

# New filing requirements for GST/HST returns

January 12, 2010

On January 4, 2010, the CRA announced proposed changes to the reporting requirements for most GST/HST registrants. It's proposed that the following measures will apply to reporting periods ending on or after July 1, 2010.

## **Mandatory electronic filing of returns**

GST/HST registrants with a "threshold amount" greater than \$1.5 million will be required to file their GST/HST returns electronically. In general, a registrant's threshold amount is its total taxable and zero-rated supplies of goods and services made in Canada in its previous fiscal year (this includes supplies made by associated entities).

The following points should also be noted:

- There are generally four filing options that can be used to file GST/HST returns: GST/HST NETFILE; GST/HST TELEFILE; GST/HST Electronic Data Interchange; and GST/HST Internet File Transfer). However, as an exception, builders that are not subject to any of the mandatory requirements for Ontario and BC (discussed below), and that pay or credit a GST/HST new housing rebate amount to the purchaser and claim that amount as a deduction from their

GST/HST liability, will only be able to use GST/HST NETFILE or GST/HST TELEFILE.

- All requests to amend a previous return must be submitted in writing.
- Penalties may apply if a return that is required to be filed electronically is paper-filed. Further information on these penalties will be provided in the near future.
- As of July 1, 2010, any registrant that is not required to file electronically will be able to do so if it chooses.

## **Other mandatory electronic filing requirements – Ontario and BC only**

As noted above, there are four electronic filing options. However, registrants that file electronically and that report any of the following situations will only be able to use GST/HST NETFILE to file their returns. No other options will be allowed:

- Registrants required to recapture input tax credits (ITCs) for the provincial portion of the HST (see discussion below);
- Builders required to report transitional housing information (e.g., a transitional



tax adjustment or a provincial transitional new housing rebate); and

- Builders making sales of certain grandparented homes (i.e., those where the purchaser is not entitled to claim a GST/HST new housing or new residential property rebate, or where the builder has purchased a grandparented home that will be subject to HST on its sale).

For further information on the HST transitional rules as they apply to builders, please refer to the [sales tax section](#) of our Web site for previous releases on this topic.

### **Which types of registrants are required to recapture ITCs?**

For the first five years after the implementation of the HST in Ontario and BC, businesses with annual taxable sales in excess of \$10 million, as well as financial institutions, will not be able to claim input tax credits on the 8% provincial component of the tax in respect of certain supplies, as follows:

- telecommunication services other than internet access or toll-free numbers;
- energy except where purchased by farms or used to produce goods for sale;
- road vehicles weighing less than 3,000 kg, and parts, certain services and fuel to power those vehicles; and
- food, beverages, and entertainment.

After this period, full input tax credits will be phased in over a three year period.

### **How will businesses report recaptured ITCs?**

Restricted ITCs will be “recaptured,” rather than denied. Registrants (other than financial institutions) that are subject to the ITC recapture will be required to report their ITCs in the GST/HST NETFILE return in the following manner (information on specific reporting and filing requirements for financial institutions will be provided at a later date):

- The amount of the “gross” ITCs will be reported in a separate information field on the GST/HST NETFILE return. “Gross” ITCs are the ITCs and adjustments that a registrant is entitled to claim before taking into account any recaptured ITCs.
- The amount of recaptured ITCs will be reported in another separate information field on the return.
- The net amount of ITCs—i.e., the gross ITCs less the recaptured amount—will then be reported in another information field on the schedule.

Generally, if a registrant fails to report recaptured ITCs in the appropriate reporting period, any subsequent reporting of the recaptured ITCs will be done through an amended return for that period.

Contact any of our firm’s sales tax specialists for questions you have with respect to any of the above. We’ll continue to provide you with further updates as they become available.

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