



Questions and Answers on the New Reporting Requirements for GST/HST Registrants

This publication provides questions and answers that reflect the proposed changes to reporting requirements for most GST/HST registrants, as announced by the Minister of National Revenue in a press release on January 4, 2010. These proposed changes would come into effect on July 1, 2010.

Any commentary in this publication should not be taken as a statement by the Canada Revenue Agency (CRA) that these proposed changes will be enacted in their current form. More information will be published in the coming months as further announcements are made by the Minister of Finance.

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Mandatory electronic filing

1. Who would be required to file electronically?

You would have to file your GST/HST returns electronically if any of the following apply:

- your threshold amount for your GST/HST reporting period is over \$1.5 million;
- you would be required to recapture input tax credits (ITCs) for the provincial part of the HST paid or payable on certain taxable supplies acquired in Ontario and British Columbia;
- you are a builder who makes sales of
 - o grandparented housing where the purchaser is not entitled to claim a GST/HST new housing rebate or new residential rental property rebate, or
 - o housing that are subject to the HST where you purchased the housing on a grandparented basis; or
- you are a builder who
 - o is required to report a transitional tax adjustment amount, or
 - o is reporting a provincial transitional new housing rebate.

2. What is my threshold amount for my GST/HST reporting period?

Your threshold amount for your GST/HST reporting period is your total taxable supplies of goods and services made in Canada in your previous fiscal year, including supplies of zero-rated goods and services, and those of your associates. When calculating this amount, you do not include supplies made outside Canada, zero-rated exports of goods and services, zero-rated financial services, taxable sales of capital real property, or goodwill.

3. When would mandatory electronic filing take effect?

Mandatory electronic filing requirements would apply to all reporting periods ending on or after July 1, 2010.

La version française de la présente publication est intitulée *Questions et réponses sur les nouvelles exigences de déclaration à l'intention des inscrits aux fins de la TPS/TVH.*



4. How many electronic filing options are there?

There are four electronic filing options that can be used to file GST/HST returns, based on your particular reporting circumstances:

GST/HST NETFILE is a free Internet-based filing service that allows registrants to file their returns directly with the CRA over the Internet. Registrants complete an on-line form, enter the required information, and confirm that they want to file their return. Once the return has been electronically sent to CRA, registrants will immediately receive a confirmation number.

GST/HST TELEFILE allows eligible registrants to file their GST/HST returns using their touch-tone telephone and a toll-free number.

GST/HST Electronic Data Interchange (EDI) is a computer-to-computer exchange of information in a standard format. Eligible registrants can use EDI to file their GST/HST returns and remit their GST/HST payments electronically.

GST/HST Internet File Transfer (GIFT) is a new option that allows eligible registrants to utilize third-party CRA-approved accounting software to file their returns electronically.

5. If I were required to file my return electronically, would I be required to make my payments electronically as well?

No. However, the CRA encourages all GST/HST registrants to make payments using its on-line service “My Payment”. To access this service, go to www.cra.gc.ca/mypayment.

You may also be able to pay electronically through your financial institution's telephone banking, Internet banking, or automated bank machines. Go to www.cra.gc.ca/electronicpayments for more information and contact your financial institution to see if it offers these services.

6. If I were required to file electronically, what would happen if I filed a paper return?

GST/HST registrants that would be required to file electronically may be subject to penalties if they filed paper returns with a period end date of July 1, 2010 or later.

7. The announcement by the Minister of National Revenue stated that the CRA would be removing the existing restrictions on electronic filing. Would there be any new eligibility criteria?

For reporting periods ending on or after July 1, 2010, all GST/HST registrants would be eligible to use GST/HST NETFILE, but some registrants may be precluded from using other electronic filing options because of their particular circumstances. As noted in the announcement, all registrants that would be required to recapture ITCs for the provincial part of the HST in Ontario or British Columbia, and certain builders that would be affected by the transitional housing measures announced for Ontario or British Columbia, would be required to use GST/HST NETFILE to file their returns. These registrants would not be eligible to use any other filing options.

The CRA encourages all GST/HST registrants to go to www.cra.gc.ca/gsthst-filing on a regular basis for current information on GST/HST filing options and related eligibility criteria.

8. My annual taxable supplies are \$900,000. However, my associates and I exceed the \$10 million threshold for recapturing ITCs for the provincial part of the HST paid on certain taxable supplies in Ontario and British Columbia. Therefore I would be required to recapture ITCs. Would I be required to file all of my returns using GST/HST NETFILE, or only if I had ITCs to recapture?

Because you have to file monthly, all of your regular GST/HST returns (i.e., Form GST34, *Goods and Services Tax/Harmonized Sales Tax Return for Registrants*) must be filed electronically using any electronic filing option. However, you would be required to file your return using GST/HST NETFILE for the reporting periods in

which you have ITCs to recapture (see the section below on recapturing ITCs), or transitional housing information to report. If you did not have ITCs to recapture or transitional housing information to report in a particular reporting period and you are a builder who has taken a deduction for a GST/HST new housing rebate amount that you paid or credited to a purchaser, you would have to file your return using either GST/HST NETFILE or GST/HST TELEFILE. For your other returns, you would use any of the electronic filing options.

9. My threshold amount is less than \$1.5 million. However, I would be affected by the transitional housing measures. Would I be required to file all of my returns using GST/HST NETFILE, or only if I had transitional housing information to report?

You would be required to file your return using GST/HST NETFILE only for the reporting periods in which you have to report certain transitional housing information, unless you would otherwise be required to file your return using GST/HST NETFILE (e.g., if you were required to recapture ITCs). You are encouraged to file your other returns electronically using any of the available options, although you can file a paper return for any reporting period for which you are not required to file electronically. See question 22 for information on the type of transitional housing information that you would be required to report.

10. What are the benefits of filing electronically?

Filing electronically

- enables registrants to receive refunds faster;
- speeds up processing times, reduces paperwork and alleviates the overall tax compliance burden; and
- reduces potential errors.

11. If I am not required to file electronically, can I file GST/HST returns electronically if I want to?

Yes. Currently, GST/HST registrants may use electronic filing only if they meet certain criteria set out by the CRA. As of July 1, 2010, all restrictions on electronic filing would be removed so that all GST/HST registrants would be eligible to file their returns electronically using one or more electronic filing options. The CRA encourages all GST/HST registrants to go to www.cra.gc.ca/gsthst-filing on a regular basis for current information on GST/HST filing options and related eligibility criteria.

The following table illustrates the GST/HST filing options that are proposed to take effect on July 1, 2010.

Type of Business	Filing Options
Businesses that (a) would be required to recapture ITCs for the provincial part of the HST paid or payable on certain taxable supplies acquired in Ontario and British Columbia; (b) are builders who sell grandparented housing where the purchaser is not entitled to claim a GST/HST new housing rebate or a new residential rental property rebate; (c) are builders that sell housing that is subject to the HST where the builder purchased the housing on a grandparented basis; (d) are required to account for the transitional tax adjustment in their net tax calculation; or (e) are reporting provincial transitional new housing rebates.	NETFILE
Builders that would not be required to NETFILE, have a threshold amount greater than \$1.5 million, pay or credit a GST/HST new housing rebate amount to a purchaser, and claim that amount as a deduction from their GST/HST liability.	NETFILE or TELEFILE
Businesses that would not be required to NETFILE or TELEFILE and have threshold amounts exceeding \$1.5 million. (Charities are not required to NETFILE or TELEFILE, regardless of their threshold amounts.)	NETFILE, TELEFILE, GIFT or EDI
Businesses that would not be required to file electronically and that have threshold amounts of \$1.5 million or less.	NETFILE, TELEFILE, GIFT, EDI or paper return

12. Why would I not be able to paper-file the schedules for recaptured ITCs and/or transitional housing information that would be part of the GST/HST return?

In order to reduce calculation errors and paper, the schedules for recaptured ITCs and transitional housing information would not be available in paper format.

13. Does it cost money to file electronically?

Both of the electronic filing options offered by the CRA are free to use (i.e., GST/HST NETFILE and GST/HST TELEFILE). Electronic filing options offered by a third party, such as EDI and GIFT, may have associated costs.

14. I am required to file electronically. Would my request to amend a previous return also have to be filed electronically?

No, you can use the “Adjust a return” service in My Business Account. This service allows you to select and revise returns you have previously filed (some restrictions apply). To use this service, go to www.cra.gc.ca/mybusinessaccount. If you are an authorized representative or employee, you can access this service through Represent a Client at www.cra.gc.ca/representatives. You can also remit any amount owing electronically, at your financial institution, or by mail depending on your situation. For more information about electronic payments, go to www.cra.gc.ca/electronicpayments.

15. I am required to file my regular Form GST34 returns electronically with the CRA. Would I have to submit other GST/HST returns, schedules or rebate applications electronically?

If you are required to file other documents for GST/HST purposes that are not available electronically, such as rebate applications, Form GST111, *Schedule 1 – Financial Institution GST/HST Annual Information Schedule*, or Form GST60, *GST/HST Return for Acquisition of Real Property*, you would have to continue filing paper copies of these documents.

16. Would I be subject to penalties if I filed my GST/HST return in the incorrect format (e.g., I filed a paper return instead of filing the return using NETFILE, as required)?

Yes. Further information regarding the penalties that would apply if you fail to file in the correct format or fail to report required information will be provided in the near future.

17. Where can I get more information about electronic filing?

For more information about electronic filing, go to www.cra.gc.ca/gsthst-filing.

Recapturing ITCs

18. How would recaptured ITCs be reported?

GST/HST registrants would be required to report the following on their returns with GST/HST NETFILE: both their “gross” ITCs (i.e., all ITCs before any recaptured ITCs were taken into account) and their recaptured ITCs for the provincial part of the HST in Ontario and British Columbia, as well as their “net” ITCs (i.e., calculated by deducting recaptured ITCs from gross ITCs).

19. Why would the ITCs be recaptured instead of denied?

Recapturing ITCs for the provincial part of the HST would be a necessary measure in order for the Government of Canada to honour its revenue sharing responsibilities with the proposed harmonized provinces of Ontario and British Columbia.

Transitional housing measures

20. Where can I find more information on Ontario's proposed transitional housing measures?

For more information on Ontario's proposed transitional housing measures, see GST/HST Notice 244, *Harmonized Sales Tax – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario*, available on the CRA Web site.

21. Where can I find more information on British Columbia's proposed transitional housing measures?

For more information on British Columbia's proposed transitional housing measures, see GST/HST Notice 246, *Harmonized Sales Tax – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in British Columbia*, available on the CRA Web site.

22. I am a builder who is affected by the transitional housing measures and I would be required to file an electronic return using GST/HST NETFILE. What additional information would I be required to report in my return?

For reporting periods ending on or after July 1, 2010, builders that are affected by transitional housing measures for Ontario or British Columbia would be required to file a GST/HST NETFILE return if they have to report any of the following information in their return:

The number of grandparented* housing units sold during the reporting period where the purchaser was not entitled to claim a GST/HST new housing rebate or new residential rental property rebate and the total of the sale prices of those units;

The number of newly constructed or substantially renovated housing units sold by the builder during the reporting period that are subject to the HST where those units were previously purchased by the builder on a grandparented basis and the total of the purchase prices of those units;

The total amount of the transitional tax adjustment that is required to be included in the builder's net tax calculation for the reporting period; and

The amount of all RST or PST transitional new housing rebates claimed for the reporting period (including the transitional new housing rebates that were assigned to the builder).

Most of this information will be reported in separate information fields on a schedule to the GST/HST NETFILE return.

GST/HST new housing rebate

23. I am a home builder who claims GST/HST new housing rebates as a deduction from my GST/HST liability. What would be changing?

Currently, when builders pay or credit a GST/HST new housing rebate amount to purchasers, they are entitled to claim that amount as a deduction from their GST/HST liability in the return for the reporting period during which the amount was paid or credited to the purchasers. Builders are required to submit the purchaser's GST/HST new housing rebate application (Form GST190) when they pay or credit a rebate amount to the purchaser and claim that amount as a deduction from their GST/HST liability. This is not changing. Builders will continue to include this amount on line 108, "Total ITCs and adjustments", on their GST/HST return.

* Generally, a sale of newly constructed or substantially renovated housing is grandparented if both ownership and possession of the housing are transferred to the purchaser after June 2010 under a written agreement of purchase and sale that was entered into on or before:

June 18, 2009, for housing in Ontario; or

November 18, 2009, for housing in British Columbia.

However, in addition to including the amount on line 108, builders whose threshold amounts are over \$1.5 million would be required to indicate in a new separate information field, line 135, “GST/HST New Housing Rebates”, the total amount of the GST/HST new housing rebates they have included on line 108. The information on line 135 would be used to trigger a validation process with respect to the information provided in the rebate applications that builders are required to file separately, by mail, with the Summerside Tax Centre. The information on line 135 would not be used in the calculation of net tax. Line 108, which should include the information on line 135, would be used for the net tax calculation.

24. Why would the new information field (line 135) for GST/HST new housing rebates not be included on the paper return?

In order to allow certain registrants to continue to file paper returns at their financial institution, the new information field could not be added to the paper return. Moreover, this reporting requirement only applies to builders whose threshold amounts are over \$1.5 million, and who would therefore already be required to file electronically.

25. I am a home builder whose threshold amount is over \$1.5 million and I claim GST/HST new housing rebates as a deduction from my GST/HST liability. I would not be required to recapture ITCs and I would not be affected by the transitional housing measures for Ontario or British Columbia. What are my filing options?

You would be able to file your GST/HST returns using either GST/HST NETFILE or GST/HST TELEFILE.

For other returns in which you are not claiming a deduction for a GST/HST new housing rebate, you may also use other electronic filing options, such as EDI or GIFT. The CRA encourages all GST/HST registrants to go to www.cra.gc.ca/gsthst-filing on a regular basis for current information on GST/HST filing options.

26. I am a home builder whose threshold amount is under \$1.5 million and I claim GST/HST new housing rebates as a deduction from my GST/HST liability. I would not have to report information that relates to the transitional housing measures for Ontario or British Columbia. What are my filing options?

You would not be affected by the new reporting requirements related to the GST/HST new housing rebate and you would be able to use all filing options, including filing your return by paper.

The CRA encourages all GST/HST registrants to go to www.cra.gc.ca/gsthst-filing on a regular basis for current information on GST/HST filing options and related eligibility criteria.

Enquiries by telephone

General enquiries on the GST/HST: 1-800-959-5525 (Business Enquiries)

If you are located in Quebec: 1-800-567-4692 (Revenu Québec)

All technical publications on GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthsttech.