

AN IMPORTER'S OVERVIEW OF CANADIAN GST AND HST

Goods and Services Tax (GST) and Harmonized Sales Tax (HST)) are standard taxes on most goods and services in Canada, including imports. Importers must comply with GST/HST requirements. This overview explains these taxes and an importer's obligations.

GST AND HST EXPLAINED

GST is a tax that applies to the supply of most goods and services in Canada. The provinces of Nova Scotia, New Brunswick, Ontario, Prince Edward Island, and Newfoundland/Labrador (referred to as the participating provinces) harmonized their provincial sales tax with the GST to create HST. Generally, the HST applies to the same base of goods and services as the GST1.

Almost everyone must pay the GST/HST on purchases of taxable goods and services (other than zero-rated supplies). A limited number of sales or supplies are exempt from GST/HST, and exempt or zero-rated goods have special requirements. These can be basic groceries, prescription drugs, or goods purchased by charities, as example.

GST/HST RESPONSIBILITIES OF IMPORTERS

Although the consumer pays the tax, businesses are generally responsible for collecting and remitting it to the government. Businesses that are required to have a GST/HST registration number are called registrants.

Registrants collect the GST/HST on the sales, and pay the GST/HST on most purchases they make to operate their business. They can claim an input tax credit, to recover the GST/HST paid or payable on the purchases they use in their commercial activities. GST/HST registrants must meet certain responsibilities.

Generally, they must file returns on a regular basis, collect the tax on taxable supplies they make in Canada, and remit any resulting net tax owing.



GST/HST Responsibilities of Importers (Continued)

Goods you import into Canada are subject to the GST, or the federal part of the HST, except for items specified as non-taxable importations. The GST is calculated on the Canadian dollar value of the goods, including duty and excise tax, and is collected at the border at the same time as those duties and taxes. The owner or importer of record is responsible for paying the GST on imported goods. If you are registered for the GST/HST and you are the importer (the person who facilitated the goods to be imported into Canada), you may claim an Input Tax Credit (ITC) for the tax you paid on the imported goods, as long as you meet the requirement for claiming ITCs. When you invoice your customer for the goods, GST/HST must be applied to the sale price.

PROVINCE	Provincial/ Territorial Tax Rate [‡] %	GST Rate [‡] %	Combined HST Rate [‡] %
Alberta	0	5	—
British Columbia	7	5	—
Manitoba	8	5	—
New Brunswick*	10	5	15
Newfoundland and Labrador*	10	5	15
Northwest Territories	0	5	—
Nova Scotia*	10	5	15
Nunavut	0	5	—
Ontario*	8	5	13
Quebec	9.975	5	—
Prince Edward Island	10	5	15
Saskatchewan	5	5	—
Yukon	0	5	—

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You must use the rate based on the “place of supply rules”. Generally, a GST registrant who sells goods which are delivered to a participating province must collect the HST, at the rate in effect in the province to which the goods are delivered. A registrant in a participating province who sells goods which are delivered to a non-participating province would collect GST, not HST.

At the end of the accounting period assigned or requested, an ITC is filed. This is the difference of all GST/HST paid against all GST/HST billed during that time period. If positive, the difference is a refund – the Canada Revenue Agency (CRA) will send a cheque. If negative, you must send CRA a cheque.

* Participating provinces (add the provincial and GST rates to arrive at a combined HST rate)

‡ Rates of tax indicated are for information purposes only; please refer to the Canada Revenue Agency website to confirm current rates

¹ HST is not accounted for, or collected, at the time of commercial goods importation. HST for personal goods imported and destined to an address in a participating province is collected at the time of customs entry, regardless of the point of clearance. GST is collected on taxable supplies.