



# ELECTION OR REVOCATION OF AN ELECTION TO USE THE ESTIMATION AND RECONCILIATION METHOD TO REPORT THE RECAPTURE OF INPUT TAX CREDITS

Use this form if you have to recapture input tax credits (ITCs) for the provincial part of the harmonized sales tax (HST) and you want to use the Estimation and Reconciliation Method to report your recaptured ITCs, or you want to stop using this method.

For more information, see pages 2 and 3.

Part A – Identification	
Name	Business Number                                     RT

Part B – Election
<p>I elect to use the Estimation and Reconciliation Method to calculate my recaptured input tax credits. <input type="checkbox"/></p> <p>Effective the first day of the reporting period beginning:      Year      Month      Day                                       </p> <p><b>Note</b> If you previously revoked an election to use this method, the effective date of the election has to be at least one year after the date of the revocation.</p>

Part C – Revocation of election
<p>I revoke the election that I made to use the Estimation and Reconciliation Method to calculate my recaptured input tax credits. <input type="checkbox"/></p> <p>Effective date of revocation of election:      Year      Month      Day                                       </p> <p><b>Note</b> The effective date of revocation is the first day of an instalment period that begins after the election became effective.</p>

Part D – Certification
<p>I, _____, certify that the information given on this form is, to the best of my knowledge, true, correct, (print name)</p> <p>and complete in every respect. I understand that this election to use the Estimation and Reconciliation Method to calculate and report my recaptured input tax credits is binding until revoked.</p> <p>Signature of registrant or authorized person      Year      Month      Day                                       </p>

Privacy Act, Personal Information Bank number CRA PPU 080

# 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?

Generally, you can make this election if you have to recapture input tax credits (ITCs) for the provincial part of the HST and you are in your second or later fiscal year.

## What is the effect of this election?

This election simplifies compliance with the RITCs requirements. Under the Estimation and Reconciliation Method, you:

- estimate the ITCs you have to recapture during a fiscal year;
- report equal amounts of RITCs in each reporting period in the year based on the estimate; and
- reconcile any differences between the amounts you reported and the actual amounts at the end of the fiscal year.

## When can you make this election?

You can make the election as follows:

- For the 2010 transitional year, if you are a GST/HST registrant large business effective July 1, 2010, you can elect to use the Estimation and Reconciliation Method effective July 1, 2010. The election must be filed on or before the due date of the return for the reporting period that includes July 2010.
- In subsequent years, if you exceed the large business threshold, you will become a large business on the first day of the next recapture period (July 1). The election must be filed on or before the due date of the return that includes the month of July (the beginning of the recapture period) and will be effective on the first day of that recapture period.
- If you are a large business using the actual method to report your RITCs and you chose to use the Estimation and Reconciliation Method, the election is effective for the first day of the fourth month following your fiscal year end. The election must be filed on or before the due date of the return that includes the fourth month.
- If you become a large business during a recapture period (for example, through association) and elect to use the Estimation and Reconciliation Method, the election is effective on or before the due date of the return for the period that includes the month that you first became a large business. The election must be filed on or before the due date of the return that includes that month.

### Note

You are still able to use any proxies otherwise available to you when using the Estimation and Reconciliation Method.

## How long does the election stay in effect?

Generally, the election stays in effect until revoked or until you cease to be a large business. If your election ceases to be in effect, or you revoke the election, you have to start accounting for GST/HST and any recaptured ITCs in the usual way.

## Do you have to use GST/HST NETFILE?

If you have to recapture ITCs for the provincial part of the HST on certain inputs, you have to file your GST/HST returns using GST/HST NETFILE.

### **How do I revoke this election?**

You can revoke your election effective on the first day of an instalment period that begins after the election became effective. Send us this completed form by the due date of the return for that recapture period.

Once you revoke this election, **you have to wait at least one recapture period** before you can elect to use the Estimation and Reconciliation Method again.

### **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.

### **Where do I send this election form?**

To begin or stop using the Estimation and Reconciliation Method, send this completed form to your tax centre.

### **For more information**

For more information, go to [www.cra.gc.ca/gsthst](http://www.cra.gc.ca/gsthst) or call **1-800-959-8287**.