

July 25, 2013

Sale of Property by a Financial Services Provider

On January 1, 2013, the financial services that were zero-rated under the QST system became, in general, tax-exempt, as under the GST system.

An amendment will be made to the transitional rules to ensure that the tax status of most financial services is appropriately changed from zero-rated to tax-exempt. The amendment provides that a taxable supply of movable property is not included in the calculation of the small supplier threshold where the following conditions are met:

- The property is not capital property.
- The seller of the property is a financial services provider.
- The seller owned the property before January 1, 2013.
- The GST does not apply to the sale of the property.

A financial services provider whose QST registration was cancelled on January 1, 2013, because that provider was not a GST/HST registrant does not have to collect the QST on the sale of such property.

Example 1

An insurance broker sells a list of customers in December 2013. The list was partially compiled before January 1, 2013. The broker's QST registration was cancelled on January 1, 2013. The GST does not apply to the sale.

The broker does not have to register for the QST to collect this tax.

However, this measure does not apply where the financial services provider remains a QST registrant.

Example 2

An insurance broker sells a list of customers in November 2013. The list was partially compiled before January 1, 2013. The broker remained a QST registrant on January 1, 2013. The GST does not apply to the sale.

The sale will be taxable under the QST system.