

Understanding GST, PST and HST

There are three different sales taxes in Canada that you may need to charge your customers. Which one you use depends on your province and the goods or services you're selling.

- ★ GST (Goods and Services Tax)
- ★ PST (Provincial Sales Tax)
- ★ HST (Harmonized Sales Tax), which is a combination of GST and PST

For example in Ontario there is one flat rate of HST, which is 13%. In British Columbia, in 2017, the GST is the federal government tax (5%) and the PST is the provincial government tax (7%, for a total of 12%).

As rates can change, check to see which taxes apply to you based on your province. See the table from the [Retail Council](#).

Exempt and zero-rated goods and services

You don't charge your customers GST/PST/HST for goods and services that are zero-rated such as:

- ★ Basic groceries from a grocery store (meat, fish, dairy, vegetables, etc.)
- ★ Farm equipment
- ★ Prescription drugs
- ★ Medical devices
- ★ Freight to/from Canada

You also don't charge tax on exempt goods and services such as:

- ★ Rental accommodation
- ★ Medical and dental services
- ★ Financial services
- ★ Day care

Apart from a few other exceptions, if you are a business, then GST/PST/HST applies to everything else.

How does it work?

It's actually pretty straightforward:

- ★ When you invoice your customers (or when customers pay you), you add the tax percentage(s) that applies to your province to the amount they pay. You track the total.
- ★ When you pay for any business expenses that have any tax on them, you also note this total.
- ★ Each tax period, you only pay the difference between what you've collected on behalf of the government and what you've paid other businesses.
- ★ Sometimes you may even get a refund if for some reason your expenses exceeded your sales (maybe you purchased new equipment).

You must register if your sales reach a certain threshold, but if they don't, you can still register voluntarily.

What's the threshold?

If your sales for the current calendar quarter, as well as the total of the last four calendar quarters, are under \$30,000, then you're classified by the Canada Revenue Agency (CRA) as a small supplier, and you don't have to register for GST/HST. The main reason for this is to save part-time/hobby businesses the paperwork and hassle, for a low return for the government.

But you do have to register if:

- ★ Your sales exceeded \$30,000 in a single quarter
- ★ Your cumulative sales exceeded \$30,000 per quarter within the previous 12 months

You can find out more about your [obligations to register for GST/HST](#) at the Canada Revenue Agency website.

Advantages of registering

If you're new to business, you'll probably be spending more than you earn in the beginning, particularly in those first few months after the launch. Registering early for GST/HST allows you to recover all the GST/HST amounts you may have spent during that time for business purposes, which could translate into a lot of extra dollars in your pocket.

Charging GST/HST on your invoices also looks more professional and shows customers and clients that you run a serious business (they may not want to deal with a business that isn't selling over \$30,000/quarter).

Keep in mind that registration means you'll have to spend more time on administrative tasks, so if your business is more of a hobby, where you expect your sales figures to remain small and your taxable purchases minimal, then registering might prove more of an annoyance than an advantage.

How to register for GST/HST

Once you've decided that your business should be registered, you can go about it one of three ways:

- ★ [Online at the CRA website](#). It's the most popular method because it's easy to use, secure and convenient. You can also register for key CRA program accounts and some provincial accounts at the same time.
- ★ By telephone – 800-959-5525. You'll be asked questions on [this form](#), so have your answers ready.
- ★ By mail or fax, with [this form](#). Once it's completed, send it to your [local tax centre](#).

Summary

Unless you're expecting minimal sales, it's generally a good idea to register for GST/HST early on. You don't need to if you're under the threshold, but you probably should. To get the most out of what you can claim back, document everything and keep all receipts. Talk to your accountant about how to set up a good accounting system that documents all your expenses, and whether you should register voluntarily. They'll help you to weigh the pros and cons, and come to the right decision for your business.

