



Provincial Governments

Note: This memorandum supersedes GST Memorandum 500-6-2, *Provincial Governments*, dated March 19, 1993.

This memorandum explains how the goods and services tax/harmonized sales tax (GST/HST) applies to sales and purchases made by provincial governments, and to sales and purchases made by Crown corporations, boards, commissions and agencies that are not part of provincial governments. It also sets out the requirements for the vendor documentation for supplies made to provincial government entities.

Disclaimer The information in this memorandum 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 a Canada Revenue Agency (CRA) GST/HST Rulings Centre for more information. These centres are listed in pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*. 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, please contact Revenu Québec by calling 1-800-567-4692 or visit their Web site at www.revenu.gouv.qc.ca.

Note – HST Reference in this publication is made to supplies taxable at 5% (the rate of the GST) or 13% (the rate of the HST). The HST applies to supplies made in Nova Scotia, New Brunswick, and Newfoundland and Labrador (the “participating provinces”). If you are uncertain as to whether a supply is made in a participating province, you may refer to GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax - Place of supply rules for determining whether a supply is made in a province*.

The Government of Ontario and the Government of British Columbia are each introducing a harmonized sales tax (HST) that will come into effect on July 1, 2010, and be administered by the Canada Revenue Agency (CRA). The HST rate in Ontario will be 13% of which 5% will represent the federal part and 8% the provincial part. The HST rate in British Columbia will be 12% of which 5% will represent the federal part and 7% the provincial part.

Also, effective July 1, 2010, the HST rate in Nova Scotia will be increased to 15% of which 5% will represent the federal part and 10% the provincial part.

General

1. In most cases, a provincial government, including all its departments and ministries and certain of its Crown corporations, boards, commissions and agencies, is registered for GST/HST purposes as one entity (i.e., a provincial government registrant). By virtue of being registered as one entity, transactions between bodies included in this entity are not subject to the GST/HST.

2. Crown corporations, boards, commissions and agencies involved in commercial activities and who are not part of provincial government registrants are required to register separately for GST/HST purposes, and are subject to the normal GST/HST rules.

Meaning of listed entity 3. “Listed entity” means a provincial or territorial government department, crown corporation, board, commission or agency that is entitled to make purchases without

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paying the GST/HST.

Sales made by provincial government entities

4. Provincial government entities may be responsible for providing services in areas such as agriculture, conservation, culture, education, energy and mines, games of chance, health, industry and trade, justice, science and technology, and tourism. Provincial government entities are generally required to collect and account for the GST/HST on taxable supplies of property and services that they make in Canada to persons other than listed entities.

Sales made to provincial government entities

5. Provincial governments are not required to pay the GST/HST. However, certain provinces and one territory have agreed to pay the GST/HST.

Provinces and territories that do not pay GST/HST

6. The following do not pay the GST/HST to suppliers: the listed entities in the provinces of Quebec, Manitoba, Saskatchewan, Alberta, and the Northwest Territories and Yukon, as they are relieved from paying the GST/HST. In addition, the listed entities in the provinces of Ontario and British Columbia are also relieved from payment of the GST/HST but only up to and including June 30, 2010. Information on listed entities may be obtained by contacting GST/HST rulings at 1-800-959-8287. Persons in Quebec may contact Revenu Québec at 1-800-567-4692.

Provinces and territories that pay GST/HST

7. The following have agreed to pay GST/HST to suppliers: Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, and Nunavut. Additionally, Ontario and British Columbia have agreed to pay GST/HST to suppliers, effective July 1, 2010.

Information on Ontario and B.C. HST

8. For information on whether the GST or the HST applies on supplies made to Ontario and British Columbia government entities during the period that includes the July 1, 2010 HST implementation date in Ontario and British Columbia, refer to GST/HST Info Sheet GI-073 *Ontario and British Columbia: Transition to the Harmonized Sales Tax – Payment of the GST/HST by Ontario and B.C. Government Entities*.

GST/HST registration

9. Suppliers that make taxable supplies of property and services are required to register for GST/HST purposes if their annual revenue from these taxable supplies (including supplies taxable at the rate of 0%) made inside or outside Canada exceeds \$30,000, or in the case of public service bodies, \$50,000. Although a supplier is not required to charge the GST/HST on taxable supplies of property and services made to listed entities, the revenue from these supplies must be included in the calculation of its annual taxable supplies. More information on GST/HST registration is available in Chapter 2, *Registration*, of the GST/HST Memoranda Series.

Input tax credits

10. Generally, registrants pay the GST/HST on the taxable supplies of property and services that they acquire, and collect the GST/HST when they make taxable supplies of property and services. (See paragraph 7 of this memorandum for more information). Registrants may then claim input tax credits (ITCs) for the GST/HST paid or payable on the property and services that they acquired in their GST/HST returns by including the total eligible ITCs in their net tax calculation. As a result, the ITCs enable each registrant to recover the tax incurred in that registrant's stage of the production and

distribution process. It is to be noted that registrants are eligible to claim ITCs whether they make taxable supplies of property and services to the provincial governments and the territory that have agreed to pay the GST/HST or to the provincial governments and territories that are not required to pay the GST/HST. More information on ITCs is available in Chapter 8, *Input Tax Credits: Eligible ITCs*, of the GST/HST Memoranda Series.

Exempt supplies

11. Exempt supplies made to provincial governments are subject to the normal GST/HST rules; that is, no tax is charged on these supplies, and the supplier is not entitled to claim ITCs for the tax paid or payable on purchases used in making exempt supplies.

Supplier documentation for supplies made to listed entities

12. Suppliers are not required to charge the GST/HST on their taxable supplies of property and services made to listed entities if the suppliers maintain sufficient documentary evidence that a listed entity was the recipient of the supply. Suppliers must charge the GST/HST to any purchaser who does not provide such evidence. Suppliers must also charge the GST/HST where a listed entity merely makes a payment for a supply for which another person is the recipient (e.g., a payment of the utility bills for social assistance recipients).

Documentation

13. When determining whether or not a supply has been made to a listed entity, the CRA will examine the documents that are normally kept by a supplier. Such documents may include:

- provincial government purchase orders and standing offers;
- invoices;
- receipts;
- bills of sale;
- debit notes;
- statements of accounts;
- books or ledgers of accounts;
- written contracts or agreements;
- any record contained in a computerized or electronic retrieval or data storage system; and
- any other document validly issued or signed by the GST/HST registered provincial government entity concerning the purchase.

Certification clause

14. A supplier is required to retain any certification clause issued by a listed entity to support the claim that a supply of property or a service is not subject to the GST/HST. A certification clause is a statement detailing that a purchase is being made by a listed entity.

15. The certification clause may be similar in form and content to the following:

<p>This is to certify that the property and/or services ordered/purchased hereby are being purchased by</p> <p>_____</p> <p>(Name of Provincial/Territorial Government Department or Institution)</p> <p>and are not subject to the GST/HST.</p> <p>_____</p> <p>Signature of Authorized Official</p>

Sales made to employees of listed entities

16. Purchases made by employees of a listed entity in their own name in the course of official business are subject to the GST/HST. Examples of these types of purchases include reimbursable hotel and meal expenses incurred by employees of a listed entity while on travel status, purchases by employees, which are reimbursed through petty cash, and credit card purchases made with a credit card issued in the name of the employee. Listed entities cannot issue certification clauses for these purchases.

17. The GST/HST is not payable on any purchases if the employee uses a credit card for which the listed entity is solely liable. The credit card must clearly indicate that it is for use in acquiring supplies exempt of GST/HST.

Enquiries by telephone

<p>Technical enquiries on the GST/HST: 1-800-959-8287</p>
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<p>General enquiries on the GST/HST: 1-800-959-5525 (Business Enquiries)</p>

<p>If you are located in Quebec: 1-800-567-4692 (Revenu Québec)</p>
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All technical publications on GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthstech.