

Financial Administration Manual (FAM) Chapter 1024-1

Taxes – Goods and Services Tax (GST)/Harmonized Sales Tax (HST)

1.0 Introduction

1.1 Date of Issue

7 February 2018

1.2 Supersession

- 1.2.1 Financial Administration Directive (FADir) 36 – Goods and Service Tax (GST) Revenue, dated 03 December 1990
- 1.2.2 Financial Administrative Directive (FADir) 42 – Goods and Service Tax (GST) Adjustment on DND Sales of Water, Sewerage and Drainage, dated 27 July 1993

1.3 Approval Authority

This FAM Chapter is issued under the authority of the Director Financial Policy (DFP).

1.4 Enquiries

Enquiries are to be forwarded to DFP through the functional Financial Chain of Command.

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2.0 Overview

2.1 Purpose

- 2.1.1 The purpose of this FAM Chapter is to provide the framework for ensuring the effective and efficient application of GST/HST within the Department of National Defence (DND)/Canadian Armed Forces (CAF) as required by legislation. It provides high level guidance on the application of GST/HST with respect to transactions entered into by DND/CAF.

2.2 Context

- 2.2.1 GST/HST is a multi-stage sales tax, or value added tax, designed to tax the final consumption of goods and [services](#) (also known as [supplies](#)) in Canada at a prescribed rate. GST/HST is generally payable by the [recipient](#) of the supplies at the time of [consideration](#), whether monetary or non-monetary, is paid or becomes payable based on place where the supplies are consumed.
- 2.2.2 As an organization, DND/CAF must comply with the provisions of the *Excise Tax Act* (ETA) and related regulations. The requirements to pay, collect and remit GST/HST, and maintain supporting records, are administered under the provisions of Part IX of the ETA and the related schedules and regulations.

2.3 Consequences

- 2.3.1 In instances of non-compliance, the Deputy Minister (DM) of National Defence is responsible for taking corrective actions that are consistent with the TB Framework for the Management of Compliance with those responsible for implementing the requirements of this FAM Chapter.
- 2.3.2 In support of the responsibility of the DM to implement the TB Policy on Financial Management and related instruments, the Chief Financial Officer (CFO) or, in the case of a member of the CAF, the military chain of command, at the CFO's direction, must ensure corrective actions are taken to address instances of non-compliance with the requirements of this FAM Chapter. Corrective actions can include requiring additional training, changes to procedures and systems, the suspension or removal of delegated authority, disciplinary action, and other measures as appropriate.

2.4 Losses of Public Money or Property

- 2.4.1 Individuals will be held responsible for any losses of Public Money or Property resulting from negligence, lack of controls or criminal acts. All losses shall be reported to the Commanding Officer (Level One (L1) Comptroller if in the National Capital Region), and to the Regional Departmental Accounting Office (RDAO) Comptroller.

- 2.4.2 Individuals are reminded that the *Financial Administration Act* (FAA) sections 76 to 81 (Civil Liabilities and Offences) as well as the *Criminal Code* sections 121 – Frauds against the Government, 122 – Breach of Trust, 322 – Theft and 380 – Fraud may apply and they should be familiar with the TB Directive on Public Money and Receivables.

2.5 Document Retention

- 2.5.1 All supporting financial documentation, such as contracts, receipt documents, invoices, emails, Defence Resource Management Information System (DRMIS) transactions, FAA certifications, and all other relevant documents in both paper and electronic form must be retained in accordance with the policies and procedures established by Assistant Deputy Minister (Information Management).
- 2.5.2 Unless otherwise directed by the RDAO Comptroller, all original supporting documents are to be retained by the office performing FAA Section 34 certification. An exception is the original contract, which for audit purposes, must be retained by the individual who exercised the transaction authority. Documents supporting FAA Section 33 certification shall be retained by the office that performed the FAA Section 33 certification. Life cycle management of information resources of business value continues to apply regardless of the movement of staff, managers or organizational changes.

3.0 Responsibilities

3.1 General

- 3.1.1 Aside from the legal requirements, compliance with tax legislation such as the ETA is important from the aspect of government accountability since it is potentially difficult for the government to enforce compliance with tax legislation if a precedent of departmental non-compliance were to be created. Further, as per the accountability policy of the Government of Canada, all DND employees/CAF members can be held responsible for any acts of non-compliance that the DND employee/CAF member had knowledge of or should have had knowledge. It is therefore important that Responsibility Centre (RC) Managers ensure that the provisions of the ETA and related schedules and regulations are followed.
- 3.1.2 The following paragraphs identify the responsibilities related to this FAM chapter.

3.2 Deputy Minister (DM)

The DM is responsible and accountable for:

- 3.2.1 Taking corrective measures in instances of non-compliance with those responsible for implementing the requirements of this policy; and
- 3.2.2 Ensuring that appropriate and timely action is taken to address any significant issues relating to GST/HST.

3.3 Chief Financial Officer (CFO)

The CFO is responsible and accountable for:

- 3.3.1 Overseeing the implementation and monitoring of this policy;
- 3.3.2 Ensuring that separate records and accounts are maintained for each reporting unit as required by legislation where separate GST/HST reporting entities are established within DND;
- 3.3.3 Ensuring a monitoring system is in place to periodically review compliance with this policy;
- 3.3.4 Bringing to the DM's attention any significant difficulties, gaps in performance or compliance issues and recommendations to address them; and
- 3.3.5 Reporting significant performance or compliance issues to the Office of the Comptroller General.

3.4 Director General Financial Operations and Services (DGFOS)

The DGFOS is responsible and accountable for:

- 3.4.1 Supporting the implementation and monitoring of this policy;
- 3.4.2 Overseeing the day-to-day application of this policy;
- 3.4.3 Ensuring that an appropriate process is in place to promote departmental compliance with this policy;
- 3.4.4 Ensuring departmental compliance with this policy is monitored; and
- 3.4.5 Bringing to the CFO's attention any significant difficulties, gaps in performance or compliance issues that they become aware of through the monitoring of financial operations activities, and providing recommendations on how to address them.

3.5 Director General Strategic Financial Governance (DGSFG)

The DGSFG is responsible and accountable for:

- 3.5.1 Bringing to the CFO's attention any significant difficulties, gaps in performance or compliance issues that they become aware of through the design or development of financial controls and systems, and providing recommendations on how to address them.

3.6 Director Financial Controls (DFC)

DFC is responsible and accountable for:

- 3.6.1 Supporting the implementation of this policy.

3.7 Central Departmental Accounting Office (CDAO)

CDAO is responsible and accountable for:

- 3.7.1 Where DND/CAF is the supplier of taxable supplies:
 - a) Performing the monthly reporting and payment of GST/HST collected and/or collectible to Canada Revenue Agency (CRA), including maintaining appropriate records; and
 - b) Where required, reporting GST/HST remitted by DND (i.e. not charged in accordance with legislation) to CRA;
- 3.7.2 Where the DND/CAF is the purchaser of taxable supplies, transferring at month-end and year-end the balance in the GST/HST Refundable Advance Account (RAA) to CRA;

- 3.7.3 Developing related procedures to support the RDAO's in fulfilling their responsibilities identified in this policy; and
- 3.7.4 Monitoring RDAO compliance with this FAM Chapter.

3.8 Community Development Group (CDG)

CDG is responsible and accountable for:

- 3.8.1 Determining training requirements.

3.9 Level One (L1) Comptroller

L1 Comptrollers are responsible and accountable for ensuring that:

- 3.9.1 All staff within their organization fully apply this policy; and
- 3.9.2 All processes and controls related to GST/HST are working effectively.

3.10 Regional Departmental Accounting Office (RDAO) Comptroller

RDAO Comptrollers are responsible and accountable for ensuring that:

- 3.10.1 This policy is fully implemented for their region;
- 3.10.2 Periodic reviews are performed to ascertain that GST/HST control frameworks of RC Managers are functioning properly;
- 3.10.3 GST/HST is properly accounted for on all taxable transactions to comply with the requirements of FAA Section 33 as per FAM Chapter 1016-4;
- 3.10.4 An appropriate process is in place to promote regional compliance with this policy; and
- 3.10.5 Regional compliance with this policy is monitored.

3.11 Level One (L1) Advisor

L1 Advisors are responsible and accountable for ensuring that:

- 3.11.1 This policy is properly applied within their organization.
- 3.11.2 The CFO is notified when they anticipate being unable to comply with this FAM Chapter.

3.12 Responsibility Centre (RC) Manager

RC Managers are responsible and accountable for:

- 3.12.1 As the supplier of taxable supplies:
 - a) Ensuring the appropriate and legitimate collection of Public Funds (i.e. GST/HST tax revenues due to the CRA under this policy);
 - b) Charging, collecting, depositing, and recording the GST/HST paid or payable by purchasers of taxable supplies made by DND/CAF;
 - c) Maintaining records of justification for exemptions granted (e.g. where a supply is to be exported); and
 - d) Maintaining records to report remission of GST/HST to CRA as required;
- 3.12.2 As the buyer/recipient of taxable supplies:
 - a) Ensuring the appropriate and legitimate expenditure of Public Funds (i.e. GST/HST payable or reimbursable) under this policy;
 - b) Paying the GST/HST applicable to purchases of taxable supplies by DND/CAF;
 - c) Recording GST/HST paid or reimbursed appropriately based on the source of funds used for payment; and
 - d) Only reimbursing amounts equivalent to GST/HST to third parties when appropriate; and
- 3.12.3 Ensuring staff with duties involving the payment or charging of GST/HST have the required GST/HST training as determined by CDG.

3.13 Director Material Policy and Procedures (DMPP)

DMPP is responsible and accountable for:

- 3.13.1 Defining and developing procurement policies and procedures; and
- 3.13.2 Providing procurement policy and procedure interpretation assistance.

3.14 Director Financial Policy (DFP)

DFP is responsible and accountable for:

- 3.14.1 Defining and developing financial policies with respect to commodity taxes;
- 3.14.2 Providing financial policy interpretation assistance to CFO, DGFOS, DGSFG, L1 Comptrollers and CDAO; and
- 3.14.3 Liaising with TB, CRA and/or Finance Canada with respect to the financial policy interpretation and application of commodity taxes, including the ETA.

4.0 GST/HST Background

4.1 General

- 4.1.1 GST/HST, as levied and administered under the ETA, is a value-added tax that is designed to tax the consumption of [supplies](#). As such it is a multi-stage tax that is applied on each transaction throughout the production and marketing process as supplies are consumed. Most [persons](#) who purchase taxable supplies in Canada pay GST/HST, while most persons who make taxable supplies, either within Canada or into Canada, charge and collect GST/HST that must be remitted to the CRA.
- 4.1.2 There is a common misperception that HST is a provincial sales tax. HST is essentially GST at a higher rate to take into account the sales tax harmonization agreements in place between the federal government and the governments of the [participating provinces](#). HST is payable on taxable supplies made in the participating provinces in accordance with the ETA. GST plus any applicable provincial sales tax is payable on supplies made in the [non-participating provinces](#) and territories.
- 4.1.3 Persons whose worldwide revenue from making (i.e. selling or otherwise transferring) taxable supplies that totals more than \$30,000 in;
- a) The last four consecutive calendar quarters (i.e. over the last 12 months); or
 - b) Any single calendar quarter,
- must register for GST/HST purposes.
- 4.1.4 Persons whose worldwide revenue from making taxable supplies is less than or equal to \$30,000 may elect to register. This amount increases to \$50,000 for [public service bodies](#).

Note:

- i. See Annex A for a list of definitions provided for the purposes of this policy and other policies within the FAM 1024-1-X, Taxes – Goods and Service Tax (GST)/Harmonized Sales Tax (HST) series.

4.2 Tax vs. Reimbursement

- 4.2.1 Where GST/HST is payable by DND in accordance with the provisions of the ETA, it is paid by DND as a tax.

- 4.2.2 Where DND agrees to reimburse a person external to DND for GST/HST incurred by that person, the amount paid is not payable by DND in accordance with the provisions of the ETA, but rather is reimbursable by DND in accordance with the terms of a contract or agreement, and it is thus not paid by DND as a tax. Therefore, any such payment is considered to be a reimbursement of an expense for an amount equivalent to GST/HST paid by the person and is not chargeable to the GST/HST refundable advance account but instead must be charged against the appropriation.

Example

A DND supplier who is not a GST/HST [registrant](#) is charged and pays GST/HST on their inputs in accordance with the provision of the ETA (e.g. on importing goods into Canada). As the supplier is not a registrant, they are not entitled to claim an [Input Tax Credit \(ITC\)](#) for the GST/HST they paid. For purposes of the example it is also assumed that the supplier cannot claim a rebate for the GST/HST they paid. If the contract allows for DND to reimburse the supplier for this GST/HST, the reimbursement will not be considered tax paid by DND, but rather is considered, and must be treated, as the reimbursement of an expense and charged against the appropriation.

- 4.2.3 DND must only agree to reimburse an amount equivalent to GST/HST where the person being reimbursed certifies that they are not eligible to recover the GST/HST by other means, such as by way of Input Tax Credit or other form of rebate/refund. In this way, the risk of a person being able to recover GST/HST from both CRA and DND is reduced.

4.3 Place of Supply

- 4.3.1 The place where a supply is delivered or made available to a recipient, or deemed to be delivered or made available under the ETA, is important when determining the applicability of GST/HST. Except where deemed otherwise by the ETA, the place of supply is the location where the supplier transfers ownership or possession to the recipient. For the purpose of GST/HST, the place of supply rules are used to determine whether the supply is made:
- a) Inside Canada; and,
 - b) When inside Canada, in a participating or non-participating province,
- and thus to determine if GST/HST is applicable and the appropriate GST/HST rate. The focus of the place of supply rules is on the location of the customer and the place of consumption instead of the location of the vendor, as GST/HST is applicable on taxable supplies made or deemed made in Canada. The place of supply rules are explained in the DFP policy memorandum titled Place of Supply Rules – Determining the Province of Supply that can be found on the Assistant Deputy Minister (Finance) policy web page on taxes.

4.4 Applicability of GST/HST

- 4.4.1 Supplies are classified into one of three categories, based on the nature of the supply, for purposes of determining the applicability of GST/HST:

Table 1: Categories of Supplies

Category	Example of Nature of the Supply
Taxable at prescribed rate¹	Most supplies provided in or imported into Canada.
<u>GST/HST exempt</u>	Specific supplies, such as most health care and financial supplies, as specified in Schedule V to the ETA.
<u>Zero-Rated (i.e. Taxable at zero percent)</u>	Specific supplies, such as basic groceries, prescription drugs and medical supplies, as specified in Schedule VI to the ETA.
1 – See Annex B for prescribed rates	

- 4.4.2 The place of supply is also important when determining the application of GST/HST as follows:

Table 2: Place of Supply

Place of Supply (actual or deemed)	GST/HST Applicability
Participating Province	HST is applicable (at rate prescribed in the ETA for the province ¹).
Non-participating Province or Territory	GST is applicable ¹ .
Outside Canada	Not applicable.
1 – See Annex B for prescribed rates	

4.5 Timing of When GST/HST Becomes Payable to the CRA

- 4.5.1 In general, GST/HST is payable to the CRA by the supplier at the earlier of when a supplier issues an invoice or when payment is made for a taxable supply, except under the special circumstances detailed in paragraphs 4.5.2 and 4.5.3.

Note:

- i. The term “payable” in this FAM Chapter is not intended to describe when payment is due for Payment On Due Date (PODD) requirements, but instead describes when a seller or supplier has to account for GST/HST under the ETA.

- 4.5.2 If there is an undue delay in issuing an invoice by a supplier, then the date of the invoice is deemed to be the date on which the supply was delivered, which is the day the invoice should reasonably have been issued.

- 4.5.3 There are some special circumstances under which the GST/HST is deemed to be payable at a different time from that determined under the general rule. These are:

- a) Contract Payment Terms – Under the payment terms of a contract, such as a long-term fixed price contract, the payment due date may be earlier than the date of payment or date of invoice. In such circumstances the GST/HST becomes payable on the earlier of the payment date specified under the contract, the invoice date or, the date payment is made;
- b) Deposits – A deposit is an amount given by a recipient as security for the performance of an obligation by the recipient. This amount may or may not be refundable. The payment of a deposit is not treated as a payment for a supply until the supplier applies the deposit against the consideration due for the supply (i.e. a deposit is not a payment). Therefore, the date of payment of a deposit does not determine what rate will be used for calculation of the GST/HST;
- c) Holdbacks – CRA defines a holdback as a part or percentage of the consideration for a supply that the recipient normally retains until the satisfactory performance of the contract/agreement for the supply by the supplier. If a holdback amount is:
 - i) Required under federal or provincial law; or
 - ii) Provided for in a written agreement for the construction, renovation or repair of real property or a marine/naval vessel,

then, the GST/HST calculated on the holdback amount becomes payable on the earlier of the day on which the holdback is paid or the day on which the holdback period expires;

Note:

- i. Any holdbacks that do not fit into the above categories must be considered on a case by case basis.

- d) Prepayments, Partial Payments, Progress Payments or Installment Payments (Partial Payments) – Partial Payments are considered to be a payment for a supply, and therefore the GST/HST is payable on the value of the partial payment at the earlier of when an invoice is issued for the partial payment or when the partial payment is paid;
- e) Leases – The date the GST/HST becomes payable under a lease agreement is the earlier of the date the lease payment is made and the day specified in the lease agreement; or
- f) Completed Supplies – Unless it is otherwise payable at an earlier date (e.g. when invoiced), GST/HST is deemed to be payable on the last day of the calendar month (Month 2) following the calendar month (Month 1) in which any of the following occurs:
 - i) In the case where there is a supply of goods by way of sale (other than a supply described in (ii) or (iii) below) – Month 1 is the month in which ownership or possession of the goods is transferred to the consumer;
 - ii) In the case of a sale of goods on approval, consignment, sale-or-return basis or similar terms – Month 1 is the month in which the buyer acquires ownership of the property or re-supplies it to someone other than the seller; or
 - iii) In the case of a supply under a written agreement for construction, renovation, alteration or repair of real property, a ship or other marine/naval vessel, and the work is reasonably expected to last more than three months – Month 1 is the month in which the work is substantially (90% or more) completed.

Example

A Canadian supplier is contracted to construct a naval vessel for DND. The contractor substantially completes (90% or more) the naval vessel on 20 September 2017 but they have not invoiced DND and DND has not paid the contractor as of 31 October 2017. September is Month 1, and October is Month 2. As a result, the GST/HST will become payable on 31 October 2017, the end of Month 2.

4.6 Discounts

- 4.6.1 GST/HST is calculated based on the consideration for the supply. The nature of a discount determines whether or not it affects the consideration, and thus the impact of the discount on the calculation of applicable GST/HST.
- 4.6.2 Volume discounts provided by the supplier at the time that the supplier issues an invoice (i.e. taken into account for the sub-total prior to the application of taxes) are treated as a reduction in the consideration due for the supply, and thus GST/HST is applied to the net consideration after applying the discount.

- 4.6.3 Where a supplier provides a volume discount after having charged GST/HST, the supplier may, at the supplier's discretion:
 - a) Adjust the GST/HST payable, if the GST/HST has not yet been collected;
 - b) Refund or credit the GST/HST, if it has been collected; or
 - c) Make no adjustment to the GST/HST payable.
- 4.6.4 Discounts for early payment offered by a supplier are financial charges, similar to interest charges for late payment, and as such are exempt from GST/HST. Thus, discounts for early payment do not reduce the amount of GST/HST payable on a transaction (i.e. the discount is applied on the amount before tax, not on the total amount payable).

4.7 Foreign Currency Contracts

- 4.7.1 GST/HST can be collected by the supplier and/or paid by the purchaser in a foreign currency where the contract is negotiated in a foreign currency.
- 4.7.2 Where GST/HST is collected in a foreign currency, the supplier is required to determine the Canadian dollar equivalent based on the rate of exchange on the date the GST/HST became payable, and then remit the GST/HST to CRA in Canadian dollars.
- 4.7.3 GST/HST expressed in a foreign currency must therefore be converted into the Canadian dollar equivalent before charging it to the GST/HST RAA. Therefore, where DND receives an invoice for taxable supplies that is denominated in a foreign currency, RC Managers are required to:
 - a) Determine the Canadian dollar equivalent value of the GST/HST based on the rate of exchange on the date the GST/HST became payable; and
 - b) Charge the Canadian dollar equivalent GST/HST value to the GST/HST RAA (GL 81710).

Note:

- i. Foreign exchange rates are published daily on Bank of Canada website.

4.8 Invoice Requirements

- 4.8.1 The ETA requires that specific information be included on invoices, receipts, contracts or other business papers (collectively “invoices”) used to document the transfer of taxable supplies to purchasers who are GST/HST registrants. In this regard, suppliers must include the following minimum information on their invoices:
- a) For total invoice amount under \$30:
 - i) Supplier’s business or trade name;
 - ii) Invoice date or, if no invoice is issued, the date the GST/HST is paid or payable; and
 - iii) Total amount paid or payable;
 - b) For total invoice amount of \$30 to \$149.99:
 - i) All of the information for sales under \$30;
 - ii) Total amount of GST/HST charged, or that the amount paid or payable for each taxable supply includes GST/HST at the applicable rate;
 - iii) Where the invoice is for items subject to both GST and HST, an indication of which items are taxed at the GST rate and which are taxed at the HST rate;
 - iv) Supplier’s Business Number, which also represents the supplier’s GST registration number; or
 - c) For total invoice amount of \$150 or more:
 - i) All of the information for sales of \$30 to \$149.99;
 - ii) Buyer’s name or trading name, or the name of their authorized agent or representative;
 - iii) Brief description of the supplies; and
 - iv) Terms of payment.

- 4.8.2 RC Managers must request an amended invoice from the supplier in the case where the invoice does not include the information required above.

5.0 GST/HST and Government Departments

5.1 GST/HST and Federal Government Departments (including DND)

- 5.1.1 The TB President has registered all [federal government departments](#) as a single departmental entity with respect to the application of GST/HST.
- 5.1.2 The departmental entity does not include:
 - a) Crown corporations as defined by Section 2 of the FAA;
 - b) the Canadian Forces Morale and Welfare Services – Non-Public Property (CFMWS-NPP) nor any of its sub-entities; or
 - c) CAF Unit Funds.

Note:

- i. Although TB and CRA have in the past allowed CFMWS-NPP and CAF Unit Funds to register for GST/HST purposes under the same Business Number as federal government departments, CRA has provided a ruling indicating that they must be treated as external parties with respect to all other parts of the ETA.
- 5.1.3 For reporting purposes, generally each department within the Government of Canada is designated as a unique GST/HST reporting entity. This is achieved by assigning each federal government department a unique 4 digit identifier that is appended to the GST registration number. Each reporting entity must:
 - a) Report monthly to the CRA on taxable sales and GST/HST collected;
 - b) Maintain independent records and accounts for its sales and revenues; and
 - c) Meet the requirements of the ETA and CRA administrative requirements, such as retaining supporting records for six years and maintaining a proper audit trail.
- 5.1.4 Because federal government departments are registered as a single entity, transactions between departments are not subject to GST/HST. However, all transactions between departments and external parties (e.g. all public or private persons, including federal Crown Corporations, CFMWS-NPP and CAF Unit Funds) are subject to GST/HST unless specifically exempt under the provisions of the ETA.
- 5.1.5 Federal government departments are prohibited from claiming a GST ITC, or otherwise applying to CRA for a refund or rebate of GST/HST paid on supplies.

5.2 GST/HST and DND

- 5.2.1 The GST registration number assigned to DND as a branch of the Government of Canada is 121491807 RT0425. This is made up of the Business Number for the departmental entity (121491807) plus DND's identifier (RT0425).

- 5.2.2 The following summarizes DND's responsibilities with respect to the ETA:
- a) Prepare and submit monthly returns to CRA, showing revenues, GST/HST collected/collectible, and adjustments made with respect to the previous month revenues;
 - b) Ensure that the amounts shown on the monthly return are the same as those recorded in DRMIS and the Accounts of Canada for the same period;
 - c) Collect from customers GST/HST payable with respect to the provision of taxable supplies made by DND;
 - d) Remit to CRA GST/HST payable on supplies made (i.e. sold or otherwise transferred for consideration) by DND, regardless of whether DND has collected the GST/HST from the customer(s);
 - e) Pay GST/HST that is payable in accordance with the ETA with respect to the acquisition of taxable supplies by DND;
 - f) Must not claim an ITC or other form of GST/HST rebate with respect to GST/HST paid or payable on the acquisition of taxable supplies by DND;
 - g) Only charge GST/HST that is paid or payable directly by DND on supplies acquired for the use of DND/CAF to the GST/HST RAA; and
 - h) Charge GST/HST that is paid or payable on the portion of supplies funded from a Specified Purpose Account to the Specified Purposes Account, unless otherwise authorized by DFP, through the responsible L1 Comptroller.

5.3 Interest

- 5.3.1 Interest charges on overdue accounts are to be calculated on the total invoice amount, including any GST/HST and any other applicable taxes and duties. These charges represent the extra financing costs of carrying the overdue amounts and apply equally to taxes as to the price of supplies billed or purchased.
- 5.3.2 The charging of interest on late payments applies to both late payments made by DND and accounts receivable to DND. These interest charges are to be accounted for as follows:
- a) The interest payable to suppliers on any late payment, including on the GST/HST portion of the account, is to be charged to the RC Manager's budget using the appropriate General Ledger (GL) code; and
 - b) Interest receivable by DND on overdue accounts, including on the GST/HST portion of the account, is to be credited to non-respendable non-tax revenue.
- 5.3.3 Interest charges for late payment are a financial charge, and as such are exempt from GST/HST.

6.0 References

6.1 Sources References

- 6.1.1 Excise Tax Act
- 6.1.2 GST Federal Government Departments Remission Order
- 6.1.3 TB Directive on Payments
- 6.1.4 TB Guideline on the Application of Goods and Services Tax/Harmonized Sales Tax
- 6.1.5 CRA GST/HST Technical Information Bulletin B-103 – Harmonized Sales Tax, June 2012
- 6.1.6 CRA GST/HST Ruling re CFPSA-NPP and GST, 14 September 1990
- 6.1.7 CRA GST/HST Memoranda Series
- 6.1.8 CRA GST/HST Info Sheet GI-060, Harmonized Sales Tax for Ontario – Point-of-Sale Rebate on Newspapers, February 2010
- 6.1.9 CRA GST/HST Info Sheet GI-062, Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia – Point-of-Sale Rebate on Feminine Hygiene Products, August 2014
- 6.1.10 CRA GST/HST Info Sheet GI-063, Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia – Point-of-Sale Rebate on Children's Goods, August 2014
- 6.1.11 CRA GST/HST Info Sheet GI-064: HST for Ontario – Point-of-Sale Rebate on Prepared Food and Beverages, July 2010
- 6.1.12 CRA GST/HST Info Sheet GI-065, Harmonized Sales Tax for Ontario and British Columbia – Point-of-Sale Rebate on Books, August 2014
- 6.1.13 PEI Department of Finance, Revenue Tax Guide, RTG 197: Point-of-Sale Rebates for Prince Edward Island HST, March 2013

6.2 Related References

- 6.2.1 Financial Administration Act
- 6.2.2 TB Directive on Public Money and Receivables
- 6.2.3 DAOD 1016-0, Expenditure Management
- 6.2.4 FAM Chapter 1016-2, Expenditure Initiation and Commitment Control – FAA Section 32
- 6.2.5 FAM Chapter 1016-3, Account Verification – FAA Section 34
- 6.2.6 DAOD 7021-1, Conflict of Interest
- 6.2.7 Delegation of Authorities for Financial Administration for DND and the CAF
- 6.2.8 A-AD-D11-001/AG-001, Records Scheduling and Disposal Manual

Annex A – Definitions

A.1 General

The following definitions are provided for the purposes of this policy and other policies within the FAM 1024-1-X, Taxes – Goods and Service Tax (GST)/Harmonized Sales Tax (HST) series.

A.2 Consideration

Means any monetary amount or the fair market value (FMV) of any non-monetary supply (i.e. in the case of a barter, transfer or exchange) that is payable for a supply.
(Contrepartie)

A.3 Commodity Taxes

A collective term used to describe a variety of federal and provincial taxes or levies applied on the value of marketable items, most often goods and services. The tax may be applied as a transaction sales tax or a value-added tax. These can include provincial retail sales taxes, land transfer taxes and various other prescribed commodity taxes such as amusement taxes, fuel taxes and hotel taxes, as well as GST/HST. (*Taxes à la consommation*)

A.4 Exempt Supply

Exempt supply means a supply included in Schedule V of the *Excise Tax Act* (ETA). Exempt goods and services are not subject to GST/HST when sold. A supplier selling exempt property or services is not required to charge GST/HST, but also cannot claim input tax credits on the goods and services used in making the exempt supply. (*Fourniture exonérée*)

A.5 Federal Government Department

Means a department of the Government of Canada as defined in Section 2 of the *Financial Administration Act* (FAA). (*Ministère fédéral*)

A.6 GST/HST Refundable Advance Account (RAA)

Refers to the financial reporting account in which GST/HST amounts paid or payable by DND on purchases from external entities are recorded. The GST/HST RAA mimics the ITC process to allow Federal Government Departments to obtain a refund of GST/HST paid or payable on departmental expenditures. As a result, amounts charged to the GST/HST RAA do not impact departmental appropriations or RC Managers budgets. (*TPS/TVH – Compte des avances remboursables (CAR)*)

A.7 Individual

Means a natural person. (Particulier)

A.8 Input Tax Credit (ITC)

Refers to the method by which GST registrants obtain a full or partial refund of GST/HST paid on supplies acquired as input to the goods/services they produce/provide as part of a commercial activity. DND is not entitled to claim an ITC on supplies acquired since DND is not engaged in commercial activities. (*Crédit de taxe sur les intrants (CTI)*)

A.9 Non-participating Province

Means any province that is not listed as a Participating Province. (*Province non participante*)

A.10 Participating Province

Means the provinces and areas set out in Schedule VIII to the ETA. The participating provinces are also commonly referred to as the “HST provinces”. As of the time of writing the participating provinces are:

- a) New Brunswick;
- b) Nova Scotia;
- c) Newfoundland and Labrador;
- d) The Nova Scotia offshore area;
- e) The Newfoundland and Labrador offshore area;
- f) Prince Edward Island; and
- g) Ontario.

(*Province participante*)

A.11 Person

Means an individual, a partnership, a corporation, the estate of a deceased individual, a trust, or a body that is a society, union, club, association, commission, or other organization of any kind. (*Personne*)

A.12 Property

Means any property, whether real or personal, movable or immovable, tangible or intangible, corporeal or incorporeal, and includes a right or interest of any kind, a share and a chose in action, but does not include money. Property is commonly referred to as goods. (*Biens*)

A.13 Public Service Body

Means a non-profit organization, a charity, a municipality, a school authority, a hospital authority, a public college or a university. (*Organisme de service public*)

A.14 Real Property

Includes land, a building, an interest in such property, and a mobile or floating home. (*Immeuble*)

A.15 Registered Person

Means a person who is registered for GST/HST purposes and has a valid GST registration number. (*Personne inscrite*)

A.16 Registrant

Means a [person who is registered](#), or who is required to be registered, for GST/HST purposes. (*Inscrit*)

A.17 Recipient

Where consideration is payable for a supply, the recipient of a supply is the person liable to pay the consideration for the supply under the agreement or contract for the supply. If there is no agreement or contract, the recipient is the person who is otherwise liable to pay the consideration for the supply.

Where there is no consideration payable for a supply, the recipient is the person to whom:

- a) [Property](#) is delivered or made available, in case of a sale of property;
- b) Possession or use of the property is given or made available, in the case of the supply of property other than by way of sale (e.g. a lease or licence arrangement); and
- c) A service is rendered, in case of a supply of a service.

(*Acquéreur*)

A.18 Supply

Means the provision of [property](#) or a [service](#) in any manner, including sale, transfer, barter, exchange, licence, rental, lease, gift or disposition, but excluding transfer as security for a debt or other obligation. Supplies are commonly referred to as goods and services. (*Fourniture*)

A.19 Service

Means anything other than:

- a) Property,
- b) Money, and
- c) Anything that is supplied to an employer by an employee in the course of or in relation to the office or employment of that person. For purposes of GST/HST, this includes the relationship between DND employees/CAF members and DND/CAF with respect to Public Funds.

A.20 Zero-Rated Supply

Refers to zero-rated property and services listed in Schedule VI of the ETA. The rate of GST/HST for zero-rated supplies is zero per cent. In effect, GST/HST is not charged on the supply; however, suppliers are still entitled to claim input tax credits. (*Fourniture détaxée*)

Annex B – Goods and Service Tax (GST)/Harmonized Sales Tax (HST) Rates

B.1 The following table provides the prescribed GST/HST rates in the participating and non-participating provinces at the time of writing:

Table B1: GST/HST rates

Province	GST/HST Rate ¹	Provincial Component of HST ¹
Newfoundland and Labrador (NFLD)	15%	10%
Nova Scotia (NS)	15%	10%
New Brunswick (NB)	15%	10%
Prince Edward Island (PEI)	15%	10%
Quebec (QC)	5%	Not applicable (N/A) ²
Ontario (ON)	13%	8%
Manitoba (MB)	5%	N/A
Saskatchewan (SK)	5%	N/A
Alberta (AB)	5%	N/A
British Columbia (BC)	5%	N/A
Northwest Territories (NT)	5%	N/A
Yukon Territory (YT)	5%	N/A
Nunavut Territory (NU)	5%	N/A

1 – See [Annex C](#) for exceptions to the rate for the Provincial Component of the HST.

2 – While Quebec Sales Tax (QST) legislation has been harmonized to apply in a similar manner to the GST, the QST rate has not been harmonized with the GST to form an HST rate for Quebec. The QST is therefore applied separately.

Annex C – Harmonized Sales Tax (HST) Rate Exceptions

- C.1** The governments of New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, and Prince Edward Island provide a point-of-sale rebate of the provincial component of the HST payable on qualifying items. When a point-of-sale rebate on the provincial component of the HST is provided, vendors collect only the 5% federal portion of the HST payable on the sale of these supplies.
- C.2** The following table provides a list of supplies that qualify for the point-of-sale rebate (i.e. provincial component of the HST has been reduced to zero) that are relevant to DND.

Table C1: Point of Sale Rebates relevant to DND

Province	Nature of the Supply				
	Books	Feminine hygiene products	Qualifying heating oil ¹	Newspapers	Qualifying food and beverages ²
New Brunswick	Yes	No	No	No	No
Newfoundland and Labrador	Yes	No	No	No	No
Nova Scotia	Yes	Yes	No	No	No
Ontario	Yes	Yes	No	Yes	Yes
Prince Edward Island	Yes	No	Yes	No	No

1 – Qualifying heating oil means fuel that is suitable for use as heating oil and is marketed or sold as fuel for the purpose of heating homes, buildings, or similar structures. Heavy fuel oil or fuel sold as fuel for use in internal combustion engines is not eligible for the point-of-sale rebate.

2 – Qualifying food and beverages refer to prepared food and beverages sold in Ontario that are ready for immediate consumption. The total price should not exceed \$4 for all qualifying food and beverage, excluding HST.