

GST/HST Quick Method

The Quick Method is a simplified accounting option available to help small businesses calculate their net tax for GST/HST purposes. This method reduces paperwork and makes it easier to calculate GST/HST remittances and file GST/HST returns because it eliminates the need to report the actual GST/HST paid on most purchases.

When you use the Quick Method, you still charge your customers the GST/HST at the applicable rate (see the chart *GST/HST Rates* below). However, you only need to remit a portion of that GST/HST to the Canada Revenue Agency when you prepare your GST return. The part of the tax that you keep under the Quick Method accounts for the approximate value of the input tax credits (ITCs) you would have claimed for GST/HST paid on your purchases if you had used the Regular Method to prepare your GST return. However under the Quick Method, you are allowed to claim ITCs on purchases of real property, capital property (such as computers, equipment and vehicles), eligible capital property, and improvements to those properties.

For example, let's assume ABC Company's office is located in British Columbia and all of their sales are made to customers located in British Columbia and they have elected to use the Quick Method in 2015 (see *Who can make this election?* below). To calculate the amount of GST/HST to remit on their GST return, they would multiply the total amount invoiced (Sales + GST/HST) by the Quick Method remittance rates that applied in their situation (see the chart *What are my Quick Method remittance rates?* below).

If ABC Company had billed \$100,000 for services they provided in 2015, they would charge 5% GST (because their office is located in BC and their customers are all located in BC) and would collect \$105,000 in total from their customers. If they had not purchased any real, capital, or eligible capital property in 2015, the net tax owing on their 2015 GST return, would be calculated as follows:

| | | |
|---|-----------------|----------|
| Total billed in 2015 (Sales + GST/HST collected) | \$105,000 | Line 101 |
| Applicable Quick Method Remittance Rate | <u>x 3.6%</u> | |
| | 3,780 | |
| Less 1% Credit on the 1st \$30,000 billed | <u>(300)</u> | |
| Total GST/HST Collected | 3,480 | Line 103 |
| GST/HST Paid | <u>0</u> | Line 106 |
| Net Tax Owing | <u>\$ 3,480</u> | Line 109 |

If ABC Company had used the Regular Method and they had not paid any GST/HST on purchases during the year, they would have reported the following on their 2015 GST return:

| | | |
|---|-----------------|----------|
| Total Sales in 2015 (not including GST/HST) | \$100,000 | Line 101 |
| Applicable GST/HST Rate | <u>x 5%</u> | |
| Total GST/HST Collected | 5,000 | Line 103 |
| GST/HST Paid | <u>0</u> | Line 106 |
| Net Tax Owing | <u>\$ 5,000</u> | Line 109 |

By electing to use the Quick Method, the **company has saved \$1,520** in 2015.

Who can make this election?

You can use the Quick Method if you meet all of the following conditions:

- you have been in business continuously throughout the year (365 days) OR you are a new registrant and you can reasonably expect your worldwide taxable supplies to be **\$400,000 or less** in your first full year of business (the limit was \$200,000 prior to January 1, 2013);
- you did **not** revoke an election for the Quick Method during that 365-day period;
- you are **not** a person listed under Exceptions, below; and
- your annual worldwide taxable supplies (including GST/HST and zero-rated supplies) **including those of any associated company** are **not more than \$400,000** (the limit was \$200,000 prior to January 1, 2013). When you calculate your annual worldwide taxable supplies, exclude supplies of financial services and sales of real property, capital property, and eligible capital property.

Exceptions

The following persons **cannot** use the Quick Method:

- accountants or bookkeepers;
- financial consultants;
- lawyers (or law offices);
- actuaries;
- notaries public;
- listed financial institutions;
- audit services;
- tax return preparers or tax consultants;
- municipalities, or local authorities designated as municipalities;
- public colleges, school authorities, or universities, established and operated not for profit;
- hospital authorities;
- charities; and
- non-profit organizations with at least 40% government funding in the year

How do you elect to use the Quick Method?

To elect to use the Quick Method, complete and send **Form GST74 - Election and Revocation of an Election to Use the Quick Method of Accounting**, to your tax services office.

PLEASE NOTE

This is a brief summary of the Quick Method rules for discussion purposes only. For the complete rules, please refer to **RC4058 Quick Method of Accounting for GST/HST**
<http://www.cra-arc.gc.ca/E/pub/gp/rc4058/README.html>.

Please contact our office if you would like to discuss how the rules apply to your specific situation.

| GST/HST Rates | |
|---|------------|
| British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Northwest Territories, Nunavut and Yukon | GST at 5% |
| Nova Scotia | HST at 15% |
| Ontario, New Brunswick, Newfoundland and Labrador | HST at 13% |
| Prince Edward Island | HST at 14% |

| Remittance rates for businesses that PROVIDE SERVICES | | | | | |
|--|---|---|-------------|---|----------------------|
| | | Your office is located in: | | | |
| | | British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Northwest Territories, Nunavut and Yukon | Nova Scotia | Ontario, New Brunswick, Newfoundland and Labrador | Prince Edward Island |
| Your customer is located in: | British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Northwest Territories, Nunavut and Yukon | 3.6% | 1.4% | 1.8% | 1.6% |
| | Nova Scotia | 12.0% | 10.0% | 10.4% | 10.2% |
| | Ontario, New Brunswick, Newfoundland and Labrador | 10.5% | 8.4% | 8.8% | 8.6% |
| | Prince Edward Island | 11.3% | 9.2% | 9.6% | 9.4% |

| Remittance rates for businesses that PURCHASE GOODS FOR RESALE | | | | | |
|---|---|---|----------------------|---|----------------------|
| | | Your office is located in: | | | |
| | | British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Northwest Territories, Nunavut and Yukon | Nova Scotia | Ontario, New Brunswick, Newfoundland and Labrador | Prince Edward Island |
| Your customer is located in: | British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Northwest Territories, Nunavut and Yukon | 1.8% | 0% (and 4.0% credit) | 0% (and 2.8% credit) | 0% (and 3.4% credit) |
| | Nova Scotia | 10.4% | 5.0% | 6.1% | 5.6% |
| | Ontario, New Brunswick, Newfoundland and Labrador | 8.8% | 3.3% | 4.4% | 3.9% |
| | Prince Edward Island | 9.6% | 4.2% | 5.3% | 4.7% |