



Builders and Electronic Filing Requirements

The Government of Canada has introduced changes to the reporting requirements that apply to most GST/HST registrants. This info sheet explains how the mandatory electronic filing requirements apply to builders of newly constructed or substantially renovated housing. It also explains when a builder is required to use GST/HST NETFILE or other electronic methods for filing GST/HST returns.

This info sheet reflects tax changes included in section 278.1 of the *Excise Tax Act*, the *Electronic Filing and Provision of Information (GST/HST) Regulations* and the press release of January 4, 2010, *Government of Canada Announces New Electronic Filing Requirements for GST/HST Registrants*.

Electronic filing methods

There are four different electronic filing methods. However, some builders may have to use one method because of their particular circumstances. The methods for electronically filing a GST/HST return are as follows:

- **GST/HST NETFILE** is a free Internet-based filing service that allows registrants to file their returns directly with the CRA over the Internet. Registrants complete an on-line form, enter the required information, and confirm that they want to file their return. Once the return has been electronically sent to CRA, registrants will immediately receive a confirmation number.
- **GST/HST TELEFILE** allows eligible registrants to file their GST/HST returns using their touch-tone telephone and a toll-free number.
- **GST/HST Electronic Data Interchange (EDI)** is a computer-to-computer exchange of information in a standard format. Eligible registrants can use EDI to file their GST/HST returns and remit their GST/HST payments electronically.

- **GST/HST Internet File Transfer (GIFT)** is a new method that allows eligible registrants to utilize third-party CRA-approved accounting software to file their returns electronically.

GST/HST NETFILE and TELEFILE are free to use. EDI and GIFT are offered by a third party and may have associated costs.

When is a builder required to file electronically?

The following sections describe the situation where a builder must use GST/HST NETFILE and other situations where a builder has a choice between certain filing methods. Appendix A provides a decision tree to illustrate these situations; however, you should refer to the descriptions of each situation in the sections below.

The following information applies for any reporting period that ends on or after July 1, 2010. Builders who are required to file electronically for reporting periods ending on July 1, 2010, or later may be subject to penalties if they file paper returns or do not report information as required.

Situation 1: Builder must use GST/HST NETFILE

A builder **must** use GST/HST NETFILE to file its return for a reporting period where the builder:

- is required to recapture input tax credits (ITCs) for the provincial part of the HST paid or payable on certain taxable supplies acquired in Ontario or British Columbia (B.C.);



- during the reporting period, makes a taxable sale of a grandparented housing unit¹ in Ontario, B.C. or Nova Scotia where the purchaser is not entitled to claim a GST/HST new housing rebate or GST/HST new residential rental property rebate in respect of the GST or federal part of the HST payable on the grandparented sale;
- is a first reseller² who, during the reporting period, made a taxable sale of a housing unit where the sale was subject to the HST at 13% in Ontario, 12% in B.C. or 15% in Nova Scotia, and the first reseller purchased that housing unit on a grandparented basis;
- is required to account for the transitional tax adjustment in its net tax calculation for the reporting period; or
- is reporting a provincial transitional new housing rebate (either a rebate that the builder is entitled to claim or a rebate that is assigned to the builder by a purchaser who is entitled to claim the rebate) in its return for the reporting period.

For information on the HST transitional rules for new housing, refer to GST/HST Info Sheet GI-084, *Harmonized Sales Tax: Information for Builders of New Housing in British Columbia*, and GST/HST Info Sheet GI-083, *Harmonized Sales Tax: Information for Builders of New Housing in Ontario*. For information on the HST rate increase in Nova Scotia, refer to GST/HST Notice 256, *HST Rate Increase for Nova Scotia, Questions and Answers on Housing Rebates and*

¹ For purposes of this info sheet, a “housing unit” in Ontario or B.C. means a detached house, a semi-detached house, a rowhouse unit, a residential condominium unit or a condominium complex. It does not include an owner-built house, a duplex, apartment building, mobile home or floating home. A “housing unit” in Nova Scotia means a detached house, a semi-detached house, a rowhouse unit, a residential condominium unit, a duplex, mobile home or floating home. It does not include an owner-built house, an apartment building or a condominium complex. A modular home may be considered to be a mobile home for GST/HST purposes. For more information, refer to GST/HST Policy Statement P-223, *The Meaning of “Manufacture and assembly of which is completed or substantially completed” in the Definition of Mobile Home*.

² A first reseller is the first person that entered into a grandparented purchase and sale agreement with the original builder, obtained possession of the substantially completed grandparented housing unit from the original builder and made a taxable resale of that housing.

Transitional Rules for Housing and Other Real Property Situated in Nova Scotia.

Situation 2: Builder must use either GST/HST NETFILE or GST/HST TELEFILE

If situation 1 does not apply, a builder **must** use either GST/HST NETFILE or GST/HST TELEFILE to file its return for a reporting period where the builder:

- has a threshold amount greater than \$1.5 million;
- pays or credits a GST/HST new housing rebate amount, including a provincial new housing rebate amount in respect of the provincial part of the HST where applicable, to a purchaser; and
- claims the rebate amount as a deduction in calculating its net tax for the reporting period.

A builder’s threshold amount for a GST/HST reporting period is their total taxable supplies of property and services made in Canada in the builder’s previous fiscal year. The threshold amount includes zero-rated goods and services, and the taxable supplies of the builder’s associates. When calculating the threshold amount, a builder would not include supplies made outside Canada, zero-rated exports of goods and services, zero-rated financial services, taxable sales of capital real property or goodwill.

Situation 3: Builder must use GST/HST NETFILE, GST/HST TELEFILE, EDI or GIFT

If situations 1 and 2 do not apply, a builder (other than a charity) **must** use one of the four electronic filing methods to file its return for a reporting period if the builder has a threshold amount greater than \$1.5 million.

Situation 4: Builder may choose to file electronically or use a paper return

A builder may use GST/HST NETFILE, TELEFILE, GIFT, EDI or a paper return to file its return for a reporting period if situations 1, 2 and 3 do not apply.

Although a builder is not required to file its returns electronically in this case, the CRA encourages all GST/HST registrants to file electronically. Electronic filing enables builders to receive refunds faster, speeds up processing times, reduces paperwork, alleviates the overall tax compliance burden and reduces potential errors.

Example 1

A builder that is not a charity has annual taxable supplies of \$1,900,000. However, the builder and its associates exceed the \$10 million threshold for recapturing ITCs.

Situation 1 applies and the builder is required to use GST/HST NETFILE for the reporting periods in which the builder has ITCs to recapture.

For reporting periods in which there are no ITCs to recapture or transitional housing information to report and where a deduction is taken for a GST/HST new housing rebate amount, including a provincial new housing rebate amount in respect of the provincial part of the HST, paid or credited to a purchaser, situation 2 applies and the builder is required to file its return using either GST/HST NETFILE or TELEFILE.

For returns in which there are no ITCs to recapture or transitional housing information to report and where there is no deduction taken for a new housing rebate amount, situation 3 applies and the builder could use any of the four electronic filing methods. The builder must file its return electronically and cannot file a paper return.

New information schedule with builder's GST/HST NETFILE return

For reporting periods ending on or after July 1, 2010, builders to whom situation 1 applies are required to report the following information on their GST/HST NETFILE return:

- the number of grandparented housing units sold in Ontario, B.C. or Nova Scotia during the reporting period where the purchaser was not entitled to claim a GST/HST new housing rebate or GST/HST new residential rental property rebate, and the total of the sale prices of those units (in the case of a grandparented sale of a condominium complex in Ontario or B.C., the sale counts as one grandparented housing unit);
- where the builder is a first reseller, the number of newly constructed or substantially renovated housing units sold during the reporting period that are subject to HST at 13% in Ontario, 12% in B.C. or 15% in Nova Scotia, where those units were previously purchased by the first reseller on a grandparented basis, and the total of the purchase prices paid by the first reseller for those units;
- the transitional tax adjustment that is required to be included in the builder's net tax calculation for the reporting period; and

- the amount of all provincial transitional new housing rebates (including those assigned to the builder by a purchaser) that the builder is reporting in its GST/HST return.

All of this information will be reported in separate information fields on Schedule A, *Builders – Transitional Information* on the GST/HST NETFILE return. However, if a builder does not have any provincial transitional new housing rebates that were assigned to the builder by purchasers and is only reporting provincial transitional new housing rebates that the builder is entitled to claim and no other transitional information as described above, the builder is not required to complete Schedule A and may report these rebates on line 111 of the GST/HST NETFILE return.

New information field for GST/HST new housing rebate amounts paid or credited by a builder

Currently, a builder is required to submit a purchaser's GST/HST new housing rebate application (Form GST190) when the builder pays or credits the rebate amount to the purchaser. In this case, the builder can claim the rebate amount as a deduction from its GST/HST liability in the return for the reporting period during which the amount was paid or credited to the purchaser. This is not changing. Builders will continue to include this rebate amount on line 108, "Total ITCs and adjustments", on their GST/HST return.

However, in addition to including the rebate amount on line 108, builders whose threshold amounts are over \$1.5 million (i.e., situation 2 applies) and builders who are required to use GST/HST NETFILE (i.e., situation 1 applies) will be required to indicate in a new separate information field, line 135, "GST/HST New Housing Rebates", the total amount of the GST/HST new housing rebates they have included on line 108, including any provincial new housing rebates in respect of the provincial part of the HST. These builders will be required to file their GST/HST return using GST/HST NETFILE or GST/HST TELEFILE, unless they meet situation 1 and are required to use GST/HST NETFILE only. These builders must also submit the rebate applications separately, by mail, to the Summerside Tax Centre.

Line 135 will not be added to the paper GST/HST return. This reporting requirement only applies to builders that file their returns using GST/HST NETFILE or GST/HST TELEFILE. The information on line 108, and not line 135, will be used in the calculation of net tax.

Example 2

A builder pays or credits a GST/HST new housing rebate to a purchaser. The builder claims that amount as a deduction from the GST/HST owing in the return for the reporting period during which the amount was paid or credited to the purchaser. The amount of the rebate is included on line 108, "Total ITCs and adjustments", on the builder's GST/HST return.

If situation 1 does **not** apply, and if the builder's threshold amount is over \$1.5 million, situation #2 applies and the builder is required to file its return for the reporting period using GST/HST NETFILE or GST/HST TELEFILE.

If situation 1 does apply, the builder is required to file its return for the reporting period using GST/HST NETFILE.

In both cases, the builder must indicate in a new separate information field, line 135, "GST/HST New Housing Rebates", the total amount of the GST/HST new housing rebate included on line 108. The builder is required to submit the GST/HST new housing rebate application (Form GST190) by mail to the Summerside Tax Centre.

Example 3

A builder's threshold amount does not exceed \$1.5 million. The builder pays or credits a GST/HST new housing rebate to a purchaser. The builder claims that amount as a deduction from the GST/HST owing in the return for the reporting period during which the amount was paid or credited to the purchaser. The amount of the rebate is included on line 108, "Total ITCs and adjustments", on the builder's GST/HST return.

If situation 1 does **not** apply, and as situations 2 and 3 do not apply, situation 4 applies and the builder is able to use any filing method, including filing a paper return.

If the builder chooses to file its return using GST/HST NETFILE or GST/HST TELEFILE or if situation 1 does apply, the builder must include the rebate amount on line 135, as well as on line 108.

Builders who pay or credit a provincial new housing rebate in respect of the provincial part of the HST must include this amount on line 135 together with any GST/HST new housing rebate in respect of the federal part of the HST that the builder paid or credited to a purchaser. For information on provincial new housing rebates, refer to GST/HST Info Sheet GI-080, *Harmonized Sales Tax: British Columbia New Housing Rebates*, or GST/HST Info Sheet GI-079, *Harmonized Sales Tax: Ontario New Housing Rebates*.

Builders in Nova Scotia will no longer be able to pay or credit the Nova Scotia new housing rebate in respect of the provincial part of the HST payable in Nova Scotia if:

- the written agreement of purchase and sale was entered into after April 6, 2010, and
- under the agreement both ownership and possession are transferred to the purchaser after June 2010.

For more information on the changes to the Nova Scotia new housing rebate, refer to GST/HST Notice 256, *HST Rate Increase for Nova Scotia, Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Nova Scotia*.

Reporting recaptured ITCs

Builders that are required to recapture ITCs (i.e., situation 1 applies) are required to report the following on their GST/HST NETFILE returns:

- the "gross" amount of ITCs, i.e., all ITCs the builder is entitled to claim before taking into account any recaptured ITCs;
- the amount of recaptured ITCs for the provincial part of the HST. The builder is generally required to report these recaptured ITCs in the reporting period in which the HST became payable; and
- the net amount of ITCs (calculated by deducting recaptured ITCs from gross ITCs) eligible to be claimed in the GST/HST NETFILE return.

All of this information must be reported in separate information fields on Schedule B, *Calculation of Input Tax Credits* on the GST/HST NETFILE return. Generally, if a registrant fails to report recaptured ITCs in the proper reporting period, this is to be corrected by sending the amended information in writing to their tax centre.

For more information on the temporary recapture of ITCs, refer to GST/HST Info Sheet GI-100, *Harmonized Sales Tax: Builders and Recaptured Input Tax Credits*, and to GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia*.

Schedules, forms and rebate applications

The schedules to capture the information relating to recaptured ITCs and HST transitional housing information will not be available in paper form and must be filed using GST/HST NETFILE.

Other GST/HST documents, such as Form GST60, *GST/HST Return for Acquisition of Real Property*, that are required to be filed and that cannot be filed electronically will continue to be filed by mail. All rebate applications for rebate amounts that are included in the determination of a registrant's amount owing in a return filed electronically must be sent by mail to the Summerside Tax Centre no later than the day the registrant files its return.

GST/HST payments

GST/HST registrants are not required to make payments electronically. However, the CRA

encourages all registrants to make payments using its on-line service "My Payment" at www.cra.gc.ca/mypayment.

GST/HST registrants may also pay electronically through their financial institution's telephone banking, Internet banking or automated bank machines. More information is provided at www.cra.gc.ca/electronicpayments.

This info sheet does not replace the law found in *the Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, explains how to obtain a ruling and lists the GST/HST rulings offices. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec by calling 1-800-567-4692. You may also visit their Web site at www.revenu.gouv.qc.ca to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthsstech.

Appendix A: Builder's electronic filing decision tree

The following chart shows which electronic filing method a builder must use.

