canada. If it is, then GST must be collected (provided the supply is not exempt or zero-rated).

- Once it has been determined that a supply has been made in Canada, then a second set of "place of supply" rules (the HST place of supply rules) determines whether or not the supply is considered to be made in a province in the harmonized zone (or Québec). Where this is the case, HST at either 13%, 14% or 15% at may apply to the transaction.

- Even though the place of supply rules may determine a supply to be made in Canada and, therefore, subject to tax, other legislative provisions (e.g., zero-rating provisions) may apply to a transaction, resulting in no tax being collected from the ultimate recipient. Goods exported outside of Canada and certain services performed in Canada for non-resident unregistered recipients are considered to be supplies made outside of Canada and, therefore, zero-rated for GST/HST purposes.

PLACE OF SUPPLY RULES

Whether supply is made in Canada or outside Canada

Nature of Supply	Made in Canada	Outside Canada
TPP by way of sale	Delivered or made available in Canada	Delivered or made available outside Canada
TPP by way of lease or license	Possession or use given or made available in Canada	Possession or use given or made available outside Canada
Services	Performed in whole or in part in Canada	Performed wholly outside Canada
Intangibles	May be used in whole or in part in Canada, or relates to real property or goods situated in Canada, or relates to service to be performed in Canada	May not be used in Canada, or relates to real property/goods situated outside Canada, or relates to service to be performed wholly outside Canada
Real Property	Property situated in Canada	Property situated outside Canada

- Under the current legislation, the sale of goods is considered to be made in the place where the goods are delivered or made available to the recipient of the supply. The billing address of the recipient should not be used to determine the place of supply for goods because it may be different from where the goods are actually delivered.

- Where goods are supplied other than by way of sale (e.g., lease), the supply is deemed to be made where possession or use of the goods is first given to the recipient, regardless of the billing address of the recipient. Therefore, where leased goods are obtained in Canada and later removed for permanent use outside the country, GST/HST will continue to apply to any lease payments under that agreement, since the place of supply was determined to be in Canada.

- Under the ETA, services performed in whole or in part in Canada are subject to GST/HST. Only where a service is performed entirely outside of Canada, will GST/HST not apply. Even a small percentage of the work being performed in Canada could cause the entire transaction to be subject to tax.

- In the case of a supply of IPP, a supply is considered to be made in Canada if: the IPP may be used in whole or in part in Canada; the IPP relates to real property or tangible personal property ("TPP") situated in Canada; or the IPP relates to a service to be performed in Canada.

- For GST/HST purposes, a supply of real property, or a service in relation to real property, is considered to be made in Canada if the property is situated in Canada.

PLACE OF SUPPLY RULES

- Supply made in a participating (HST) province
  - Separate set of place of supply rules
  - Depends on what is being supplied
    - Goods
    - Services
    - Intangibles

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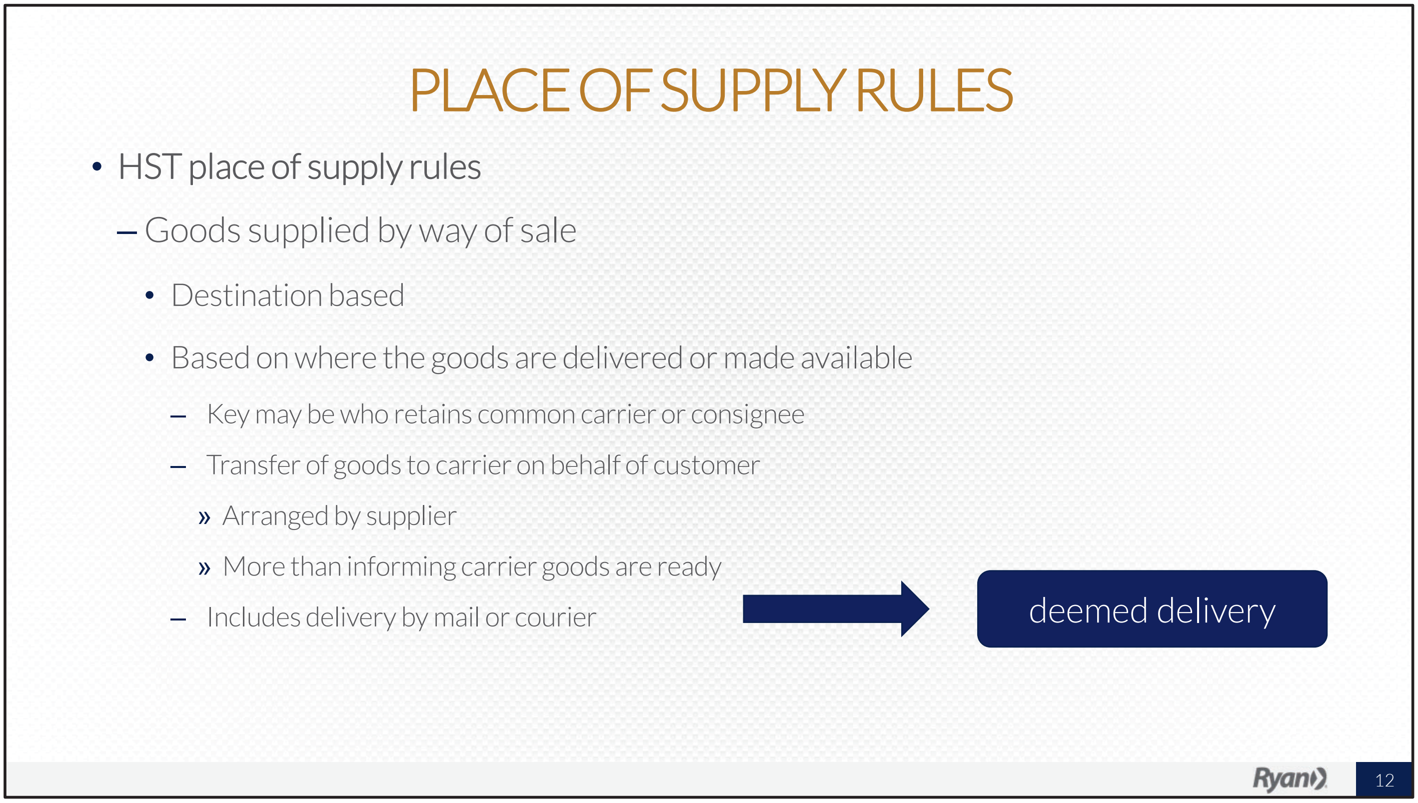
- Where a supply, that is made in Canada, is made in a participating province, the supply will be subject to HST at 13%, 14% or 15% depending upon the province in which the supply has been made.

- These rules only apply if the supply is first considered to have been made in Canada. Consequently, if these provisions do not apply (i.e., the supply is not considered to have been made in the participating provinces), then the supply will still be subject to GST.

- Similar to the GST place of supply rules, the HST place of supply rules that must be followed in order to determine whether a supply is considered to have been made in a participating province also vary depending on what is being supplied (i.e., goods, services or intangibles) and whether or not the supply is being made by way of sale.



- The general rule for goods is that the supply of TPP by way of sale is considered to be made in a participating province if the goods are delivered or made available in one of those provinces. The Incoterms, which are often used to indicate where legal delivery of the goods to the recipient occurs, are not taken into consideration when determining the place of supply in the participating provinces. Regardless of where the supplier or recipient are located, the place of supply is determined based on where the goods are made available to the recipient. These rules encompass delivery by mail or courier, and also include the transfer of goods to a common carrier retained on behalf of the recipient to ship the goods to a participating province.

- Draft Canada Revenue Agency GST/HST Technical Information Bulletin B-103, “Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province” (“B-103”) provides additional guidance on determining whether a supplier has retained a common carrier or consignee (collectively referred to as “carrier”) and, therefore, is considered to have delivered the goods to the customer. Essentially, where a supplier transfers possession of goods to a carrier retained on behalf of the customer pursuant to terms negotiated, and instructions are provided by the supplier, the supplier is considered to have delivered the goods to its destination for that customer.

- A supplier that merely contacts a carrier to indicate that goods are ready to be transported pursuant to an arrangement that has already been established by the recipient with the carrier, or that is merely made aware of such an arrangement, is not considered to have retained the carrier on behalf of the recipient, and therefore, is not considered to have delivered the good to the customer. In this situation, the place of supply will be the province where the goods are made available to the recipient’s carrier.

PLACE OF SUPPLY RULES

- HST place of supply rules
  - Services
  - Specific services with specific rules – take precedence
    - Examples of services that do not follow the general place of supply rules
      - Services in relation to real property
      - Services in relation to tangible property
      - Services in relation to a location-specific event
      - Freight transportation services

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- It is the general rules that taxpayers rely on to determine the place of supply of a service. It should be noted that there are exceptions to these general rules for many specific services. Unique rules have been put in place to determine the place of supply for these services. To date, existing and revised exceptions to the general rules apply to:
  - personal services;
  - services in relation to real property or tangible personal property;
  - services in relation to a location-specific event;
  - services rendered in connection with litigation;
  - passenger transportation services;
    - tangible personal property and services supplied on board conveyances;
    - baggage charges and child supervision;
    - ticketing and reservation services;
  - freight transportation services;
  - postage and mail delivery services;
  - telecommunications services;
  - premium rate telephone services;
  - computer-related services and internet access;
  - customs brokerage services;
  - the repair or maintenance of goods;
  - certain trustee services; and
  - air navigation services.

- Where a service has a specific rule for determining the place of supply, the specific rule should be used, as it will take precedence over the general rules. Use of the general rule for services in this situation may lead to an error in determining the place of supply.

PLACE OF SUPPLY RULES

- HST place of supply rules
  - Services
    - Rules vary by type of service
      - Special rules for 15 specific types of services
        - » Take precedence
        - » Importance of proper characterization of the supply
    - General services
      - Only apply if no special rule in place
      - Generally based on Canadian address of recipient
      - In certain circumstances, may result is double taxation where service are performed in a PST province

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- There are 15 specific place of supply rules that can apply to certain types of services, (see previous slide).

- It is important to correctly determine the type of service being provided. For example, with respect to the activities of independent sales agents, the circumstances will determine whether the sales activities are a service in respect of TPP or real property (e.g., related to the sale of a specific piece of equipment, or a particular parcel of land), or a general service (e.g., related to the sale of one of many identical items in inventory).

- Where the specific place of supply rules do not determine the place of supply of a particular type of service because the conditions for the application of those rules are not met, the general place of supply rules for services determine the place of supply of the service.

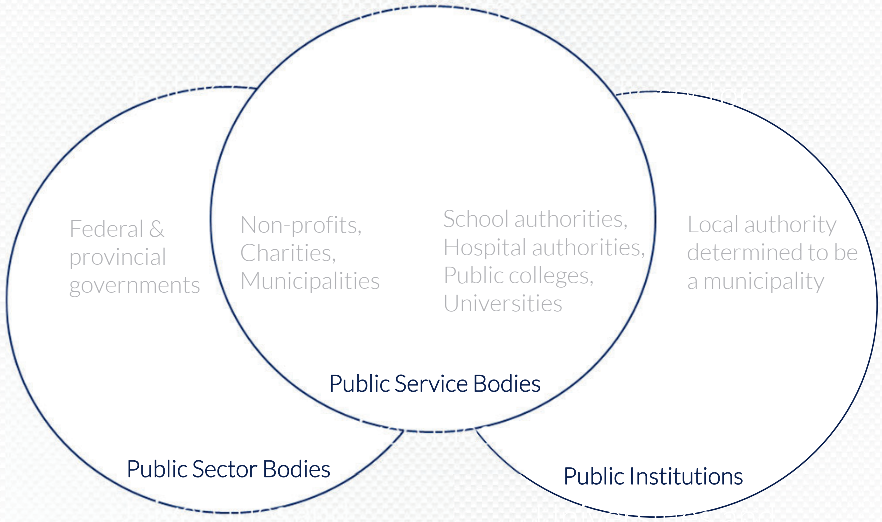
- The general place of supply rules for services are generally based on the home or business address of the recipient in Canada that the supplier obtains in the ordinary course of its business.

- In situations where a service is performed in a provincial sales tax province (British Columbia, Manitoba or Saskatchewan), because these provinces are not harmonized with the GST/HST rules, double taxation may occur. For example, legal services provided in Saskatchewan will be subject to Saskatchewan sales tax. However, where the written agreement was signed by the customer's head office in Ontario, both Ontario HST and Saskatchewan sales tax may apply. This is not an issue if the purchaser is engaged in commercial activities, but may result in double taxation where the purchaser cannot claim full ITCs on its purchases for the provincial component of the HST.

GST/HST AND UNIVERSITIES

GST/HST AND PUBLIC SERVICE BODIES

Public Sector Exemptions



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- Organizations considered to be a public sector body include the following:
  - — Government (federal & provincial);
  - — Charities;
  - — Non-profit organizations;
  - — Municipalities;
  - — School authorities;
  - — Hospitals; and
  - — Universities and public colleges.

- Organizations considered to be a public service body include the following:
  - — Charities;
  - — Non-profit organizations;
  - — Municipalities;
  - — School authorities;
  - — Hospitals; and
  - — Universities and public colleges.

- Organizations considered to be a public institution include the following:
  - — School authorities;
  - — Hospitals;
  - — Universities and public colleges; and
  - — Local authority determined to be a municipality.

GST/HST AND UNIVERSITIES

- Public service bodies
  - Includes
    - All public sector bodies other than government (federal & provincial)
  - Exemptions
    - Direct cost
      - Yearbooks, agendas, day-timers, gym clothes, sports uniforms, locks, music/art/tech supplies

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- Part VI of Schedule V to the ETA provides a long list of exemptions for supplies made through the public sector. Unlike the general charity exemption (for which supplies are presumed exempt unless an exception applies), unless a specific exemption can be identified, a supply made through a registrant public sector agency is presumed taxable.

- The following lists the various exemptions that apply to supplies made by a public sector body. Some of these will be expanded on in this section:
  - Low-value sales made by volunteers;
  - Admissions to places of amusement for a nominal charge;
  - Admissions to volunteer-operated gambling events;
  - Programs for children, underprivileged and disabled individuals;
  - Relief of poverty, suffering, or distress;
  - Meal programs;
  - Memberships; and
  - Library privileges.

GST/HST AND UNIVERSITIES

- Public sector bodies
  - Generally, provide goods and services to the public without a profit motive
  - Includes Universities
  - Supplies are taxable unless specifically exempt
  - Exemptions
    - Long list
      - GST/HST

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  - Relief of poverty, suffering, or distress;
  - Meal programs;
  - Memberships; and
  - Library privileges.

GST/HST AND UNIVERSITIES

- What is a university or public college?
  - University
    - Recognized degree-granting institution
      - May include a foreign-based institution
    - Organization operating a college affiliated with a degree-granting institution
    - Research body of a degree-granting institution
  - Public college
    - Operates a post-secondary educational institution
    - Funded by government or municipality
    - Provides vocational, technical or general education

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- A “university” is a recognized degree-granting institution or an organization that operates a college affiliated with, or a research body of, such an institution, or an educational institution at the university level.

- A foreign-based institution may also qualify as a university provided it is a foreign-based degree-granting institution:
  - that grants degrees at least at the bachelor or equivalent level, and is licensed or otherwise authorized under the appropriate governmental agency or department in its home jurisdiction to do so;
  - that qualifies under the *Income Tax Act* (ITA) as a “university outside Canada” for purposes of the tuition credit; or
  - whose degrees are accepted for entry into post-graduate studies in at least one Canadian university.

- A “public college” is an organization that operates a post-secondary college or post-secondary technical institute:
  - that receives from a government or a municipality funds that are paid for the purpose of assisting the organization in the ongoing provision of educational services to the general public; and
  - the primary purpose of which is to provide programs of instruction in one or more fields of vocational, technical, or general education.

GST/HST AND UNIVERSITIES

- Education services
  - Supplies specifically exempted
    - Credit courses
    - Professional designation courses (vocational school only)
    - Vocational courses
    - French and English as a second language
    - Mandatory course materials and fees (Student council fees, athletic and recreation fees, club fees)
    - Leased goods (Musical instruments, textbooks, locks)
    - Extra-curricular activities (field trips, dances, seminars)
    - Services provided by a school authority (auto repairs & hair cuts)

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- Where supplies made by school authorities, public colleges or universities do not qualify for public sector exemptions, these services may be exempt as education services.

- Exemptions provided for educational services cover both the supply of specified instructional courses and programs, as well as a list of related services provided to students, including certain additional or mandatory materials fees, busing services, food services, etc. Many of these exemptions are contingent on the supply being made by, or to, a school authority, public college or university.

- Examples of exempt supplies related to school authorities or schools are as follows:
  - Credit courses for diplomas or degrees;
  - Courses in respect of recognized professional or trade designations where provided by professional or trade association, government, vocational school, university, public college or a regulatory body;
  - A service of instructing individuals in, or administering examinations in respect of, courses leading to certificates, diplomas, or licenses, or classes in respect of licenses;
  - A service of instructing individuals or administering examinations in respect of French or English second-language courses;
  - Charges for mandatory fees, such as Student Council fees, athletic and recreation fees, club fees;
  - Goods leased by a school authority to an elementary of secondary school student, including musical instruments, textbooks and locks;
  - Extra-curricular activity charges covering food, beverages, admissions or other services made by and organized under the authority and responsibility of a school authority (e.g., fees charged for field trips, school dances, and seminars); and
  - The supply of a service (e.g., auto repairs, hair cuts) provided by a school authority that is performed by an elementary or secondary school student or by an instructor of an elementary or secondary school student in the ordinary course of instruction of the student.

GST/HST AND UNIVERSITIES

- Public Institutions
  - Registered Charity for income tax purpose
    - includes
      - Hospital authorities
      - Universities or public colleges
      - School authorities
      - Local Authority determined to be muncipality
      - Exemptions

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- A "public institution" is a registered charity for income tax purposes, that is also a school authority, university, public college, hospital authority, or local authority that has been determined to be a municipality.

- In addition to being able to take advantage of public sector and PSB exemptions, public institutions may be entitled to certain exemptions that generally parallel exemptions available for supplies made by charities, though they are not as extensive.

- A general exemption covering supplies made by public institutions applies to any supplies of personal property or services, subject to an extensive list of exclusions some of which are noted below:
  - Zero-rated supplies;
  - Supplies of property used in commercial activities;
  - Capital property used primarily in commercial activities;
  - Goods for resale;
  - Property leased, etc., in conjunction with real/immovable property;
  - Catering contracts *;
  - Memberships;
  - Performing artists;
  - Recreational activities;
  - Gambling activities;
  - Courses and examinations;
  - Admissions; and
  - Fund-raising events.

- *Catering contracts - Catering by a university or college for its own activities is generally not taxable. However, this exemption does not apply to property or a service supplied under a contract for catering an event for third parties. Therefore, where the food services department of a university or college provides catering services to third parties, whether the functions are held on or off campus, these services are taxable.

GST/HST AND UNIVERSITIES

- Public institution exemptions
  - Exceptions
    - Seminar and conference admissions
    - Capital property primarily in commercial activity
    - Property supplied with real property
    - Recreational activities
    - Performing artists
    - Admissions to fundraising events
      - Donation receipt issued
    - Other exceptions

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- *Seminar and conference admissions* – The supply of admissions in respect of a seminar, conference, or similar event provided by a school authority or school is taxable. The exclusion puts public institutions on an equal footing with other businesses and organizations providing similar supplies as part of their commercial activities

- *Capital property used primarily in commercial activities* – Capital property used primarily in commercial activities of the institution immediately before the time tax would be payable in respect of the supply is not exempt.

- *Property supplied with real property* - Where a public institution makes a taxable supply of real property by way of lease, licence, or similar arrangement, any other property supplied in conjunction with the taxable lease, licence, etc., is also taxable. For example, the rental of audio-visual or gym equipment in conjunction with a taxable rental of a room or rooms in a school will also be taxable.

- *Recreational activities* - Supplies by public institutions of services involving, or memberships or other rights entitling persons to, supervision or instruction in any recreational or athletic activity are generally taxable.

- *Performing artists* - The professional services of performing artists supplied by a public institution to a person who makes taxable supplies of admissions in respect of the performance in which the artists perform are taxable.

- A supply of admission to a fundraising event by a school authority or school that is a public institution, is an exempt supply where at least part of the consideration for the supply may reasonably be regarded as a donation in respect of which a charitable receipt may be issued, or could be issued if the recipient were an individual. Similar supplies made by school authorities or schools that are not also registered charities are taxable.

- For example, if as part of its annual fund raising effort, a school authority (that is a public institution) is selling tickets to a dinner and concert event for $100 per person and, as noted on the tickets, an income tax receipt will be issued in the amount of $75. The full amount of the consideration received from the sales of these tickets (i.e., $100) will be exempt for GST/HST purposes.

GST/HST AND UNIVERSITIES

- Public institution exemptions

Notes continued from previous page

- Other exceptions to the general exemption for public institutions include :
  - Supplies that are zero-rated under the ETA, Schedule VI;
  - Supplies made by a public institution that are deemed by the legislation to have occurred;
  - A right to play or participate in a game of chance;
  - Service of instructing individuals in, or administering examinations in respect of, any course supplied by a vocational school, school authority, public college, or university. Such supplies, however, may be exempt as educational services.

GST/HST AND UNIVERSITIES

- Research activities
  - Supplied by a public institution
    - Generally exempt
  - Taxable
    - If supplied by a PSB that is not registered charity

Ryan 24

- Supplies provided by a public institution are generally exempt, unless a specific exclusion exists causing the supply to be taxable. As a result, research activities supplied by a university or college, that is also a registered charity, to a third party organization will not be subject to GST/HST.

- For PSBs that are not registered charities (i.e., are only a PSB), supplies of research activities will generally be taxable. However, where the supply qualifies for an exemption available to a public sector body or a public service body, the supply would be exempt. This might be the case where the supply qualifies for the nil consideration or direct cost exemption.

GST/HST AND UNIVERSITIES

- Self-Assessment Issues
  - Where registered suppliers fail to charge tax
  - Goods brought into a non-participating province
  - Goods , services and intangibles supplied by non-registered suppliers,
  - Imported services and intangibles
  - Self–assessment requirements
    - Commercial activity - no self assessment
    - Non-commercial activity - contact registered suppliers
  - No self-assessment on supplies acquired from small suppliers

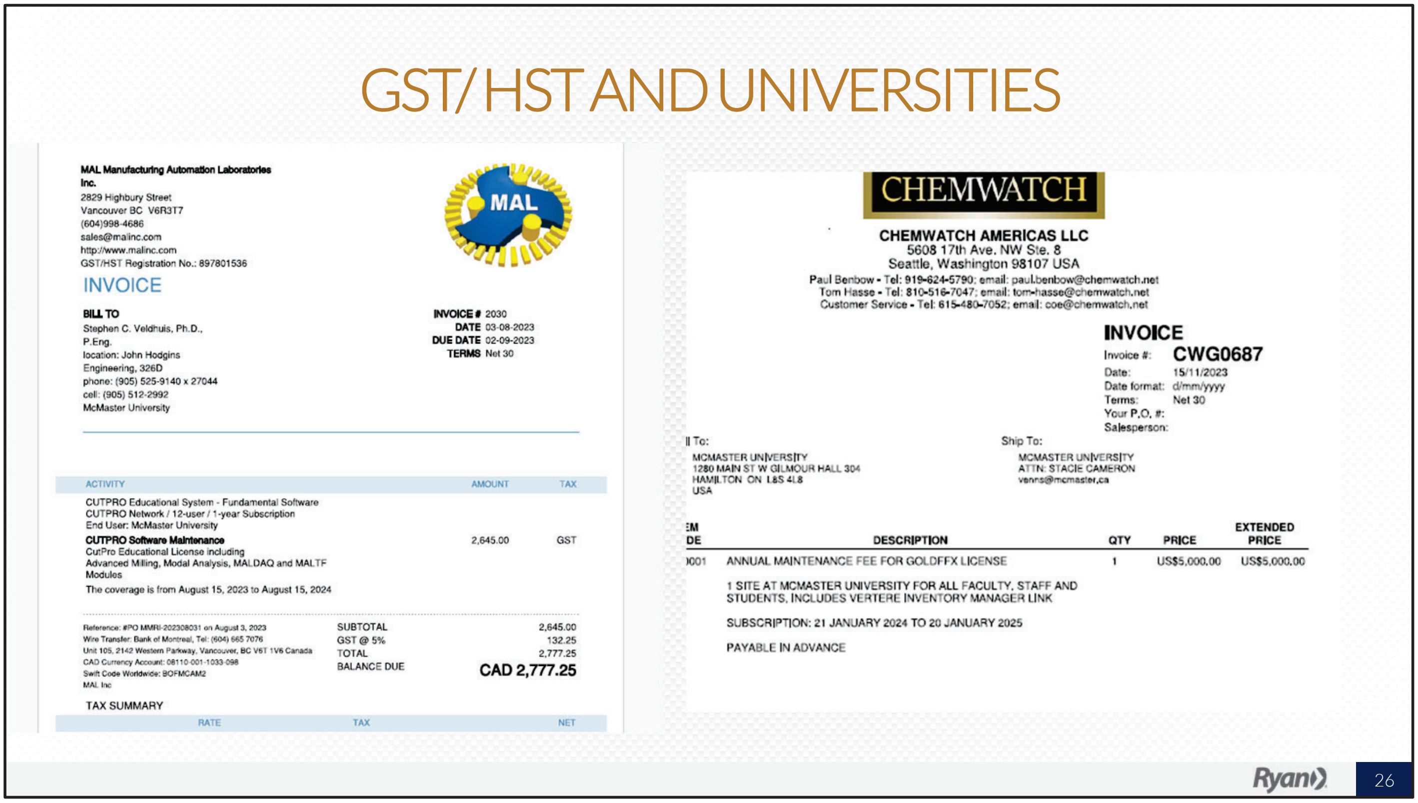
Ryan 25

- Under Division II, where GST registered suppliers fail to collect tax on taxable supplies, the legislation does not require self-assessment where supplies are for use exclusively in commercial activity. However, for organizations acquiring supplies not for use exclusively in commercial activity (i.e., universities), it is important not to create an unrecorded liability. Accordingly, where possible, registered suppliers should be contacted to correctly collect GST on taxable goods and services to eliminate any exposure.

- Where goods, services, and intangibles are acquired under circumstances where tax is not charged or only GST is charged by the supplier, self-assessment may be required.

- It should be noted that a supply by a small supplier is not subject to tax. This does not in any way change the status of the supply as a taxable supply. It merely provides that no tax is payable. Where a supply is obtained by public service body from a small supplier no self-assessment is required on the purchase.

- Note that there may be some risk in situations where it is difficult to determine whether a particular supplier is in fact a small supplier, or a registrant that has simply failed to charge tax. Where tax has not been charged but was applicable, the requirement to pay tax (self-assess) falls to the purchaser.



GST/ HST AND UNIVERSITIES

MAL Manufacturing Automation Laboratories Inc.
2829 Highbury Street
Vancouver BC V6R3T7
(604)998-4686
sales@malinc.com
http://www.malinc.com
GST/HST Registration No.: 897801536

INVOICE

BILL TO
Stephen C. Veldhuis, Ph.D., P.Eng.
location: John Hodgins Engineering, 326D
phone: (905) 525-9140 x 27044
cell: (905) 512-2992
McMaster University

INVOICE # 2030
DATE 03-08-2023
DUE DATE 02-09-2023
TERMS Net 30

ACTIVITY	AMOUNT	TAX
CUTPRO Educational System - Fundamental Software CUTPRO Network / 12-user / 1-year Subscription End User: McMaster University		
CUTPRO Software Maintenance CutPro Educational License including Advanced Milling, Modal Analysis, MALDAQ and MALTF Modules The coverage is from August 15, 2023 to August 15, 2024	2,645.00	GST

Reference: #PO MMRI-202308031 on August 3, 2023
Wire Transfer: Bank of Montreal, Tel: (604) 665 7076
Unit 105, 2142 Western Parkway, Vancouver, BC V6T 1V6 Canada
CAD Currency Account: 08110-001-1033-098
Swift Code Worldwide: BOFMCAM2
MAL Inc

SUBTOTAL	2,645.00
GST @ 5%	132.25
TOTAL	2,777.25
BALANCE DUE	CAD 2,777.25

TAX SUMMARY

RATE	TAX	NET

CHEMWATCH

CHEMWATCH AMERICAS LLC
5608 17th Ave. NW Ste. 8
Seattle, Washington 98107 USA
Paul Benbow - Tel: 919-624-5790; email: paul.benbow@chemwatch.net
Tom Hasse - Tel: 810-516-7047; email: tom-hasse@chemwatch.net
Customer Service - Tel: 615-480-7052; email: coe@chemwatch.net

INVOICE
Invoice #: **CWG0687**
Date: 15/11/2023
Date format: d/mm/yyyy
Terms: Net 30
Your P.O. #:
Salesperson:

ll To:
MCMASTER UNIVERSITY
1280 MAIN ST W GILMOUR HALL 304
HAMILTON ON L8S 4L8
USA

Ship To:
MCMASTER UNIVERSITY
ATTN: STACIE CAMERON
venns@mcmaster.ca

EM DE	DESCRIPTION	QTY	PRICE	EXTENDED PRICE
)001	ANNUAL MAINTENANCE FEE FOR GOLDFFX LICENSE 1 SITE AT MCMASTER UNIVERSITY FOR ALL FACULTY, STAFF AND STUDENTS, INCLUDES VERTERE INVENTORY MANAGER LINK SUBSCRIPTION: 21 JANUARY 2024 TO 20 JANUARY 2025 PAYABLE IN ADVANCE	1	US$5,000.00	US$5,000.00

Ryan 26

- Exposure: Self assessment on Imported services/(intangibles) for use in non-commercial activities.
- Where services or intangible property are acquired outside Canada, taxpayers are required to self-assess GST/HST on the cost of such property or services, except where the recipient is acquiring the property or services for consumption, use or supply exclusively during commercial activities or activities that are engaged in exclusively outside Canada.
- In addition, self-assessment of the provincial portion of HST is required for property and services brought into a participating province, such as Ontario, for consumption, use or supply in that province. (supplier in BC but used in Ontario)
- Examples: Chemwatch Americas LLC, Cosmic Velocity, Hilltop securities Inc,, Koontz Interactive, Legal Files Software Inc., MAL Inc., Metabolic Solutions LLC, Microbiome Insights Inc., National Blood Authorities, Ovid Technologies Inc., Smart Building Academy, Statuspage, Sona Systems LLC, The Knowledge Partnership, Vmock Inc.

RECOVERY OF TAX

RECOVERY OF TAX

- Entitlement to recover tax subject to certain conditions
  – Taxable supplies must be acquired
    - By the recipient
      – Person legally obligated to pay for the supply
    - For use in the recipient's commercial activities
  – Documentary requirements
    - Must be obtained prior to claiming an ITC or rebate
    - Prescribed information required
      – ITCs may be denied

Ryan 28

- In order that tax not be incorporated into the cost of goods or services under a value-added tax system, registrants involved in commercial activities are generally permitted to recover tax paid by way of an ITC or rebate in respect of expenses relating to their commercial activities, subject to certain conditions.

- The fact that tax is collected and remitted on sales does not automatically provide a person with the right to claim ITCs or rebates for tax paid. Before filing a claim, organizations must address a number of issues prior to recovering the tax to avoid the possibility of the recovery being denied during the course of an audit.

- Firstly, only the recipient of a supply is permitted to recover the tax. The recipient of a supply is generally the person who has the legal obligation to pay for the goods or services (usually indicated as the "bill to" on an invoice).

- In addition, the goods or services supplied to the recipient must have been acquired for consumption, use or supply in a commercial activity carried on by the recipient. Where goods and services are acquired partly for use in commercial activity and partly not, it is generally necessary to allocate the tax available for credit or refund between qualifying commercial activities and non-commercial activities to determine the amount of any claim.

- Organizations who want to recover tax paid must be able to show that tax was paid to a registrant. A person is therefore required to obtain certain supporting documentation from the supplier to support their right to claim an ITC or a rebate.

RECOVERY OF TAX

Documentary requirements (effective April 20, 2021)

INFORMATION REQUIRED	X < or = $100	$100 < X < $500	X = or > $500
Name of supplier	✓	✓	✓
Invoice date	✓	✓	✓
Amount payable	✓	✓	✓

* When the amount of tax includes both GST and QST, it must specify that both taxes are included.

Ryan 29

- Once a taxpayer has obtained the necessary documentation, assuming the time limitations have not expired[1], the ITCs/ITRs can be claimed.

- The name of the supplier is required for purposes of verifying that GST/HST or QST is being charged by a registrant and an invoice date is used to help determine the time period within which an ITC/ITR may be claimed to recover the tax paid.

- Effective April 20, 2021, for purchases over $100, registrants are generally required to obtain, among other things, the GST/HST and QST registration numbers of the supplier and the amount of tax paid on the invoice, or an indicator that the price is "GST/HST/QST-included" at a rate of 5%, 13%,14%, 15% and/or 9.975%. In addition, where an invoice contains a combination of taxable and zero-rated or exempt items, the tax status of each item that is taxable, other than zero-rated, must be shown to support an ITC/ITR claim.

- For purchases over $500, effective April 20, 2021, a description of the property or service being supplied is also required to ensure that ITCs/ITRs are claimed on eligible expenses only (i.e., excludes club memberships, items for the exclusive personal use of an employee, and limited to 50% of meals and entertainment expenses) also for determining whether tax was properly charged on the supply. The name of the recipient is also required at this threshold amount.

- Also required for purchases over $500 are the terms of payment, which refer to such items as the time payment is due, how payment is to be made, whether there is a late penalty or early payment discount, and other conditions which may affect the tax liability or its timing.

[1] Other than for "specified persons" (whose time limit is usually two years) the time limit for claiming ITCs/ITRs or rebates is generally four years but is reduced to two years for tax paid or remitted in error. A specified person includes a person whose threshold amounts, for each of the fiscal years that includes the period the tax was payable and the previous fiscal year, exceed $6 million. Excluded from this are persons whose supplies were all or substantially all taxable (i.e., engaged exclusively in commercial activity) during the two fiscal years preceding the year the tax was payable.

RECOVERY OF TAX

Documentary requirements (effective April 20, 2021)

INFORMATION REQUIRED	X < or = $100	$100 < X < $500	X = or > $500
Name of supplier	✓	✓	✓
Invoice date	✓	✓	✓
Amount payable	✓	✓	✓
Amount of tax paid*	✓ (QST only)	✓	✓
Indication of items that are taxable		✓	✓
Supplier's GST/QST number		✓	✓

* When the amount of tax includes both GST and QST, it must specify that both taxes are included.

Ryan 30

- Once a taxpayer has obtained the necessary documentation, assuming the time limitations have not expired1, the ITCs/ITRs can be claimed.

- The name of the supplier is required for purposes of verifying that GST/HST or QST is being charged by a registrant and an invoice date is used to help determine the time period within which an ITC/ITR may be claimed to recover the tax paid.

- Effective April 20, 2021, for purchases over $100, registrants are generally required to obtain, among other things, the GST/HST and QST registration numbers of the supplier and the amount of tax paid on the invoice, or an indicator that the price is "GST/HST/QST-included" at a rate of 5%, 13%,14%, 15% and/or 9.975%. In addition, where an invoice contains a combination of taxable and zero-rated or exempt items, the tax status of each item that is taxable, other than zero-rated, must be shown to support an ITC/ITR claim.

- For purchases over $500, effective April 20, 2021, a description of the property or service being supplied is also required to ensure that ITCs/ITRs are claimed on eligible expenses only (i.e., excludes club memberships, items for the exclusive personal use of an employee, and limited to 50% of meals and entertainment expenses) also for determining whether tax was properly charged on the supply. The name of the recipient is also required at this threshold amount.

- Also required for purchases over $500 are the terms of payment, which refer to such items as the time payment is due, how payment is to be made, whether there is a late penalty or early payment discount, and other conditions which may affect the tax liability or its timing.

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RECOVERY OF TAX

Documentary requirements (effective April 20, 2021)

INFORMATION REQUIRED	X < or = $100	$100 < X < $500	X = or > $500
Name of supplier	✓	✓	✓
Invoice date	✓	✓	✓
Amount payable	✓	✓	✓
Amount of tax paid*	✓ (QST only)	✓	✓
Indication of items that are taxable		✓	✓
Supplier's GST/QST number		✓	✓
Recipient's name			✓
Description of property or service	✓ (QST only)	✓ (QST only)	✓
Terms of payment			✓

* When the amount of tax includes both GST and QST, it must specify that both taxes are included.

Ryan 31

- Once a taxpayer has obtained the necessary documentation, assuming the time limitations have not expired[1], the ITCs/ITRs can be claimed.

- The name of the supplier is required for purposes of verifying that GST/HST or QST is being charged by a registrant and an invoice date is used to help determine the time period within which an ITC/ITR may be claimed to recover the tax paid.

- Effective April 20, 2021, for purchases over $100, registrants are generally required to obtain, among other things, the GST/HST and QST registration numbers of the supplier and the amount of tax paid on the invoice, or an indicator that the price is "GST/HST/QST-included" at a rate of 5%, 13%, 14%, 15% and/or 9.975%. In addition, where an invoice contains a combination of taxable and zero-rated or exempt items, the tax status of each item that is taxable, other than zero-rated, must be shown to support an ITC/ITR claim.

- For purchases over $500, effective April 20, 2021, a description of the property or service being supplied is also required to ensure that ITCs/ITRs are claimed on eligible expenses only (i.e., excludes club memberships, items for the exclusive personal use of an employee, and limited to 50% of meals and entertainment expenses) also for determining whether tax was properly charged on the supply. The name of the recipient is also required at this threshold amount.

- Also required for purchases over $500 are the terms of payment, which refer to such items as the time payment is due, how payment is to be made, whether there is a late penalty or early payment discount, and other conditions which may affect the tax liability or its timing.

[1] Other than for "specified persons" (whose time limit is usually two years) the time limit for claiming ITCs/ITRs or rebates is generally four years but is reduced to two years for tax paid or remitted in error. A specified person includes a person whose threshold amounts, for each of the fiscal years that includes the period the tax was payable and the previous fiscal year, exceed $6 million. Excluded from this are persons whose supplies were all or substantially all taxable (i.e., engaged exclusively in commercial activity) during the two fiscal years preceding the year the tax was payable.

RECOVERY OF TAX

- Validation of registration numbers
  - Purchaser's responsibility to validate registration number of supplier
    - On a transaction-by-transaction basis
    - GST/HST registry

32

- Under the CRA's current policy, it is the purchaser's responsibility to validate the registration number of a supplier for purposes of establishing an entitlement to an ITC or rebate.

- It should be noted that this obligation to validate the registration number of the supplier has been confirmed in a number of cases ruled on by the courts, and that the requirement is on a transaction-by-transaction basis.

- GST/HST registration numbers may be confirmed on the GST/HST Registry web page located on the CRA's web site. Follow the instructions from the link noted in the reference materials.

RECOVERY OF TAX

- Common issues
  - Insufficient documentation
  - Use of a factor to claim ITCs
  - Incorrect tax codes and use of incorrect rebates percentage
  - Not recipient of the supply
  - Non-resident vendors
  - Posting errors
  - Credit note

Ryan 33

- Some of the most significant audit assessments relate specifically to a person's failure to obtain sufficient documentation prior to claiming an ITC or rebate on taxable purchases used to provide taxable goods and services. This may be as simple as not having the supplier's GST registration number on hand prior to claiming the credit or rebate, or can involve issues relating to who is the true recipient of the supply.

- Unless tax is charged by a registrant, and the appropriate documentation is obtained, ITCs or rebates cannot be claimed. An organization should never assume an invoice includes tax and calculate an ITC at 5/105 (or 13/113, or 15/115 for HST) or rebate unless the appropriate documentation is available. If tax is not paid to a registrant, an organization is not generally eligible to recover the tax.

- ITCs or rebates are often claimed by the wrong entity within a closely-related group of registered taxpayers (e.g., where the supplier has invoiced the wrong party). Note that assessments may be limited to the wash transaction interest rate of 4% if each of the parties involved is entitled to a full ITC in any case.

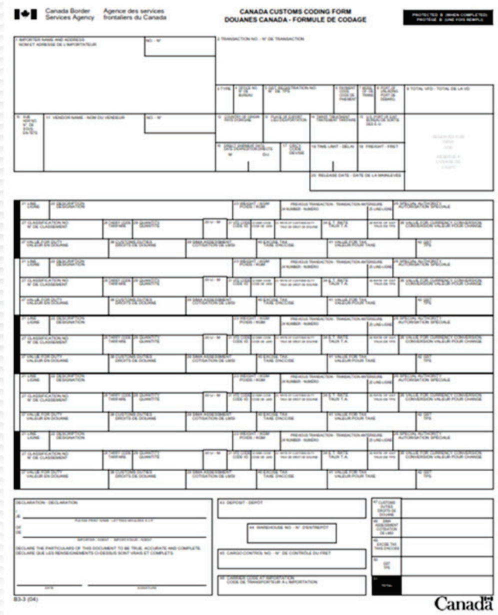
- Exposures occur where taxes are claimed on invoices from non-registrants, as well as from registrants whose transactions are poorly documented. Non-resident vendors, in particular, are not always familiar with Canadian rules and regulations. Even if they are registered, they may not provide sufficient documentation to support a recipient's claim for ITCs or rebates.

- Another common error related to the recovery of tax is the posting of non-GST/HST amounts as debits to the GST/HST account. These types of posting errors will result in an overstatement of ITCs or rebates. For instance, U.S. state taxes may be incorrectly posted to the GST/HST account.

- When a supplier chooses to adjust an amount as tax, they are required to issue a credit note containing the prescribed information. Where tax has been refunded, the recipient of the credit note, the customer, is required to remit the GST/HST received to the government to the extent it previously claimed an ITC or rebates on the original supply. An exposure occurs where the customer does not include the refunded taxes in their GST/HST return.

RECOVERY OF TAX

- Recovery of tax on Imports
  - "Tax" charged by non-resident vendors
  - Flow-through provision
    - Documentary requirements


Canada Border Services Agency
Agence des services frontaliers du Canada
CANADA CUSTOMS CODING FORM
DOUANES CANADA - FORMULE DE CODAGE
Canada

34

- Unregistered non-resident vendors doing business in Canada will often incur tax in respect of activities carried on in Canada (e.g., GST paid to the CRA on importation or to another Canadian company who has charged them GST or HST on goods delivered in Canada).

- The unregistered non-resident who is generally not in a position to recover GST/HST will often try to recover the tax paid from their Canadian customers by charging what appears to be "GST" to their customers.

- Under the general rules, a registrant is not eligible to claim an ITC unless the tax has been charged to them by a registrant. Therefore, even if the unregistered non-resident vendor calls it "GST", the Canadian customer would not be permitted to claim an ITC.

- A flow-through mechanism is provided under the ETA (section 180) to permit the Canadian recipient who acquires goods from an unregistered non-resident for consumption, use or supply in the course of its commercial activity, to claim an ITC for the tax paid by the non-resident. The Canadian recipient must obtain and retain proof that the non-resident paid that tax to the supplier or to the CRA on importation (i.e., an original copy of the CBSA B-3 document showing the imported goods and the amount of Division III tax paid).

- Effective October 21, 2024, the CBSA transitioned to the CBSA Assessment and Revenue Management (CARM) system. Under CARM, the CBSA Form B3 will be replaced with a commercial accounting declaration (CAD) which is a digital document. The CAD will now serve as proof GST was paid to CBSA by the importer of record and will facilitate ITC claims under section 180.

- In this situation, the general documentary requirements are waived to reflect the fact that the tax would ultimately have been recovered by the recipient if the tax had flowed through a chain of registrants. However, this provision only applies to the supply of goods and commercial services performed on those goods and does not extend to the supply of general services.

RECOVERY OF TAX

Marsh

Marsh Canada Limited/Marsh Canada Limitée
P.O. Box 7465 Postal Station A Toronto, Ontario M5W 3C1
1 866 909 0997
CDNFinanceCenter.Queries@marsh.com

INVOICE NO. 608054		Page 1
ACCOUNT NO. UNIVMC1	OP MU	DATE 10/24/2023
Tenants Package		
POLICY # UUG10000		
COMPANY Towerhill Insurance Underwrite		
PRODUCER Michael Corcoran		
EFFECTIVE 08/14/2023	EXPIRATION 08/14/2024	BALANCE DUE ON 10/31/2023
AMOUNT PAID		AMOUNT DUE $338,520.60

McMaster University
First Year Students
1280 Main Street West
Hamilton, ON L8S 4K1

Please return with your cheque payable to Marsh Canada Limited. Thank you!/Prière de retourner avec votre chèque, libellé à l'ordre de Marsh Canada Limitée. Merci!

Itm #	Eff Date	Description	Amount
9FMHWD	08/14/23	New business 2023	$293,850.00
9FMHWF	08/14/23	Ontario Sales Tax - 8%	$23,508.00
9FMHWL	08/14/23	Company fee	$19,595.00
9FMHWM	08/14/23	Ontario Sales Tax - 8% fee	$1,567.60
		Invoice Balance:	$338,520.60
		Policy Balance:	$338,520.60

Account	Cost Centre	Description	Amount	F
240200		HST rebate (73.77%)	18,498.27	
660200	10440	Insurance	320,022.33	

Remit to:

Adresser le paiement à :

Ryan 35

- Exposure: Claiming Ontario tax on insurance as recoverable GST/HST

- The province of Ontario levies a tax on insurance premiums related to risks situated in Ontario. This tax is provincial sales tax and not refundable GST/HST and should be treated as an expense in an organization's accounts.
- Example: Insurance premiums paid to Marsh Canada Limited.

Quantum

Quantum Technology Corp.

#4 38036 Queens Way
Squamish, BC, Canada, V8B 0V2
Tel: 1-604-222-5539 Fax: 1-604-677-5826
www.quantum-technology.com
quantum@quantum-technology.com

Bill To:
McMaster University
Accounts Payables
OJN-320
1280 Main Street West
Hamilton, ON, L8S 4L8
Canada
luke@mcmaster.ca
feltont@mcmaster.ca

Ship To:
Triumf
4004 Wesbrook Mall
Vancouver, BC
V6T 2A3
Phone: 604-222-1047
Attn: Syd Kreitzman

Invoice: 515-02558
Date: May 26, 2023

Purchase order No. MAC01-0000011189
Purchase Order Date: 11/23/2017
Quotation No. 370903
Quotation date: 09/08/2017
Supplier no: 18784

Item	Qty.	DESCRIPTION	Total CAD
1	1	Quantumcooler Cryogenic Cooling System Using Helium-3 for Ultra-Low Temperature Muon Spin Resonance in High HomogenietyMagnetic Field	149,000.00
		Subtotal:	149,000.00

Payment terms:

40% payable upon receipt of purchase order	PAID
20% after detailed design	PAID
20% NET 30 days on factory sponsored testing and TRIUMF acceptance	29,800.00
GST Tax remittance #104360326 RT 0001 (GST 5%)	1,490.00
PST Tax remittance #1011-7774 (PST 7%)	2,086.00
Total payable now (CAD):	**33,376.00**

Ryan 36

- Exposure : Accounts Payable Postings

- Amounts other than GST/HST shown on invoices are occasionally recorded as debits to the GST/HST account, resulting in an overstatement of GST/HST recoverable. The invoice processed for Quantum Technology Corporation is an example of this situation, where British Columbia provincial sales taxes were claimed as a GST rebate.

RECOVERY OF TAX

- Selected public service bodies' rebates
  - MUSH sector and charities
  - GST (federal) component
  - Rates for HST (provincial) component
  - May operate in multiple capacities
    - Must apportion rebate

PSB Type	GST/federal part of the HST	Provincial part of the HST				
		NS	NB	NL[1]	ON	PEI[2]
Municipality	100%	57.14%	57.14%	57.14%	78%	0%
University/Colle	67%	67%	100%[3]	0%	78%	0%
School Authority	68%	68%	100%[3]	0%	93%	0%
Hospital	83%	83%	100%[3]	0%	87%	0%
Charity/NPO	50%	50%	50%	50%	82%	50%

Ryan 37

- Selected public service bodies (GST/HST registered or not) may claim a rebate at a prescribed percentage for non-creditable tax charged on taxable property or services. The term public service bodies ("PSB") includes charities, the MUSH sector (municipalities, universities, schools and hospitals) and other non-profit organizations that meet certain requirements.

- "Non-creditable tax charged" includes tax paid or, in certain cases, deemed to be paid (such as in the case of employee allowances and reimbursements). It excludes tax for which the body may claim an ITC, or for which a rebate or remission is available under some other provision of the legislation or another statute, or which is adjusted, refunded or credited to the person by credit/debit note.

- PSBs that operate in multiple capacities, such as a university that also operates a hospital authority, must apportion their rebates to take into account the appropriate rate — in this case, 67% for tax payable on university-related expenses and 83% for those that relate to hospital activities. In addition, public service bodies in certain participating provinces must calculate separate rebates for the federal and provincial component of the HST for multiple capacities. For instance, a public service body located in Ontario, operating in two separate capacities, may be required to calculate a total of four separate rebate amounts.

- The participating provinces permit certain PSBs to recover a portion of the provincial component of the HST ("PVAT") or paid. However, the rebate percentages for the provincial component of HST differ from those available for GST purposes.

[1] Selected public service bodies resident in Newfoundland and Labrador that are also a charity, public institution or qualifying NPO are entitled to claim a 50% rebate of the provincial part of the HST paid or payable on purchases and expenses used in non-selected public service bodies' activities.

[2] Selected public service bodies resident in Prince Edward Island that are also a charity, public institution or qualifying NPO are entitled to claim a 50% rebate of the provincial part of the HST paid or payable on purchases and expenses used in non-selected public service bodies' activities. Prior to January 1, 2023, the rebate rate was 35%.

[3] Eligible hospital authorities, school authorities, and public colleges in New Brunswick are entitled to claim a 100% rebate of the provincial part of the HST paid or payable on purchases and expenses used in non-selected public service bodies' activities. Prior to April 1, 2024, the rebate rate was 0%.

RECOVERY OF TAX

- Selected public service bodies' rebates

Notes continued from previous page

Ryan 38

- PSBs have to separately track the federal and provincial parts of HST to make a PSB rebate claim as the rebate on the federal component is different than rebate on the provincial component.

- If a PSB is not a resident of a particular participating province, they are can claim a PSB rebate for the provincial part of the HST based on the province in which they are resident. If a PSB is a resident in more than one province, one of which is a participating province, you have to calculate the PSB rebate for the provincial part of the HST based on the extent you intend to consume, use or supply property or services in the course of your activities in each province in which you are resident.

- Eligible expenses include general operating expenses (rent, utilities and administration expenses) for which you cannot claim ITCs. Other eligible expense examples include most allowances and reimbursements paid to employees (exempt activities).

- Property and services used, consumed or supplied in exempt activities.

- When the use of capital property is changed from primarily commercial activities to primarily non-commercial activities, a rebate cannot be claimed. The reason being you have to calculate the basic tax content of the property for such a change in use and this calculation already takes the PSB's rebate into account.

- Certain purchases are not eligible for public service bodies' rebate, including:
  - Memberships in a dining, recreational, or sporting club;
  - Supply of tobacco products and alcoholic beverages without the requirement to collect the GST/HST (unless included in the price of a meal);
  - Property and services acquired to provide long-term residential accommodation (one month or more), unless more than 10% of the accommodation is restricted to seniors, youths, students, or individuals with a disability or with limited financial resources who qualify for reduced rents;
  - Property and services acquired primarily (more than 50%) for the supply of a parking space made available to residential tenants unless more than 10% of the residential accommodation associated with the parting space is restricted to seniors, youths, students, or individuals with a disability or limited financial resources who qualify for occupancy or reduced rents;
  - Property and services acquired primarily for making a supply of real property to another person for use by that person in leasing residential property on an exempt basis (incidental parking), unless that other person is a PSB and more than 10% of the residential property is restricted to seniors, youths, students, or individuals with a disability or limited financial resources who qualify for occupancy or reduced rents under a means or income test; and
  - Property or services supplied to a person, if the property or service is a taxable benefit to that person for income tax purposes. The PSB also does not have to remit any GST/HST on the supply.

RECOVERY OF TAX

- Printed book rebate
  - GST
    - Available on printed books acquired by specified persons
    - Ordinary common law meaning
    - Excludes
      - Newspapers
      - Some magazines or periodicals
      - Books designed primarily for writing on
      - Agendas, calendars, syllabus, timetables
- Point of sale rebate- HST

Ryan 40

- The legislation provides for a 100% rebate of GST paid on printed books purchased by specified persons. The definition of specified persons includes universities and colleges.

- However, the provincial component of the HST payable on a qualifying book may be rebated by the vendor at the point of sale. The effect is that qualifying books supplied in a participating province are only taxed at 5%. If the vendor collects tax at the 13% HST rate, the purchaser may claim an ITC for the full 13% where the book is for use in commercial activities. If the purchaser is not eligible for a full ITC, a rebate may be claimed for the provincial component of the HST within four years from the time tax became payable by submitting a general rebate application (form GST 189).

- Goods eligible for the rebate are:
  - Printed books or updates of such books;
  - Audio recordings all or substantially all of which are spoken readings of printed books; and
  - Bound or unbound printed versions of religious scriptures.

- The term "printed book" is ascribed its ordinary meaning, but is defined to exclude:
  - A newspaper, magazine or periodical acquired otherwise than by subscription;
  - A magazine or periodical in which the printed space devoted to advertising is more than 5% of the total printed space;
  - A book designed primarily for writing on; and
  - An agenda, calendar, syllabus, or timetable.

- The rebate is only available for books acquired for use other than in a supply by way of “sale”. The term “sale” includes books acquired to sell to others, to be given as a gift or where ownership is transferred at no consideration.

RECOVERY OF TAX

- Special concerns for public service bodies
  - Commercial activity (full ITCs)
  - Exempt activity (partial rebates)
  - Combined activity
    - Allocation required
  - Capital personal property (primary rule)
  - Capital real property (primary rule)

Ryan 41

- In order for an organization to claim an ITC in respect of GST/HST paid for goods or services, the supply must have been acquired for consumption, use or supply in a commercial activity carried on by the registrant. Generally, if substantially all (90% or more) of a supply is acquired for consumption, use or supply in the course of a commercial activity, a full ITC may be claimed.

- If substantially all of a supply is acquired for exempt activities, no ITC may be claimed. However, a university would generally be eligible to claim the 67% rebate (for GST or federal portion of the HST) and, where located in Ontario, a 78% rebate (for the Ontario provincial component of the HST).

- Where goods and services are acquired partly for use in commercial activity and partly not, it is necessary to allocate the tax available for credit between commercial and non-commercial activities in order to determine the amount of tax recoverable.

- A full ITC is available to universities for GST/HST paid on the acquisition or import of capital personal property, and improvements to that capital property, if the property is used more than 50% in commercial activity. If not, no ITC is available, and then tax is generally not required to be collected on the ultimate disposition of that property.

- A full ITC is also available for GST/HST paid on the acquisition of capital real property, and improvements to that property, if the property is used more than 50% in commercial activity. If not, no ITC is available (but the rebate is). Most sales of real property used other than primarily in commercial activity by a public service body are exempt. In order to determine whether or not a university is entitled to claim ITCs on capital real property, it will be necessary to calculate the extent of use of the entire parcel (legal description) in commercial activities rather than the extent of use of a particular portion of the property (i.e., entire building versus a floor in the building).

RECOVERY OF TAX

- Exceptions to the 50% restriction
  - Full ITCs generally available to
    - Public institutions
    - Charities
  - Restriction does not apply to rebates

- Generally, ITCs are restricted to 50% of the tax paid with respect to meals and entertainment expenses, where the deductibility of the expense is restricted to 50% under the ITA.

- However, the 50% meals and entertainment expense restriction does not apply to ITCs claimed by a charity or public institution (i.e., a charity that is a school authority, hospital authority, public college, university and certain local authorities deemed to be municipalities).

- Such bodies may claim ITCs, to the extent otherwise entitled, in respect of tax paid on such expenses without restriction. A charity or public institution that is a registrant may generally claim full ITCs for tax paid on food, drink and entertainment expenses where they are incurred in the course of commercial activities.

- The meals and entertainment expense restriction does not apply to rebate claims made by public service bodies. As a result, organizations that are entitled to claim rebates in respect of tax paid on meals and entertainment relating to non-commercial activities are not required to adjust their rebate claims for the 50% restriction. This applies to all organizations that claim rebates and not just charities and public institutions.

RECOVERY OF TAX

- Non-resident registration system issues - GST/HST
  - Non-residents required to collect tax on taxable supplies made to consumers
  - Registered entities paying GST/HST to non-residents
    - Conditional exemption for GST/HST registrants
      - No ITC entitlement
        - » Eligible for PSB rebate
      - Provide GST/HST registration number for exemption
      - Obtain refund from non-resident supplier for tax paid in error
  - Registered non-residents identified by
    - GST/HST – registration number suffix is RT9999

Ryan 43

- Simplified registration and remittance systems were established for GST/HST (effective July 1, 2021) to facilitate compliance by non-resident vendors and non-resident distribution or accommodation platform operators. This system levies tax under the same conditions and use the same rates as the regular registration system. The tax collected by non-residents under these systems is meant to be levied to Canadian consumers. For purposes of these systems a consumer is defined as any person not registered for GST/HST. However, these systems can create issues for regularly registered GST/HST entities.

- Non-resident suppliers will now often charge GST/HST on supplies made to residents of Canada. However, a conditional exemption is available to GST/HST registrants for the GST/HST charged by suppliers registered for these systems. Regularly registered GST/HST entities are eligible for a conditional exemption from the tax collected by entities registered under the non-resident registration system where the purchase relates to their commercial activities which may be obtained by providing their GST/HST registration number to the non-resident supplier.

- GST/HST eligible to claim ITCs on GST/HST may not claim GST/HST charged by these non-resident suppliers as an ITC. Where these taxes are paid they must obtain a refund from the non-resident registered supplier by providing them with their GST/HST registration number.

- PSBs that are eligible for a GST/HST rebate are permitted under s. 211.17 of the ETA to claim a rebate for GST/HST paid to simplified registrants and are not required to obtain a refund of the non-recoverable GST/HST paid and self-assess the applicable GST/HST.

- Determining registration status under the GST/HST simplified system has been made much easier, effective July 1, 2023, as the suffix RT9999, rather than RT0001, will follow the non-resident's simplified GST registration number.

RESTRICTIONS AND LIMITATIONS

RESTRICTIONS AND LIMITATIONS

- Personal use restriction
  - Club membership fees
    - 100% restricted
  - Exclusive personal use
    - 100% restriction
    - Exceptions
      - Certain non-cash gifts/awards
  - Passenger vehicles
  - Unreasonable expenses

Ryan 45

- There is a 100% ITC restriction for initiation fees, membership fees or dues to any club, the main purpose of which is to provide dining, recreational or sporting facilities. These provisions parallel the ITA, which also denies a deduction for these types of expenses. For example:
  - golf club membership dues;
  - business clubs;
  - fitness club memberships; and
  - certain Board of Trade memberships.

- There is also a 100% ITC restriction for tax paid on supplies purchased for the exclusive personal use an employee, or someone related to an employee, of an organization. However, employers are able to give employees non-cash gifts, on a tax-free basis, for special occasions such as Christmas, a wedding or similar events, where the total cost of the gifts is $500 or less a year. The total value in excess of $500 will be taxable. Similarly, a non-cash employee long service/anniversary awards may also qualify for non-taxable status to the extent that the total value is $500 or less, as long as they are only provided every five years. This policy does not apply to cash or near-cash gifts and awards or amounts exceeding the $500 threshold.

- Similar to the ITA, the ETA limits the maximum ITC available for tax paid on the purchase ($38,000 - 2025 purchase) or lease ($1,100/month lease entered into in 2025) of a passenger vehicle. Therefore, ITCs may not be claimed on amounts in excess of prescribed limits. The current allowable limit for eligible zero-emission vehicles purchased in 2025 is $61,000.

- No ITCs may be claimed for tax paid on goods or services except to the extent that the consumption or use of the goods or services is reasonable having regard to the nature of the registrant's commercial activities. The consideration on which the tax is charged must also be reasonable.

RESTRICTIONS AND LIMITATIONS

Automobile Deduction Limits

Year Acquired	Lease Cost per Month	GST ITC	13% HST ITC	14% HST ITC *	15% HST ITC
2025	$1,100	$55.00	$143.00	$154.00	$165.00
2024	$1,050	$52.50	$136.50	$147.00	$157.50
2023	$950	$47.50	$123.50	$133.00	$142.50
2022	$900	$45.00	$117.00	$126.00	$135.00
	Purchase Cost				
2025	$38,000	$1,900.00	$4,940.00	$5,320.00	$5,700.00
2024	$37,000	$1,850.00	$4,810.00	N/A	$5,550.00
2023	$36,000	$1,800.00	$4,680.00	N/A	$5,400.00
2022	$34,000	$1,700.00	$4,420.00	N/A	$5,100.00
	Zero-Emission Cost				
2023 to 2025	$61,000	$3,050.00	$7,930.00	$8,540.00	$9,150.00
2022	$59,000	$2,950.00	$7,670.00	N/A	$8,850.00

* Commencing April 1, 2025, when the HST rate in Nova Scotia decreases to 14% from 15%.

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- This chart shows the maximum ITC that is available to automobiles acquired by way of lease or purchase in the years 2025, 2024, 2023, and 2022.

- On April 1, 2025, the HST rate in Nova Scotia was decreased by one percentage point to 14% from 15%.

- Eligible zero-emission passenger vehicles include:
  - — plug-in hybrids with a battery capacity of at least 7 kWh and
  - — vehicles that are:
    - fully electric or
    - fully powered by hydrogen.

REIMBURSEMENTS AND ALLOWANCES

Ryan

REIMBURSEMENTS AND ALLOWANCES

- Recovery of tax on reimbursements made to employees, partners or volunteers
  – Subject to general documentary requirements
  – Subject to 50% meals and entertainment expense restriction
    - Exception to the 50% restriction for Public Institutions and PSB's

Ryan 48

- The general rule for claiming ITCs and rebates requires that the person claiming the credit be the person who is liable to pay the consideration for the supply (i.e., the recipient of the supply). Without some special provisions under the ETA, an employer would not normally be permitted to recover tax paid by an employee even where it was incurred in respect of the person's commercial activities.

- An employer, partnership, charity or public institution is deemed under the legislation to have paid tax where the expense was reimbursed to an employee, partner or volunteer who paid tax in respect of a property or service that was acquired or imported for use in the activities of the person.

- A reimbursement is understood by the CRA to mean "a payment by an employer to an employee to repay the employee for amounts spent by the employee on the employer's business." Organizations are still generally required to meet the documentary requirements in order to extract tax on qualifying reimbursements. The 50% meals and entertainment expense restriction generally applies to ITCs claimed for restricted meals expenses included on an employee expense report.

- However, the 50% meals and entertainment expense restriction does not apply to ITCs or rebates claimed by a public institution. Such bodies may claim ITCs/rebates to the extent otherwise entitled, in respect of tax paid on such expenses without restriction. Therefore, a public institution that is a registrant may generally claim full ITCs for tax paid on food, drink and entertainment expenses where they are incurred in the course of commercial activities. As a result, organizations that are entitled to claim rebates in respect of tax paid on meals and entertainment relating to non-commercial activities are not required to adjust their rebate claims for the 50% restriction. This applies to all organizations that claim rebates and not just charities and public institutions.

REIMBURSEMENTS AND ALLOWANCES

- Prescribed simplified factor – GST/HST
  - Available for expenses incurred in Canada
    - Generally 4/104
    - 12/112, 13/113 or 14/114 where all or substantially all the expenses were subject to HST
  - Factor based on where expenses incurred

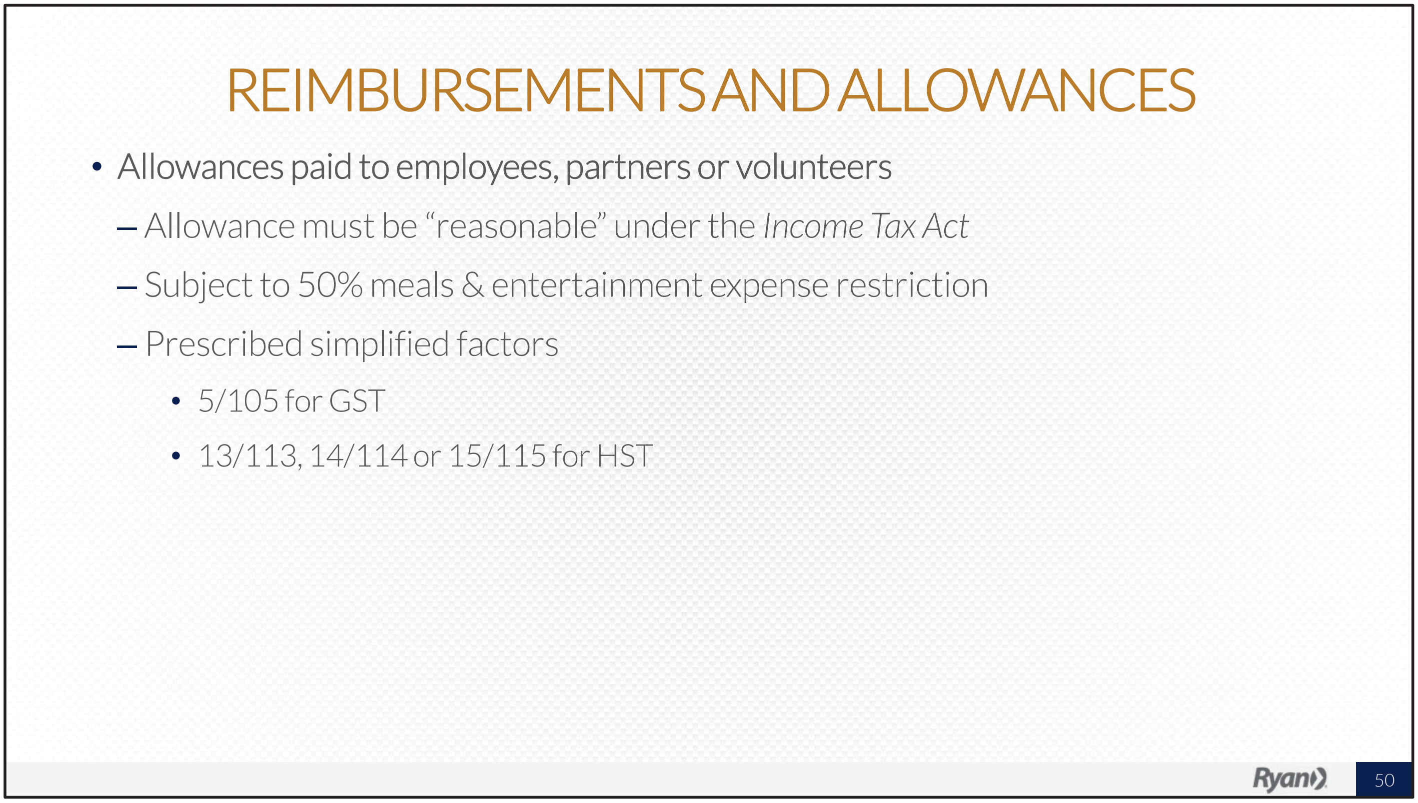
Ryan 49

- As an alternative to meeting the general documentary requirements, which are often lacking on expense reports, organizations may choose to use the prescribed simplified factors in order to determine ITCs.

- For GST/HST purposes, the factors are:
  - 4/104 (subject to the 50% reduction for meals and entertainment expenses) where all or substantially all of the expenses are taxable (other than zero-rated) supplies; or
  - 12/112 (ON), 13/113 (NS - for reimbursements made on or after April 1, 2025) and 14/114 (NB, NL, NS and PEI) (subject to the 50% reduction for meals and entertainment expenses) where all or substantially all (90% or more) of the supplies for which the reimbursement is made are taxable supplies acquired in participating provinces.

- The factor is set at 4/104 (or 12/112, 13/113 or 14/114) in the harmonized zone) to take into account tips and other non-taxable expenses. Other than the factors used for expenses incurred in the harmonized zone, the factor does not vary depending on which province the expenses were incurred (e.g., Manitoba vs. Alberta). However, the factor is not available for expenses incurred outside of Canada.

- If the factor is used, it must be used for an entire fiscal year and must be applied consistently within each category of reimbursed expenses. It cannot be used to "cherry pick" GST/HST for ITC purposes where particular invoices or receipts do not adequately disclose GST/HST charged or meet other documentary requirements. Nor may it be used inconsistently from employee to employee depending on the degree of documentation provided by a particular employee.



- A similar deeming rule applies to allowances paid by an employer, partnership, charity or public institution, deeming tax to have been paid on the underlying expense in respect of qualifying allowances paid to an employee, partner or volunteer. An allowance is understood by the CRA to mean "any periodic payment made to an employee without having to account for its use."

- A person is deemed to have paid tax equal to:
  - 5/105 (GST); 13/113 (ON), 14/114 (NS - for allowanced paid on or after April 1, 2025) or 15/115 (NB, NL, NS and PEI) where 90% or more of the allowance relates to taxable supplies made in the participating provinces. Zero-rated supplies are not included when determining whether the 90% threshold has been reached. Reasonable allowances for meals and entertainment expenses may be subject to the 50% GST/HST restriction, with exclusions for public institutions and PSBs.

- For HST purposes, where 90% or more of the supplies related to an allowance are made in a particular participating province, that province's factor should be used to claim the ITC. If, however, 90% or more of the supplies the allowance relates to are made in two or more participating provinces, then the factor used to claim the ITCs is the lowest factor available for the provinces where the supplies are made.

- The concept of what is "reasonable" is dependent on the situation but is occasionally mandated by the CRA. Examples of reasonable allowances that may be eligible for ITCs include overtime meal allowances and car allowances.

- In order for tax to be recoverable with respect to an allowance, it must be:
  - paid in respect of supplies acquired in Canada at least 90% of which are taxable;
  - deductible for income tax purposes; and
  - considered reasonable by the employer at the time they are paid.

- Automobile allowances are considered to be reasonable where:
  - the allowance is based solely on the number of business kilometres driven;
  - the rate per kilometre is reasonable; and
  - the recipient of the allowance is not reimbursed in whole or in part for automobile expenses, in addition to the allowance.

- Flat rate periodic allowances (e.g., $400 per month) are generally not considered reasonable.

- Effective January 1, 2001, where an employee is paid a combination flat rate and reasonable per kilometre allowance, no ITCs are allowed for either the per kilometre allowance or the flat rate portion.

- The 2025 tax-deductible per kilometre allowance limits for GST/HST purposes are 72 cents per kilometre for the first 5,000 kilometres, and 66 cents per additional kilometre. Note that these rates increased by two cents from the 2024 rates. The limits are each 4 cents higher in the territories.

REIMBURSEMENTS AND ALLOWANCES

GST/HST

Province/Territory	Current Rate	Factor for Reimbursements	Factor for Allowances
AB, BC, MB, SK, NT, NU, YT, QC	5%	4/104	5/105
ON	13%	12/112	13/113
NS (effective April 1, 2025)	14%	13/113	14/114
NB, NL, NS, PE	15%	14/114	15/115

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British Columbia (BC)	5%	4/104	5/105
Alberta (AB)	5%	4/104	5/105
Saskatchewan (SK)	5%	4/104	5/105
Manitoba (MB)	5%	4/104	5/105
Ontario (ON)	13%	12/112	13/113
Québec (QC)	5%	4/104	5/105
Québec (QC) (QST)	9.975%	9/109	9.975/109.975
New Brunswick (NB)	15%	14/114	15/115
Nova Scotia (NS)*	15%	14/114	15/115
Prince Edward Island (PE)	15%	14/114	15/115
Newfoundland and Labrador (NL)	15%	14/114	15/115
Yukon (YT), NWT (NT), Nunavut (NU)	5%	4/104	5/105

* Effective April 1, 2025, the Nova Scotia HST rate will decrease 1% to 14%. At this time, the simplified factor for employee expense reimbursements will become 13/113 and the factor for reasonable allowances will become 14/114.

REIMBURSEMENTS AND ALLOWANCES

- Company credit cards
  - Documentary requirements
  - Use of simplified factors
  - Administrative relief for cards with joint and several liability

Ryan 53

- Where an expenditure is incurred directly by a registrant, including an expenditure for meals and entertainment, the full documentary requirements will apply to any ITC claimed in relation to the expense.

- The CRA's view is that an expenditure made by an employee on a company credit card has been incurred by the registrant directly and must, therefore, be supported by the appropriate documentary evidence.

- Administratively, they will permit the use of the simplified factors only where the company and employee are jointly and severally liable for payment of a credit card. In such cases, the payment can be treated as an employee reimbursement, and is eligible for the simplified factor.

REIMBURSEMENTS AND ALLOWANCES

- Reimbursements to non-employees
  - Out-of-pocket expenses
    - Potential exposure areas
  - Re-supply of "exempt" costs
  - Example 1: consultant/contractor registered for GST/ HST(not an agent)
    - $1000 for services
    - $100 out-of-pocket
    - Subtotal $1,100
    - HST $143 (13 % on $1,100) and rebate available at 83% of $143
      - Total $1,243

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- GST/HST are value-added taxes, which require suppliers to charge tax on the full consideration charged for taxable goods or services. When a supplier is the recipient of a taxable supply giving rise to an out-of-pocket expense, the supplier is liable for paying the GST/HST on that supply. If a supplier includes a charge for the reimbursement of costs or expenses, other than as a legal agent of the recipient, the charge for the reimbursement is considered to be additional consideration for the supply. As a result, tax must be charged on the full amount, including any reimbursements.

- When a supplier incurs an out-of-pocket expense as a client's agent, the client is considered to be the recipient of the supply. The reimbursement of the supplier's out-of-pocket expenses by the client is not treated as additional consideration for the supplier's services. As a result, the expense identified in the supplier's invoice to the client would not be subject to the GST/HST.

- When the vendor is not acting as an agent, the customer is not permitted to claim an ITC on the GST/HST included on copies of the vendor's supplier invoices that may have been provided as support for the reimbursement, given that the customer is not the "recipient" on these invoices. These invoices will have been issued to the vendor. The vendor must claim the ITCs and expressly charge tax to the customer in order for the tax to be recovered by the ultimate recipient.

- Since the "re-supply" of out-of-pocket expenses forms part of the consideration for the supply, organizations may find themselves paying tax on supplies that normally would not be taxable. For example:
  - — salaries and wages;
  - — zero-rated air travel; and
  - — expenses incurred outside Canada.

- Where the supplier is not registered, any tax incurred by that person is not recoverable and will ultimately form part of the cost of the supply.

REIMBURSEMENTS AND ALLOWANCES

- Reimbursements to non-employees
  - Out-of-pocket expenses
    - Example 2: Consultant/Contractor not registered for GST/HST(not an agent)
    - $1000 for services
    - $113 out-of-pocket ($100 + $13 HST)
    - Total $1,113
    - HST not applicable as supplier is not registered
      - No ITC or rebate $13 HST paid on the out-of-pocket expenses

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- GST/HST Info Sheet GI-197 Out of Pocket expenses has details and examples

QUESTIONS?

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