

The GST/HST Quick Method and Simplified Input Tax Credits

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Making life easier for small business—it's what we do!

Government red tape and regulations are one of the biggest headaches for CFIB members, second only to taxes. This is why CFIB works continuously with all levels of government to reduce and simplify the paper burden faced by smaller businesses. When the federal Goods and Services Tax (GST) was introduced in 1991, CFIB led the fight to ensure it did not place an undue regulatory burden on our members. As a result, the government created the Simplified Method to claim Input Tax Credits and the Quick Method of Accounting for GST/HST remittances, which were significant victories for small business.

"... Officials from the Department of Finance and Revenue Canada consulted extensively with the Canadian Federation of Independent Business and with small businesses across the country on ways to simplify the operation of the GST. As a direct result of those consultations, I recently announced measures which I believe will substantially simplify the tax system for small businesses. In particular, the proposed change to the method in which input tax credits are claimed will significantly ease the bookkeeping requirements for the GST for as many as 1.5 million small businesses ..."

Federal Minister of Finance, December 1992

Since its inception, our members tell us that the simplified method to claim Input Tax Credits has saved them anywhere from \$500 to \$1,500 per year in time, effort and cost associated with GST/HST compliance. If you assume that about 1 million firms utilize the simplified method at an average savings of \$1,000 per firm, this would mean about \$1 billion in annual savings.

What is the Simplified Method to claim Input Tax Credits?

When the GST was introduced, one of CFIB's major concerns was the excessive cost of compliance, especially for smaller firms. Our research told us that a large part of that compliance cost was the time and effort associated with claiming input tax credits, which is the GST/HST paid on goods and services needed to run the business. Claiming input tax credits was onerous because the calculations were made on an invoice-by-invoice basis, and the GST had to be separated from provincial sales taxes (except in provinces that have a Harmonized Sales Tax, or HST) and items such as gratuities.

The simplified method uses a single formula to calculate Input Tax Credits. You **may** qualify to use the simplified method if:

- ▶ Your annual worldwide revenues from taxable goods and services (including those of your associates) were \$500,000 or less in your last fiscal year.
- ▶ Your total taxable supplies (including those of your associates) for all preceding fiscal quarters of the current fiscal year were \$500,000 or less, not including goodwill, zero-rated financial services, or sales of capital real property.
- ▶ You have \$2 million or less in taxable purchases made in Canada in your last fiscal year, not including zero-rated purchases, but including purchases imported into Canada or brought into a participating province.

Review CRA's "**Simplified method to claim input tax credits (ITCs)**" information on their website or by calling them at **1 800 959-5525 (E)** or **1 800 959-7775 (F)**.

In Quebec, please refer to Revenue Quebec's "**General Information Concerning the QST and the GST/HST**" guide, in the "**Simplified Method for calculating the ITCs and ITRs**" section of their website. Or call Revenue Quebec at **1 800 567-4692**.

Quick Method of Accounting for GST/HST remittances

The Quick Method of Accounting for GST/HST can reduce the time and effort smaller businesses spend on GST/HST compliance. If your business is eligible to use this method, you calculate your remittance without having to record GST/HST separately on most purchases. The Quick Method is also available for Quebec businesses when remitting the Quebec Sales Tax (QST).

In order to be allowed to use the Quick Method of Accounting to calculate your GST/HST and QST remittances, your total annual taxable sales must not exceed \$200,000 (including GST) and must not exceed \$215,000 (GST and QST included). *Note that a business which chooses the Quick Method of Accounting does not have to claim ITCs nor ITRs because they are already accounted for in the Quick Method of Accounting.*

You will have to determine whether the Quick Method or regular method is more beneficial for you to use. Should you decide to use the Quick Method, **you must request approval** from CRA or Revenue Quebec by completing the appropriate form.

For more detailed information on the Quick Method of Accounting for GST/HST see the CRA guide, **RC4058 Quick Method of Accounting for GST/HST**, or call CRA at **1 800 959-5525 (E)** or **1 800 959-7775 (F)**.

Quebec's businesses must refer to Revenue Quebec's website under the Quick Method of Accounting section, or call Revenue Quebec at **1 800 567-4692**. Quebec's businesses should also review Revenue Quebec's "**General Information Concerning the QST and the GST/HST**" guide.

If you have any questions about this or any other issue affecting your business, our Business Counsellors are ready to listen and will try to help. Please call CFIB's Business Resources at **1 888 234-2232** or email us at **cfib@cfib.ca** or visit **www.cfib.ca**

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