

Prepare for Ontario's HST: #18 – Returned or Exchanged Goods

This information will help Retail Sales Tax (RST) vendors understand how to handle returned or exchanged goods after the implementation of the Harmonized Sales Tax (HST) where the goods were purchased before July 1, 2010.

Returns and Exchanges

If a customer purchases goods before July 1, 2010 that were subject to RST, and returns or exchanges those goods after June 30, 2010 but before November 1, 2010:

- RST would be refunded if the goods are returned and a full or partial refund is given

Example: In June 2010, a person purchases a camera for \$100 and pays the applicable GST and RST. On July 6, 2010 they return the camera and exchange it for one that cost \$50. The customer is entitled to a refund of \$50 and the related RST.

- No RST would be refunded and no HST charged if an exchange is made resulting in neither a refund, nor an additional payment
- HST would apply to the additional payment where the price for the exchanged goods exceeds the price paid for the original goods.

Example: In July 2010, a person returns a shirt that was purchased in June 2010 for \$40. The store exchanges the returned shirt for another shirt that costs \$60. In this situation, the store would collect the Ontario component of the HST on \$20.

However, if RST did not apply to the goods that were purchased before July 1, 2010 and the goods are exchanged on or after July 1, 2010, then the Ontario component of the HST (8 per cent) would apply to the full price for the replacement goods.

Example: In June 2010, a person purchases an RST-exempt bicycle for \$500. In July 2010, that person exchanges the bicycle for another bicycle that costs \$600. In this situation, the store would collect the Ontario component of the HST on the full value (i.e., \$600) of the new bicycle.

Refunds from Ontario Ministry of Revenue

If a customer returns goods on or after November 1, 2010 that were bought before July 1, 2010 and paid the RST, the customer may submit a **General Application for Refund of Retail Sales Tax** directly to the Ontario Ministry of Revenue within four years from the date on the invoice.

Businesses may file an amended RST return no later than November 23, 2010 to account for refunds they have given to customers as a result of returned or exchanged goods. They also have the option of filing a **General Application for Refund of Retail Sales Tax**. For more information regarding RST returns, refer to **Tax Tip #13 – Final, Supplemental and Amended Retail Sales Tax Returns**.

For more information on returned and exchanged goods, please refer to the GST/HST Info Sheet **GI-075 Ontario and British Columbia: Transition to the Harmonized Sales Tax – Returns and Exchanges** on the Canada Revenue Agency's website.

For More Information

- Call Ontario's Budget hotline at 1-800-337-7222 and Teletypewriter (TTY) 1-800-263-7776 or visit ontario.ca/taxchange for general information on the introduction of the HST in Ontario and the wind-down of the RST.
- Canada Revenue Agency is your source for the latest information on how the transitional rules apply and how to get ready for the HST. Visit the CRA's "Are You HST Ready" website at cra.gc.ca/harmonization or call 1 800 959-5525.