

TAX TALK

Properly recording your GST and HST

Back in May, I offered a heads-up on changes resulting from Ontario and British Columbia combining their provincial sales tax with the federal GST into one Harmonized Sales Tax (HST) starting July 1. How are these GST/HST changes treating you so far? Have your carrier, fuel station and repair shop been handling the new tax correctly?

We're obviously through the transition stage so any arguments about what it does or doesn't apply to should be behind you. Now you have to focus on properly recording your July and August income and expenses in your accounting system.

Variety of tax rates

It should be simple. The basic principle is that any GST or HST



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that you pay on your business expenses is refundable.

If the wrong rate was charged to you, just claim what you actually paid.

What's hard is that there are so many different GST/HST tax rates in Canada: 5% GST in Alberta, Manitoba, N.W.T., Nunavut, P.E.I., Saskatchewan, Quebec, Yukon; 12% HST in B.C.; and 13% HST in Ontario, New Brunswick, and Newfoundland.

If you made purchases from several different provinces, you'd better be paying attention to your

receipts when you record them.

Fortunately, there is no change to the "place of supply" rule for freight transportation services. The supply of a freight transportation service within Canada is based on the destination of the load. So you charge the GST or HST rate to the customer based on the province where the load is delivered.

Here's an easy example: A manufacturer in Manitoba hires you to transport products to a wholesaler in Ontario.

The supply of the freight transportation service is made in Ontario because the destination of the freight is in Ontario.

HST will apply to the freight transportation service at Ontario's rate of 13%.

Where a freight transportation

service has destinations in more than one province, the service of transporting the goods destined for each province is considered to be a separate supply.

That means you must break down the charge of each part of the delivery and charge GST or HST for each.

It's complicated but those of you doing this already are accustomed to it.

Nothing has changed. You just need to double-check that you are using the correct rates shown above.

Mandatory electronic filing

Mandatory electronic filing of GST/HST returns using CRA's Netfile service is coming. Some of you have received GST/HST returns already where the traditional pink form is not included.

This is the new norm for returns with a period end-date after June 30. That means no working copy for your records.

From what I've read, almost everyone will have an Internet access code on their form.

The Netfile site is easy to use and you'll get your refund faster than if you were to paper-file.

You can print a copy of your return and the confirmation number once it is filed.

There are other advantages to Netfile.

In the past, returns with refunds over certain amounts were restricted from using electronic filing, meaning that owner/operators due a big refund because of a new truck purchase had to wait a long time to get paid. New businesses were not allowed to file electronically, either.

Now anyone new to the business or newly incorporated will be able to use Netfile.

When you file your GST/HST return using Netfile and have an amount owing, you can: pay electronically using CRA's My Payment option; pay electronically using your bank's Internet or telephone banking service; mail a cheque or money order (payable to the Receiver General) to your tax centre along with form RC158, GST/HST Netfile/Telefile Remittance Voucher; or pay in person at your financial institution using form RC158.

If you mail your payment, remember that CRA must receive it by the due date.

A postmark by the due date is not good enough.

Trucking is one of a handful of industries where the "place of supply" rule can complicate GST/HST compliance.

If you're not dealing with an accountant who specializes in trucking, you may need to point out that you've paid GST/HST at various rates so he can make sure you're getting the refund you're entitled to. □

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