

SALES TAX OVERVIEW AND ISSUES

**DIRECT SELLERS ASSOCIATION OF CANADA
DOING BUSINESS IN CANADA**



Agenda

- Overview of Canadian sales tax landscape
- Application of sales tax to direct seller sales models
- Simplification of GST/HST compliance for independent sales consultants (ISCs) (optional)



Canadian Sales Tax - General Overview

- Goods and services tax / harmonized sales tax (federal)
- Provincial sales tax (some provinces, in addition to GST)
- Tax calculated based on amount payable
- Payable by purchaser, collected and remitted by seller
- Need to charge correct taxes and rate for each sale of products and for commissions (if applicable)



Sales Tax Rates Across Canada

PROVINCE	GST/HST	PST	TOTAL
British Columbia	5% GST	7% PST	12%
Alberta, Yukon, Northwest Territories, Nunavut	5% GST	N/A	5%
Saskatchewan	5% GST	6% PST	11%
Manitoba	5% GST	7% RST	12%
Ontario	13% HST	N/A	13%
Quebec	5% GST	9.975% QST	14.975%
Newfoundland and Labrador, Prince Edward Island, New Brunswick, and Nova Scotia	15% HST	N/A	15%



Federal Sales Tax (GST/HST)

- Value-added tax
- Governing legislation is Part IX of the *Excise Tax Act* (Canada), Schedules, and Regulations
- Applies to “taxable supplies” of “property” and “services” “made in Canada”
 - Sales commission taxable
 - Sale of most goods is taxable but some exceptions



Federal Sales Tax (GST/HST) (cont'd)

- Most businesses can recover GST/HST it pays (e.g., on commissions) by claiming an input tax credit (ITC)
 - Documentary requirements
- \$30,000 registration threshold based on worldwide income of corporation and any associate



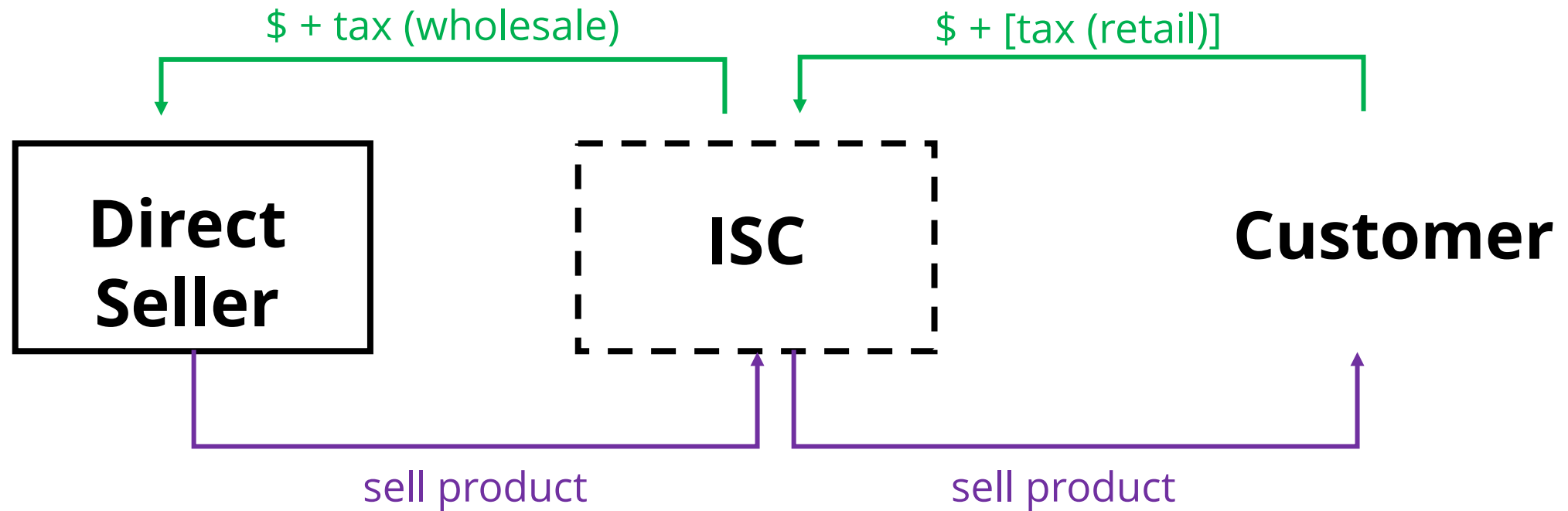
Provincial Sales Tax

- British Columbia PST, Saskatchewan PST, Manitoba RST
 - Only applies to retail sales
 - Non-taxable goods different than GST/HST and different between provinces
 - No PST/RST on sales commission
 - Registration thresholds lower than GST/HST
- Quebec (QST)
 - Generally mirrors GST/HST
 - Registration threshold \$30,000
 - Input tax refund



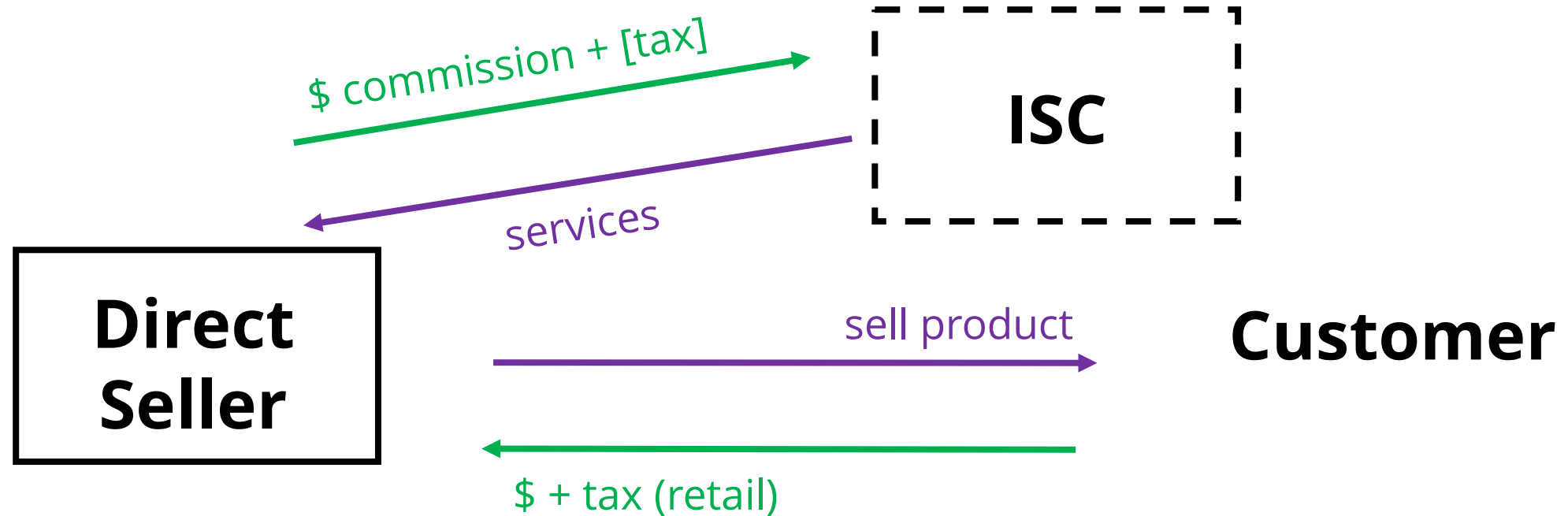
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Sale, Resale Model



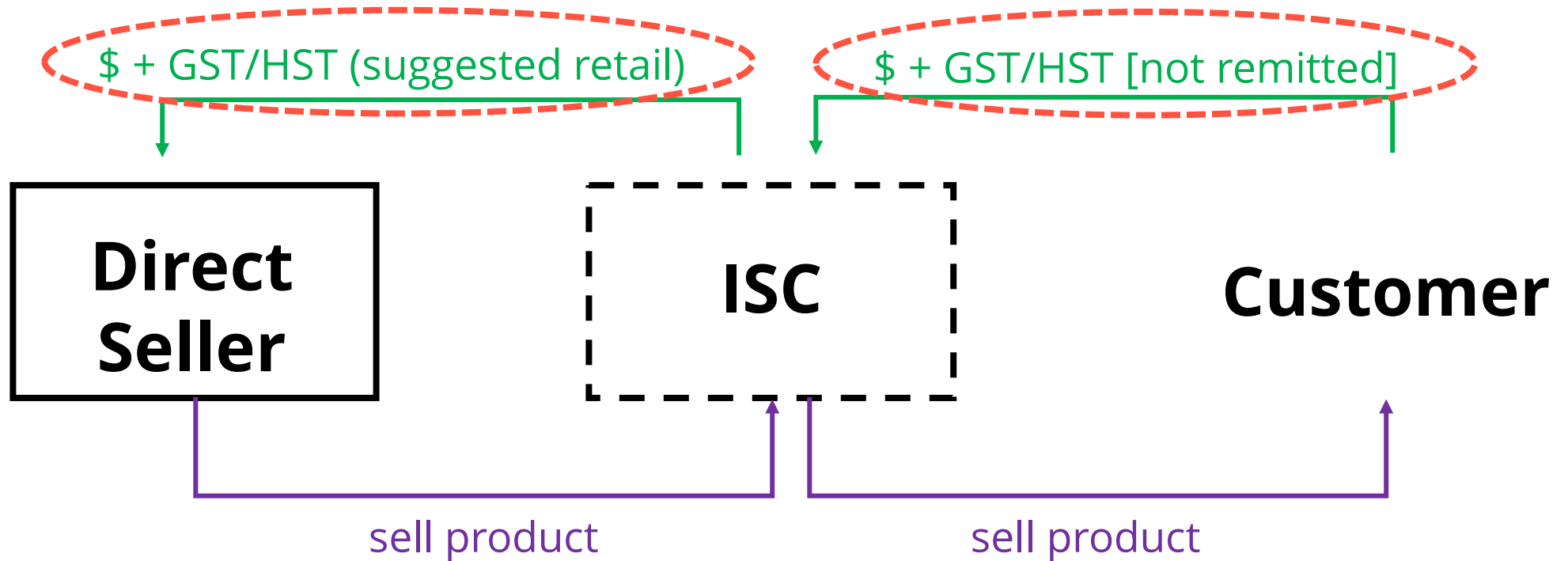


Direct Sale, Commission Model





Alternative Collection Method (ACM)



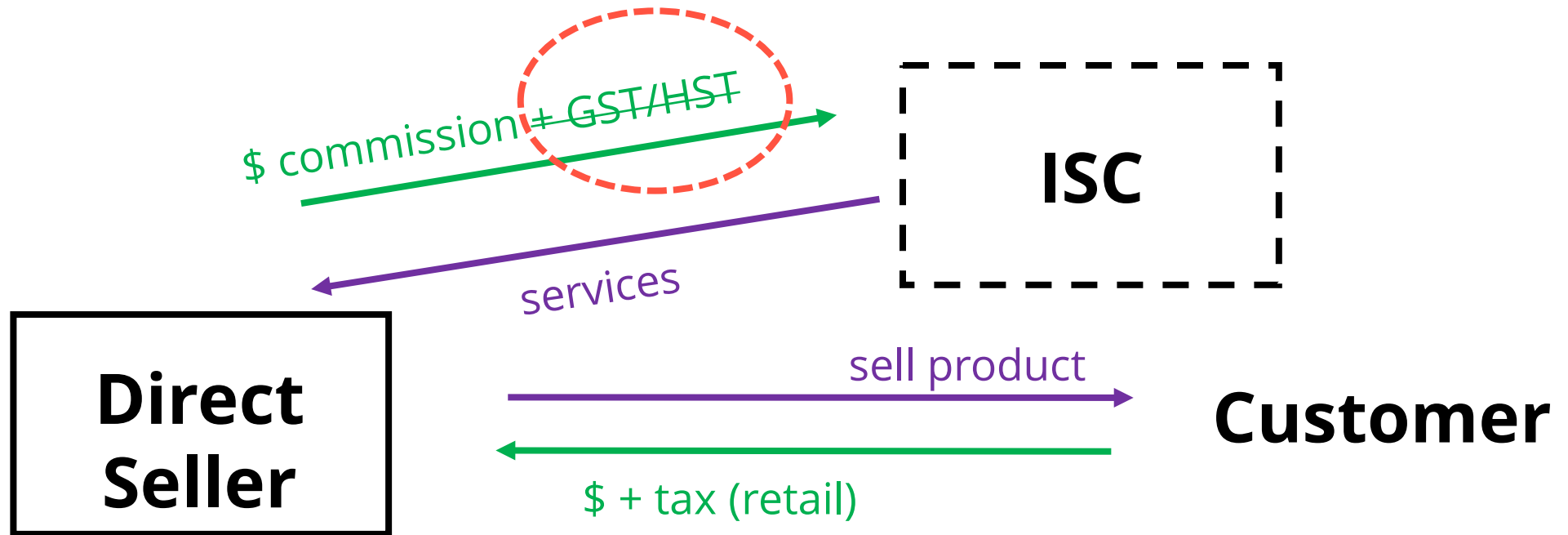
Note: Diagram only considers GST/HST

- Most amounts earned by ISC not considered in GST/HST registration threshold calculation. Reduces number of ISCs that must register.
- ISCs not entitled to ITC, does not account for tax on sale to Customer



Network Sellers Method (NSM)

Note:
Diagram only
considers
GST/HST



- ISC not required to register for GST/HST even if above threshold.
- No GST/HST on commission



Resources

- CRA, “General Information for GST/HST Registrants” ([link](#))
- CRA, “Direct Selling Industry – The Alternate Collection Method for Approved Direct Sellers and Approved Distributors” ([link](#))
- CRA, “Direct Selling Industry - The Network Sellers Method for Network Sellers and Sales Representatives” ([link](#))
- B.C. provincial sales tax publications ([link](#))
- Saskatchewan provincial sales tax bulletins ([link](#))
- Manitoba tax publications ([link](#))
- Revenu Quebec consumption taxes ([link](#))



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