

General information

Definitions

Large business – for the purpose of the recaptured input tax credits (RITCs) requirements, you are considered a large business during a recapture period if you are a GST/HST registrant and:

- your RITCs threshold amount for that recapture period is more than \$10 million; or
- you are (or you are related to) one of the following specified financial institutions (other than a selected listed financial institution):
 - a bank;
 - a corporation that is licenced or authorized to offer to the public its services as a trustee;
 - a credit union;
 - an insurer or any person whose principal business is providing insurance;
 - a segregated fund of an insurer;
 - an investment plan; or
 - the Canada Deposit Insurance Corporation.

Exception

The following are not considered to be large businesses:

- Public service bodies
- Farmers (to the extent that the farmer is acquiring or bringing into the province a specified property to use in their farming activities)
- Entities of the government of Canada that are not listed in Schedule I of the *Federal Provincial Fiscal Arrangement Act*
- Departments as defined in section 2 of the *Financial Administration Act*
- Entities of the government of a province, that are eligible, pursuant to a provision of a sales tax harmonization agreement with that province, for a rebate of the GST/HST

Recapture of input tax credits (RITCs) threshold amount – includes:

- a) the total of all amounts for taxable supplies made in Canada or outside Canada through a permanent establishment in Canada by you that became due, or that were paid without having become due, in the last fiscal year that ended before the recapture period;
- b) the total of all amounts for taxable supplies made in Canada or outside Canada by a GST/HST registrant that is associated with you, that became due, or that were paid without having become due, in the last fiscal year of the associated person that ended before the recapture period; and
- c) if at any time in the twelve-month period before the current recapture period, you purchased a business from a person who is a large business and under the agreement for the supply, you acquired all or substantially all the property necessary for you to carry on that business, the total amount of the taxable supplies made in Canada or outside Canada by you from that business for the time period after your last fiscal year and before the beginning of the recapture period. For information on how to calculate this amount, see GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia*.

In calculating the amounts described in a), b), and c) above, include the following:

- any amount by which consideration for a supply is reduced because of a trade-in of tangible personal property by the recipient of the supply;
- amounts attributable to a supply made by a specified member of a qualifying group to another specified member of the same qualifying group, to the extent that the supply is deemed under the *Excise Tax Act* (ETA) to have been made for no consideration; and
- the fair market value of a supply made between persons not dealing at arm's length, to the extent that the amount for the supply is less than fair market value.

However, in calculating the amounts described in a), b), and c) above, do **not** include the following:

- an amount attributable to the GST/HST, or to a provincial levy that is prescribed for the purposes of the ETA (for example, a provincial retail sales tax);
- an amount attributable to a supply by way of sale of real property that is capital property of the supplier;
- an amount attributable to a supply of a financial service; and
- an amount attributable to goodwill supplied as part of the supply of a business.

In calculating the amounts described in b), include amounts attributable to taxable supplies made by an associated person that is not itself considered to be a large business.

If you have a fiscal year that is shorter or longer than 365 days, the \$10 million RITCs threshold amount should be adjusted to reflect the length of that fiscal year.

Recapture period – means a one year period that:

- begins immediately after June 30 of a particular calendar year and ends immediately before July 1 of the following calendar year; and
- occurs during the period that the RITCs requirements are in effect.

Who can make this election?

Use this form if you are a large business and:

- you have to recapture input tax credits (ITCs) for the provincial part of the HST on specified energy;
- in your last fiscal year, your Canadian production activities were carried on primarily (more than 50%) in Ontario or at least 10% in British Columbia;
- your primary business activity fell within one of the eligible categories (see "Election types" below); and
- you want to use a production proxy to determine the part of the specified energy that you do not use directly in the production of tangible personal property for sale (and therefore, are subject to the RITCs requirements).

What is the effect of this election?

If you make this election, you will not have to track the amount of specified energy that you use in production. Instead, you will be considered to have used the production proxy percentage (see "Election types" below) of the specified energy for activities other than directly in the production of tangible personal property for sale. This means that you will only have to recapture your ITCs for that part of your specified energy expenses, as determined by the production proxy percentage.

When can I make this election?

File this election with the Canada Revenue Agency by the due date of your GST/HST return for the first reporting period in a particular recapture period and it will generally apply for that entire recapture period. The election will remain in effect until revoked.

Election types

Type A

The production proxy is **4%** for large businesses whose primary business activity fell within one of the following categories in the last fiscal year:

- 113 – forestry and logging;
- 211 – oil and gas extraction;
- 212 – mining and quarrying (except oil and gas);
- 322 – paper manufacturing;
- 324 – petroleum and coal product manufacturing;
- 325 – chemical manufacturing;
- 327 – non-metallic mineral product manufacturing; and
- 331 – primary metal manufacturing.

Type B

The production proxy is **13%** for large businesses whose primary business activity fell within one of the following categories in the last fiscal year:

- 311 – food manufacturing;
- 312 – beverage and tobacco product manufacturing;
- 313 – textile mills;
- 314 – textile product mills;
- 321 – wood product manufacturing;
- 326 – plastics and rubber products manufacturing; and
- 332 – fabricated metal product manufacturing.

Type C

The production proxy is **30%** for large businesses whose primary business activity fell within one of the following categories in the last fiscal year:

- 315 – clothing manufacturing;
- 316 – leather and allied product manufacturing;
- 323 – printing and related support activities;
- 333 – machinery manufacturing;
- 334 – computer and electronic product manufacturing;
- 335 – electrical equipment, appliance and component manufacturing;
- 336 – transportation equipment manufacturing;
- 337 – furniture and related product manufacturing; and
- 339 – miscellaneous manufacturing.

What is the effect of revoking this election?

If you revoke this election, you will have to recapture your ITCs in the usual way and track the specified energy expenses you use directly in the production of tangible personal property for sale.

When can I revoke this election?

Once you make this election, you cannot revoke it for at least one recapture period. If you revoke this election, you have to wait until the beginning of the next recapture period to file another election.

Supplies on which ITCs are recaptured

ITCs are recaptured on the following supplies that are acquired or brought into Ontario or British Columbia, when purchased by large businesses for consumption or use by that business:

- specified energy (some exceptions apply);
- specified telecommunication services (except internet and toll free numbers);
- specified road vehicles (including parts and service) and, in Ontario only, fuel to power those vehicles (except diesel fuel); and
- specified meals and entertainment.

Rates for the recapture of ITCs

The rates of ITC recapture are as follows:

- 100% for the periods from July 1, 2010, to June 30, 2015;
- 75% for the period from July 1, 2015, to June 30, 2016;
- 50% for the period from July 1, 2016, to June 30, 2017;
- 25% for the period from July 1, 2017, to June 30, 2018; and
- 0% for the periods after June 2018.

Transitional rules

Transitional rules apply to property or services where the amount becomes due or is paid without having become due, after October 14, 2009, and before May 10, 2010, but delivery and ownership of the property is transferred, or the specified service (at least 10%) is performed, on or after July 1, 2010. You may have to self-assess and report the provincial part of the HST for the property or service and then recapture any available ITCs for the reporting period in which the ITCs first became available.

Where do I send this election form?

Send this completed form to your tax centre.

For more information

For more information, go to www.cra.gc.ca/gsthst or call 1-800-959-8287.