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> [17-13 Application of Section 141.02 to Financial Institutions That Are Qualifying Institutions](#)

Application of Section 141.02 to Financial Institutions That Are Qualifying Institutions

From: [Canada Revenue Agency](#).

GST/HST Memorandum 17-13

July 2021

This memorandum cancels and replaces GST/HST Technical Information Bulletin B-098, Application of Section 141.02 to Financial Institutions That Are Qualifying Institutions.

This memorandum provides information on the input tax credit (ITC) allocation rules applicable to financial institutions that are qualifying institutions. In particular, it explains the rules that a qualifying institution will use regarding each exclusive input, excluded input, direct input and non-attributable input. This memorandum also provides information on the application under subsection 141.02(18) to the Minister of National Revenue (the Minister) for a qualifying institution to be authorized to use particular ITC allocation methods to determine the procurative extent or operative extent of each of its business inputs.

Additionally, the memorandum explains the election under subsection 141.02(27), which applies in certain limited situations to allow the qualifying institution to use particular methods that were submitted for authorization by the Minister but were not authorized.

In this publication, all legislative references are to the Excise Tax Act (ETA) and all references to the “Regulations” are to the Input Tax Credit Allocation Methods (GST/HST) Regulations, unless otherwise specified. The information in this publication does not replace the law found in the ETA and its regulations.

If this information does not completely address your particular situation, you may wish to refer to the ETA or relevant regulation, or call GST/HST Rulings at 1-800-959-8287 for additional information. If you require certainty with respect to any particular GST/HST matter, you may request a ruling. [GST/HST Memorandum 1-4, Excise and GST/HST Rulings and Interpretations Service](#), explains how to obtain a ruling or an interpretation and lists the GST/HST rulings centres.

If you are located in Quebec and wish to request a ruling related to the GST/HST, please call Revenu Québec at 1-800-567-4692. You may also visit the Revenu Québec website at [revenuquebec.ca](#) to obtain general information.

For listed financial institutions that are selected listed financial institutions (SLFIs) for GST/HST or Quebec sales tax (QST) purposes or both, whether or not they are located in Quebec, the CRA administers the GST/HST and the QST. If you wish to make a technical GST/HST or QST enquiry related to SLFIs, please call 1-855-666-5166.

GST/HST rates

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario and 15% in New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, refer to [GST/HST Technical Information Bulletin B-103, Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province](#).

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Introduction

1. Financial institutions are required to follow specific rules for apportioning the use of their inputs in order to determine their ITC eligibility with respect to those inputs. Section 141.02 sets out these rules, which in conjunction with section 169 and subsections 141.01(2) and 141.01(3), apply in determining the extent to which property or a service is consumed or

used, or acquired, imported or brought into a participating province for consumption or use, for the purpose of making taxable supplies for consideration or otherwise (for example, for making exempt supplies). These specific rules apply to all financial institutions, which include both listed financial institutions described in paragraph 149(1)(a) and de minimis financial institutions described in paragraph 149(1)(b) or (c). For further information on determining if a person is a listed financial institution, refer to [GST/HST Memorandum 17-6, Definition of Listed Financial Institution](#), and for further information on determining if a person is a de minimis financial institution, refer to [GST/HST Memorandum 17-7, De Minimis Financial Institutions](#).

2. Section 141.02 includes provisions that apply specifically to financial institutions that are qualifying institutions, provisions that apply specifically to financial institutions that are not qualifying institutions, and provisions that apply to both of these types of financial institutions. To determine if a particular financial institution is a qualifying institution and for information about the application for a non-qualifying institution to be designated as a qualifying institution, refer to [GST/HST Memorandum 17-11, Determining Whether a Financial Institution is a Qualifying Institution for Purposes of Section 141.02](#). If a financial institution is not a qualifying institution, refer to [GST/HST Memorandum 17-12, Input Tax Credit Allocation Methods for Financial Institutions for Purposes of Section 141.02](#).

3. In this memorandum, references to property or a service being **acquired** should be read to mean property or a service being either acquired, imported or brought into a participating province, as the case may be.

4. Generally, under subsection 169(1), a person (who is a registrant) is only eligible to claim an ITC in respect of GST/HST paid or payable on property or a service acquired by the person to the extent that the property or service was acquired by the person for consumption, use or supply in the course of the person's commercial activities. Subsection 141.01(2) clarifies the extent to which property or a service is acquired by the person for consumption or use in the course of the person's commercial activities.

5. Pursuant to subsection 141.01(2), a person is deemed to have acquired property or a service for consumption or use:

- a. in the course of the person's commercial activity to the extent that the property or service is acquired for the purpose of making taxable supplies for consideration in the course of an endeavour of the person
- b. otherwise than in the course of the person's commercial activities to the extent the property or service was acquired for either of these purposes:
 - i. the purpose of making supplies in the course of an endeavour of the person that are not taxable supplies for consideration
 - ii. a purpose other than the making of supplies in the course of an endeavour of the person

6. An **endeavour** is defined in subsection 141.01(1) to mean a business of the person, an adventure or concern in the nature of trade of the person or the making of a supply by the person of real property of the person, including anything done by the person in the course of or in connection with the making of the supply.

7. Similarly, pursuant to subsection 141.01(3), a person is deemed to consume or use property or a service:

- a. in the course of a person's commercial activity to the extent that the property or service is consumed or used for the purpose of making taxable supplies for consideration in the course of an endeavour of the person
- b. otherwise than in the course of the person's commercial activities to the extent the property or service was consumed or used for either of these purposes:
 - i. the purpose of making supplies in the course of an endeavour of the person that are not taxable supplies for

consideration

ii. a purpose other than the making of supplies in the course of an endeavour of the person

8. A financial institution is required to use section 141.02 to determine the extent to which property or a service is:

- acquired by the financial institution for consumption or use in making taxable supplies for consideration or otherwise (procurative extent)
- consumed or used by a financial institution for the purpose of making taxable supplies for consideration or otherwise (operative extent)

9. Subsection 141.02(1) defines **procurative extent** as the extent to which property or a service is acquired for the purpose of making taxable supplies for consideration or the extent to which the property or service is acquired for purposes other than making taxable supplies for consideration.

10. The procurative extent of a particular input is relevant in determining the extent, under subsection 141.01(2), to which the property or service is deemed to have been acquired by the financial institution for consumption or use in the course of the financial institution's commercial activities for purposes of subsection 169(1).

11. Subsection 141.02(1) defines **operative extent** as the extent to which the consumption or use of property or a service is for the purpose of making taxable supplies for consideration or the extent to which the consumption or use is for purposes other than making taxable supplies for consideration.

12. The operative extent of a particular input is relevant in determining the extent, under subsection 141.01(3), to which the property or service is deemed to be consumed or used by the financial institution in the course of its commercial activities. The extent to which the property or service is consumed or used in the course of the financial institution's commercial activities is pertinent to those provisions that depend on whether, and to what extent, properties and services are, at any particular time, consumed or used in commercial activities (for example, ITCs on improvements and change-in-use rules for capital property).

13. Although the procurative extent (intended use) of a business input is based on the purpose for which the particular business input was acquired at the time it was acquired, the actual use of the business input may help clarify what the financial institution's intention was at the time the property or service was acquired.

14. Where a financial institution is determining its eligibility to claim an ITC for the GST/HST paid or payable on a particular business input, the financial institution must do the following:

- first, categorize the business input
- second, apply the appropriate method to determine the procurative and operative extent of the business input that meets the requirements of section 141.02

15. Examples provided in this memorandum are for illustrative purposes only.

Categorizing business inputs

16. Section 141.02 defines four types of business inputs: excluded inputs, exclusive inputs, direct inputs and non-attributable inputs. Note that for certain purposes, we refer to a residual input, which is defined to mean a direct input or a non-attributable input.

17. Section 141.02 requires a financial institution to categorize its business inputs into these four types in order to identify the allocation methods which apply in determining the ITCs of the financial institution. In categorizing a business input:

- the financial institution must determine whether the business input is an **excluded** input
- if the business input is not an excluded input, it must determine whether the business input is an **exclusive** input
- if the business input is not an excluded or exclusive input, it must determine whether the business input is a **direct** input
- if the business input is not an excluded, exclusive or direct input, then the business input is a **non-attributable** input

Excluded inputs

18. Subsection 141.02(1) defines **excluded input** of a financial institution to mean property (that is, personal property or real property) that is for use by the financial institution as capital property and any property or service that is acquired by the financial institution for use as an improvement to capital property of the financial institution. An excluded input may also include a prescribed property or service (there are currently no prescribed property or services).

19. Under subsection 123(1), the term **capital property**, in respect of a person, means property that is, or would be if the person were a taxpayer under the Income Tax Act (ITA), capital property of the person within the meaning of the ITA, other than property described in Class 12, 14, 14.1 or 44 of Schedule II to the Income Tax Regulations.

20. Under subsection 123(1), the term **improvement**, in respect of property of a person, means any property or service supplied to, or goods imported by, the person for the purpose of improving the property, to the extent that the consideration paid or payable by the person for the property or service or the value of the goods is, or would be if the person were a taxpayer under the ITA, included in determining the cost or, in the case of property that is capital property of the person, the adjusted cost base to the person of the property for the purposes of the ITA.

21. Paragraph 169(1.1)(a) provides that where a person acquires property or a service partly for use in improving capital property of the person and partly for another purpose, for the purpose of determining an ITC in respect of the property or service, notwithstanding section 138, which applies to incidental supplies, that part of the property or service that is for use in improving the capital property is deemed to be a separate property or service from the remaining part of the property or service.

Example 1

Bank A purchases 25 computers to use in its day-to-day operations. The computers are capital property for Bank A within the meaning of the ITA. Therefore, they are excluded inputs of Bank A.

Example 2

Insurer B owns an office building that it uses exclusively in making exempt supplies. Insurer B decides to move the employees in this building to a more central location and will be renting out the office building to third parties. Insurer B hires a contractor to complete certain improvements to make the office building appropriate for

commercial rental. Insurer B will add the cost of these improvements to the adjusted cost base of the office building for income tax purposes.

The contractor's service is considered to be an improvement to capital real property. It is an excluded input of Insurer B because the contractor's services are acquired by Insurer B for use as an improvement to capital real property.

Exclusive inputs

22. Subsection 141.02(1) defines **exclusive input** of a financial institution to mean property or a service (other than an excluded input; for example, capital property) that is acquired for consumption or use either directly and exclusively for the purpose of making taxable supplies for consideration, or directly and exclusively for purposes other than making taxable supplies for consideration.

23. For financial institutions, exclusively means, in respect of the consumption or use of property or a service of the financial institution, 100% of the consumption or use of the property or service by the financial institution.

24. As the definition of exclusive input does not include an excluded input, if a property or service is for use by the financial institution as capital property or as an improvement to capital property of the financial institution, and is acquired by the financial institution for consumption or use either directly and exclusively to make taxable supplies for consideration or directly and exclusively otherwise than to make taxable supplies for consideration, it will be an excluded input and not an exclusive one.

Example 3

Bank C provides a mortgage loan to an individual who is purchasing a house. Bank C acquires an appraisal service regarding the value of the house. Bank C does not charge the individual a fee for the appraisal. Bank C uses the appraisal service directly and exclusively to provide an exempt financial service of issuing a mortgage loan to a homebuyer in Canada (that is, the service is in no way used to provide a taxable supply for consideration).

The supply of the appraisal service is an exclusive input of Bank C because it is not an excluded input and it is acquired by Bank C for consumption or use directly and exclusively for purposes other than making taxable supplies for consideration (that is, for making exempt supplies of financial services).

Direct inputs

25. Subsection 141.02(1) defines **direct input** to mean property or a service that is all of the following:

- not an excluded input (that is, it is not capital property or an improvement to capital property)
- not an exclusive input
- attributable (in whole or in part) to the making of a particular supply or supplies

26. A business input that might be considered an indirect input for cost allocation purposes (for example, certain overhead expenses) is a direct input for purposes of section 141.02 if the business input is not an excluded or exclusive input and can be attributed **in whole or in part** to the making of a particular supply or supplies.

27. A direct input is included in the definition of residual input.

Example 4

Securities Dealer D makes taxable supplies for consideration and exempt supplies. Securities Dealer D enters into a lease agreement with a landlord for the lease of space in a downtown office building. The building lease is not capital property of Securities Dealer D. Securities Dealer D uses 10% of the space it leases in making taxable supplies for consideration and 90% of the space it leases in making exempt supplies.

The lease of space in the building is a direct input of Securities Dealer D because it is not an excluded or an exclusive input and because the use of the space can be attributed to the making of particular supplies (both taxable supplies for consideration and exempt supplies).

Non-attributable inputs

28. Subsection 141.02(1) defines **non-attributable input** to mean property or a service that is all of the following:

- not an excluded input (that is, it is not capital property or an improvement to capital property)
- not an exclusive input
- not attributable (even in part) to the making of any particular supply (that is, it is also not a direct input)

29. As a result, a financial institution generally has very few non-attributable inputs.

30. A non-attributable input is included in the definition of residual input.

Example 5

Securities Dealer E makes taxable supplies for consideration and exempt supplies. Securities Dealer E purchases pamphlets that demonstrate ergonomic principles and illustrate various stretching techniques for its office staff. These pamphlets are left in a central location where employees can take one if they wish.

The pamphlets are non-attributable inputs of Securities Dealer E because they are not excluded or exclusive inputs and cannot be attributed, even in part, to the making of any particular supply.

Determining the extent of use of business inputs

Determining the extent of use of an exclusive input

31. Paragraph 141.02(6)(a) provides that if an exclusive input is acquired for consumption or use directly and exclusively for the purpose of making taxable supplies for consideration, the financial institution is deemed to have acquired the exclusive input for consumption or use exclusively in the course of its commercial activities. As a result, for the purpose of determining an ITC under section 169 in respect of that exclusive input, the extent to which the property or service is for consumption or use in the course of commercial activities is generally equal to 100%. A financial institution is therefore generally eligible to claim an ITC equal to 100% of the GST/HST paid or payable in respect of an exclusive input that is for consumption or use directly and exclusively for the purpose of making taxable supplies for consideration where all other conditions for claiming an ITC are met.

32. Paragraph 141.02(6)(b) provides that if an exclusive input is acquired for consumption or use directly and exclusively for purposes other than making taxable supplies for consideration, the financial institution is deemed to have acquired the exclusive input for consumption or use exclusively otherwise than in the course of its commercial activities. As a result, for the purpose of determining an ITC under section 169 in respect of that exclusive input, the extent to which the property or service is for consumption or use in the course of commercial activities is generally equal to 0%. A financial institution is therefore generally not eligible to claim an ITC for any of the GST/HST paid or payable in respect of an exclusive input that is for consumption or use directly and exclusively for purposes other than making taxable supplies for consideration.

33. There are also specific circumstances where subsection 141.02(6) may not apply, which are explained in the "Authorization to use particular allocation methods" section of this memorandum.

Example 6

Bank F makes a supply of a safety deposit box to an individual. The individual lost one of the two keys received when the individual originally rented the safety deposit box and the individual requested a replacement in case the other key is lost. The keys for the safety deposit box remain the property of Bank F. The individual must return the two keys to the bank when the individual stops renting the safety deposit box. The individual pays an amount to Bank F to have a replacement key made and the bank purchases a replacement key from a locksmith. Bank F acquires the key from the locksmith for use directly and exclusively for the purpose of making a taxable supply of a safety deposit box for consideration.

The supply of the key to Bank F is an exclusive input because it is not an excluded input of Bank F and it is acquired by Bank F for consumption or use directly and exclusively for the purpose of making a taxable supply. As a result, for the purpose of determining an ITC under section 169, the extent to which the key is acquired by Bank F for consumption or use in the course of commercial activities is equal to 100%. Bank F is therefore eligible to claim an ITC equal to 100% of the GST/HST payable in respect of the supply of the key, where all other conditions for claiming an ITC are met.

Determining the extent of use of an excluded input

34. Where a financial institution is determining its eligibility to claim an ITC for the GST/HST paid or payable on a particular excluded input, subsection 141.02(14) requires that the financial institution use a specified method to determine the procurative extent and the operative extent of the excluded input. There are specific circumstances where

subsection 141.02(14) will not apply. For further information, refer to paragraphs 36 and 49 to 56 of this memorandum.

Specified method

35. A specified method for an excluded input is a method, conforming to criteria, rules, terms and conditions specified by the Minister, of determining the operative extent and the procurative extent of property or a service. The criteria, rules, terms and conditions to which a specified method for an excluded input of a qualifying institution must conform are specified in GST/HST Memorandum 17-12. There is also further information on what is a specified method for an excluded input of a financial institution available in that memorandum.

Exceptions

36. Subsection 141.02(15) provides for the use of another method if no specified method applies to a particular excluded input. However, given the criteria, rules, terms and conditions specified by the Minister for specified methods, it would be exceptional for a specified method to not apply to a particular excluded input.

Additional requirements

37. Under subsection 141.02(16), a specified method for an excluded input that a financial institution uses for a fiscal year must be all of the following:

- fair and reasonable
- used consistently by the financial institution throughout the fiscal year
- determined by the financial institution no later than the day on or before which the financial institution is required to file a GST/HST return with the Minister for the first reporting period in the fiscal year

38. For further information on what is meant by “fair and reasonable” and “used consistently by the financial institution throughout the fiscal year”, refer to GST/HST Memorandum 17-12.

39. Under subsection 141.02(17), a specified method for an excluded input used by a financial institution for a fiscal year may not be altered or substituted with another method for that year at any time after the day the financial institution is required to file its GST/HST return for the first reporting period of that fiscal year unless the Minister consents in writing to the alteration or substitution.

Direction by Minister

40. Under subsection 141.02(32), the Minister may, by notice in writing, direct a financial institution to use a particular method that is fair and reasonable for determining the procurative and operative extent of a business input for a particular fiscal year and any subsequent fiscal year of the financial institution, rather than the method used by the financial institution under subsection 141.02(14) or (15) for that year. There is no requirement that the Minister prove that the Minister’s method is more fair and reasonable than the method used by the financial institution, only that it be fair and reasonable.

41. If a financial institution appeals an assessment in respect of an issue relating to the application of subsection 141.02(32), where the Minister directed the financial institution to use a method for a particular business input for a particular fiscal year and the Minister assessed the net tax of the financial institution for a reporting period included in the fiscal year, then subsection 141.02(33) applies. In that case, pursuant to subsection 141.02(33), the Minister is required to establish, on a balance of probabilities, that the method is fair and reasonable. Further, if the final

determination by the courts is that the method is not fair and reasonable, the Minister may not direct the financial institution under subsection 141.02(32) to use another method for the fiscal year in respect of the particular business input.

Determining the extent of use of direct and non-attributable inputs

42. There are particular rules that a qualifying institution is required to use to determine the procurative and operative extent of each direct and non-attributable input of the financial institution.

43. Any ITC allocation method used should be reviewed annually. If there are discrepancies between the intended use of a business input for ITC allocation purposes and the actual use of the business input, it is a question of fact whether it was appropriate to use the particular ITC allocation method and whether the method should be corrected for future fiscal years.

44. The sum of the procurative extent of a business input (or the operative extent of a business input) for the purpose of making taxable supplies for consideration and for purposes other than making taxable supplies for consideration must be equal to 100%.

Prescribed percentage allocation method

45. Subsection 141.02(8) applies to each direct input and each non-attributable input (also referred to as residual inputs) of a qualifying institution, unless the qualifying institution has been authorized by the Minister to use particular ITC allocation methods (refer to paragraphs 49 to 56 of this memorandum) or has made an election under subsection 141.02(27) to use particular methods (refer to paragraphs 60 to 63 of this memorandum).

46. Under subsection 141.02(8), the extent to which a residual input of a qualifying institution is acquired for consumption or use, or consumed or used, for the purpose of making taxable supplies for consideration is deemed to be the prescribed percentage for the prescribed class of the financial institution. Therefore, a qualifying institution will generally be eligible to claim an ITC equal to the prescribed percentage of the GST/HST paid or payable on each direct and non-attributable input, where all other conditions for claiming an ITC are met.

47. The prescribed percentage for each prescribed class of financial institutions is:

- 12% for banks
- 10% for insurers
- 15% for securities dealers

48. More specifically, under subsection 141.02(8), the following rules apply:

- the extent to which the consumption or use of the residual input is for the purpose of making taxable supplies for consideration is deemed to be equal to the prescribed percentage for the prescribed class of financial institution
- the extent to which the consumption or use of the residual input is for purposes other than making taxable supplies for consideration is deemed to be equal to the difference between 100% and the prescribed percentage for the prescribed class of financial institution (that difference being 88% for banks, 90% for insurers and 85% for securities dealers)
- the extent to which the residual input is acquired by the qualifying institution for the purpose of making taxable supplies for consideration is deemed to be equal to the prescribed percentage for the prescribed class of financial institution

- the extent to which the residual input is acquired by the qualifying institution for purposes other than making taxable supplies for consideration is deemed to be equal to the difference between 100% and the prescribed percentage for the prescribed class of financial institution (that difference being 88% for banks, 90% for insurers and 85% for securities dealers)
- for the purpose of determining an ITC in respect of the residual input of the qualifying institution, the description of Element B of the formula in subsection 169(1) is deemed to be equal to the prescribed percentage for the prescribed class of financial institution

A qualifying institution will still generally be required to follow the rules in subsection 141.02(6) in respect of each exclusive input and use a specified method pursuant to subsection 141.02(14) for each excluded input. For information on the rules in subsection 141.02(6), refer to paragraphs 31 to 33 of this memorandum. For information on a specified method for an excluded input, refer to [GST/HST Memorandum 17-12](#).

Example 7

Insurer G is a qualifying institution that was not authorized under subsection 141.02(20) to use particular ITC allocation methods for determining the procurative and operative extent of each business input for its fiscal year ending December 31, 2021. Subsection 141.02(8) applies to Insurer G for its fiscal year ending December 31, 2021. As a result, the extent to which each of Insurer G's direct and non-attributable inputs is acquired, imported or brought into a participating province, or consumed or used, for the purpose of making taxable supplies for consideration is 10% (that is, the prescribed percentage for insurers) and the extent to which each of Insurer G's direct and non-attributable inputs is acquired, imported or brought into a participating province, or consumed or used, for purposes other than making taxable supplies for consideration is 90%. Additionally, for the purpose of determining an ITC in respect of each direct and non-attributable input, the description of element B of the formula in subsection 169(1) is deemed to be 10%.

Authorization to use particular allocation methods

49. Subsection 141.02(18) provides that a person that is, or is reasonably expected to be, a qualifying institution for a fiscal year may apply to the Minister to be authorized to use particular ITC allocation methods to determine the operative extent and the procurative extent of each business input of the qualifying institution. A financial institution that has been designated to be a qualifying institution for a particular fiscal year may also apply under subsection 141.02(18) to be authorized to use particular ITC allocation methods to determine the operative and procurative extent of each business input of the financial institution. This designation and the determination of whether a financial institution is a qualifying institution are discussed in [GST/HST Memorandum 17-11](#).

50. Any method that a qualifying institution is applying to be authorized to use must conform to the criteria, rules, terms and conditions contained in [GST/HST Memorandum 17-12](#). All authorized methods used by a qualifying institution must be used consistently throughout the fiscal year for which they are authorized. In addition, any method that a qualifying

institution is applying to be authorized to use should be fair and reasonable. Note that the Minister is not bound to authorize a method merely because it is fair and reasonable.

Form and manner of application

51. An application by a qualifying institution to be authorized to use particular ITC allocation methods must be:

- made in prescribed form and contain prescribed information, including the particular method to be used in respect of each direct input, excluded input, exclusive input and non-attributable input of the qualifying institution
- filed by the qualifying institution with the Minister in prescribed manner on or before one of the following:
 - the day that is 180 days before the first day of the fiscal year to which the application applies
 - any later day that the Minister may allow on application by the qualifying institution

52. To apply to be authorized to use particular ITC allocation methods, the qualifying institution must use one of the following:

- Form GST116, Application, Renewal, or Revocation of the Authorization for a Qualifying Institution to Use Particular Input Tax Credit Allocation Methods
- Form RC7216, Application, Renewal, or Revocation of the Authorization for a Qualifying Institution that is a Selected Listed Financial Institution to Use Particular Input Tax Credit Allocation Methods

Authorization by the Minister

53. Subsection 141.02(20) provides that, upon receiving an application to be authorized to use particular ITC allocation methods, the Minister must consider the application and authorize or deny the use of the particular methods, and notify the qualifying institution in writing of the decision on or before either:

- the later of:
 - the day that is 180 days after that receipt
 - the day that is 180 days before the first day of the fiscal year to which the application applies
- any later date that the Minister may specify, if the date is set out in a written application filed by the qualifying institution with the Minister

54. If the Minister authorizes the use of particular ITC allocation methods by a qualifying institution in respect of a fiscal year of the qualifying institution, subsection 141.02(21) states that:

- the particular methods must be used consistently, and as indicated in the application, by the qualifying institution throughout the fiscal year to determine the operative extent and the procurative extent of each business input of the qualifying institution
- subsections 141.02(6) to (15) and (27) do not apply, for the fiscal year, for any business inputs of the qualifying institution

55. For information on subsections 141.02(6) to (15), refer to GST/HST Memorandum 17-12. For information on subsection 141.02(27), refer to paragraphs 60 and 61 of this memorandum.

56. If the Minister denies the use of particular ITC allocation methods by a qualifying institution in respect of a fiscal year of the qualifying institution and the qualifying institution has, in respect of the application, complied with the requirements noted in paragraphs 51 and 52 of this memorandum and provided to the Minister all requested information (including any document in respect of the application that the Minister requests from the qualifying

institution in writing) within the reasonable time set out in the written notice requesting the information, the Minister must notify the qualifying institution in writing of the reasons for not authorizing the use of the particular methods on or before the particular day that is the later of:

- 60 days after the day the qualifying institution last provided any requested information to the Minister
- the day on or before which the notification of the decision is required to be given under subsection 141.02(20) (refer to paragraph 53 of this memorandum)

Revocation

57. Subsection 141.02(23) provides that an authorization to use particular ITC allocation methods in respect of a fiscal year of a financial institution ceases to have effect on the first day of the fiscal year, and is deemed never to have been granted, if any of these conditions occur:

- the Minister revokes the authorization and sends a notice of revocation to the financial institution on or before the day that is 60 days before the first day of the fiscal year
- the financial institution files in prescribed manner with the Minister a notice of revocation in prescribed form containing prescribed information on or before the day that is 60 days before the first day of the fiscal year
- the financial institution is not a qualifying institution for the fiscal year

58. To revoke an authorization to use particular ITC allocation methods, use [Form GST116](#) or [Form RC7216](#), as applicable.

59. If no authorization is received or if an authorization to use particular ITC allocation methods in respect of a fiscal year of a financial institution ceases to have effect, the rules for exclusive inputs under subsection 141.02(6), the use of the prescribed percentage for residual inputs under subsection 141.02(8), and the use of specified methods for excluded inputs under subsection 141.02(14) will generally apply in determining the procurative and operative extent of each of the financial institution's business inputs for the fiscal year.

Election to use particular methods

60. Subsection 141.02(27) provides that in certain limited situations, despite subsections 141.02(6), (8), (14) and (15), a qualifying institution for a fiscal year may elect to use particular methods for the fiscal year to determine the operative extent and the procurative extent of every business input of the qualifying institution if all of the following conditions are met:

- a. the particular methods were specified in an application for authorization filed under subsection 141.02(18) by the qualifying institution for the fiscal year that:
 - i. complies with the requirements for form and manner of application set out in paragraphs 51 and 52 of this memorandum
 - ii. is the last such application filed by the qualifying institution for the fiscal year
- b. the use of the particular methods was not authorized by the Minister under subsection 141.02(20)
- c. the qualifying institution has provided all requested information within the time set out in the written notice requesting the information
- d. the Minister has not complied with the notification requirements set out in paragraphs 53 and 56 of this memorandum in respect of the application
- e. if the Minister has provided modifications in writing to the particular methods on or before the particular day

described in paragraph 56 of this memorandum, the particular methods with those modifications (the **modified methods**) are not fair and reasonable for the purpose of determining the operative extent and the procurative extent of the business inputs of the qualifying institution for the fiscal year

61. If a qualifying institution makes an election under subsection 141.02(27) to use particular methods, the particular methods must be:

- fair and reasonable for the purpose of determining the operative extent and the procurative extent of the business inputs of the qualifying institution for the fiscal year
- used consistently, and as indicated in the application for authorization referred to in paragraph 141.02(27)(a), by the qualifying institution throughout the fiscal year

Form and manner of application

62. An election to use particular methods in respect of a fiscal year of a qualifying institution must be:

- made in prescribed form containing prescribed information
- filed by the qualifying institution with the Minister in prescribed manner not later than the day by which the qualifying institution must file a GST/HST return with the Minister for the first reporting period of the fiscal year in respect of which the election is made (or any later day that the Minister may allow on application by the qualifying institution)

63. To make an election to use particular methods, use one of the following, as applicable:

- Form RC4522, Election or Revocation for a Qualifying Institution to use Particular Methods Specified in an Application under Subsection 141.02(18)
- Form RC7222, Election or Revocation for a Qualifying Institution that is a Selected Listed Financial Institution to Use Particular Methods Specified in an Application under Subsection 141.02(18) of the ETA for GST/HST and QST Purposes

Revocation

64. This election in respect of a fiscal year of a qualifying institution ceases to have effect on the first day of the fiscal year and is deemed never to have been made if one of the following applies:

- a notice of revocation of the election in prescribed form containing prescribed information is filed in prescribed manner with the Minister not later than the day by which the GST/HST return is required to be filed with the Minister for the first reporting period of the fiscal year
- any of the requirements to make the election that are set out in subsection 141.02(27), as discussed in paragraph 60 of this memorandum, is not met
- the particular methods referred to in subsection 141.02(27), as discussed in paragraph 60 of this memorandum are:
 - not fair and reasonable for the purpose of determining the operative extent and the procurative extent of the business inputs of the qualifying institution for the fiscal year, and
 - not used consistently, or as indicated in the application referred to in paragraph 141.02(27)(a), by the qualifying institution throughout the fiscal year

65. To revoke an election under subsection 141.02(27) to use particular methods, use Form RC4522 or Form RC7222, as applicable.

66. If an election under subsection 141.02(27) is revoked, the rules for exclusive inputs under subsection 141.02(6), the use of the prescribed percentage for residual inputs under subsection 141.02(8) and the use of specified methods for excluded inputs under subsection 141.02(14) will generally apply in determining the procurative and operative extent of each of the qualifying institution's business inputs for the fiscal year.

Appeals

67. Under subsection 141.02(31), if a financial institution appeals a GST/HST assessment for a reporting period in a fiscal year of the financial institution in respect of an issue relating to the determination of the operative extent or the procurative extent of an excluded input under subsections 141.02(14) or (15) or of a business input under subsections 141.02(21) or (27), the financial institution must establish on a balance of probabilities in any court proceeding relating to the assessment that:

- in the case of the determination, under subsection 141.02(14), of the operative extent or the procurative extent of the excluded input:
 - the financial institution used a specified method consistently throughout the fiscal year to determine the operative extent or the procurative extent of the excluded input
- in the case of the determination, under subsection 141.02(15), of the operative extent or the procurative extent of the excluded input:
 - no specified method applied to the excluded input and the other attribution method the qualifying institution used to determine the operative extent or procurative extent was fair and reasonable and used consistently by the financial institution throughout the year
- in the case of the determination, under subsection 141.02(21), of the operative extent or the procurative extent of the business input:
 - the particular methods referred to in subsection 141.02(21) were used consistently, and as indicated in the application referred to in that subsection, throughout the fiscal year
- in the case of the determination, under subsection 141.02(27), of the operative extent or the procurative extent of the business input:
 - the methods specified by the financial institution in the application referred to in subsection 141.02(27) were:
 - fair and reasonable
 - used consistently, and as indicated in the application referred to in paragraph 141.02(27)(a), by the financial institution throughout the fiscal year
 - if the Minister has provided modifications to those methods as described in paragraph 141.02(27)(e), the modified methods are not fair and reasonable for the purpose of determining the operative extent and the procurative extent of the business inputs of the financial institution for the fiscal year

Further information

All **GST/HST technical publications** are available at [GST/HST technical information](#).

To make a **GST/HST enquiry** by **telephone**:

- for **GST/HST general enquiries**, call **Business Enquiries** at **1-800-959-5525**

- for **GST/HST technical enquiries**, call **GST/HST Rulings** at **1-800-959-8287**

If you are located in **Quebec**, call **Revenu Québec** at **1-800-567-4692** or visit their website at revenuquebec.ca.

If you are a **selected listed financial institution** (whether or not you are located in Quebec) and require information on the **GST/HST** or the **QST**, go to [GST/HST and QST - Financial institutions, including selected listed financial institutions](#) or:

- for **general GST/HST or QST enquiries**, call **Business Enquiries** at **1-800-959-5525**
- for **technical GST/HST or QST enquiries**, call **GST/HST Rulings SLFI** at **1-855-666-5166**

Date modified:

2021-07-23