

CHAPTER 10 - GST/HST RETURNS

Chapter Objective:

- Explain the nature of "In Trust"
- Review the types of GST/HST Return Periods
- Learn the basic steps of generating a GST/HST return

NOTE: For a summary of all QuickBooks features and where to find them, refer to Chapter 2.

NOTE: For classroom purposes, restore the QuickBooks backup file for Chapter 10.

See also Chapter 7 "Using The Journal Entry To Post Business Expenses Paid For By Cash".

NOTE TO USER: If the federal, provincial or territorial taxes change in the jurisdiction where a business is located, the QuickBooks data entry procedures (including the "Tax Code" for all items in the "Item List"; "Sales Tax" in "Preferences" and the "Tax Codes" for each customer in the "Customer Centre") need to be changed accordingly.

What Is "In Trust"?

Monies collected by a business on behalf of Canada Revenue Agency are kept *in* the bank account of the business until such time as they are "due", but the monies belong to the government. "In Trust" means that the money is in the care, custody or charge of another person. The monies are held "In Trust" on the government's behalf. To *not* remit these monies when they are due is akin to fraud.

GST/HST Periods And Due Dates

When a business begins operations, it is not legally required to get a GST/HST number immediately. The requirement for a GST/HST number arises once the business conducts \$30,000. in any *calendar quarter* or in any *calendar year*, whichever comes first. That same business must pay GST/HST on its purchases whether or not it has a GST/HST number. GST/HST is a "recoverable" tax in that the GST/HST the business pays out can be balanced against the GST/HST it collects on Canada Revenue Agency's behalf. If the GST/HST paid out is *greater* than the GST/HST collected, the business can apply to receive the difference by "refund". Therefore, it is prudent when starting a business to acquire a GST/HST number so that GST/HST collected can be offset by the GST/HST paid out.

When a GST/HST number is first acquired, Canada Revenue Agency often allocates a "1-year filing period" on the first GST/HST return. The rationale for this is that statistically, most businesses do not make a profit in the first year, therefore do not end up owing Canada Revenue Agency much – if any – in GST/HST. Note that if the business ends up with a net GST/HST "refund" at the end of that first year, Canada Revenue Agency has essentially used *your* money for a full year.

If the business ends up owing Canada Revenue Agency money at the end of the first fiscal year, the amount owing may come as an unpleasant surprise to the owner of the business. Translation: They may have "spent" the money.

When acquiring a GST/HST number, it is prudent to request a "Quarterly" filing period for the GST/HST account. This prevents Canada Revenue Agency using *your* money for a year, and also prevents the other unpleasant scenario of owing money at the end of the first year that the business does not have.

If the business is a farming operation or other type of operation that is not required to collect GST/HST, each GST/HST return will be a refund. For these businesses, the owner has some flexibility in what "filing period" they choose.

Businesses that do a large volume of sales may be reviewed by CRA, with the result that GST/HST returns are due after the end of each *month*. Canada Revenue Agency reserves the right to set the frequency of GST/HST remittances.

If the GST/HST returns are required monthly, the due date is the end of the month *after* each month-end. If the GST/HST returns are required quarterly, the due date is the end of the month *after* each quarter. If the GST/HST returns are required annually, the due date may be as late as 90 days to five months after the end of the fiscal year. Canada Revenue Agency dictates the “Due” date of each GST/HST return.

GST/HST Installments

If the business is small, it may be convenient to request that "installments" be permitted throughout the year. This means that the GST/HST "Filing Period" is a full fiscal year, and the business is required to send in their best estimate of the GST/HST balance at the end of each quarter. The advantage of this is not having to balance the books every three months, while still sending money to CRA and avoiding unpleasant surprises at the end of the fiscal year. The "Installment" plan must be approved up by CRA. Remittance stubs are mailed out to the business so that they can send in their installment after each quarter. The actual GST/HST return is due shortly after the end of each fiscal year.

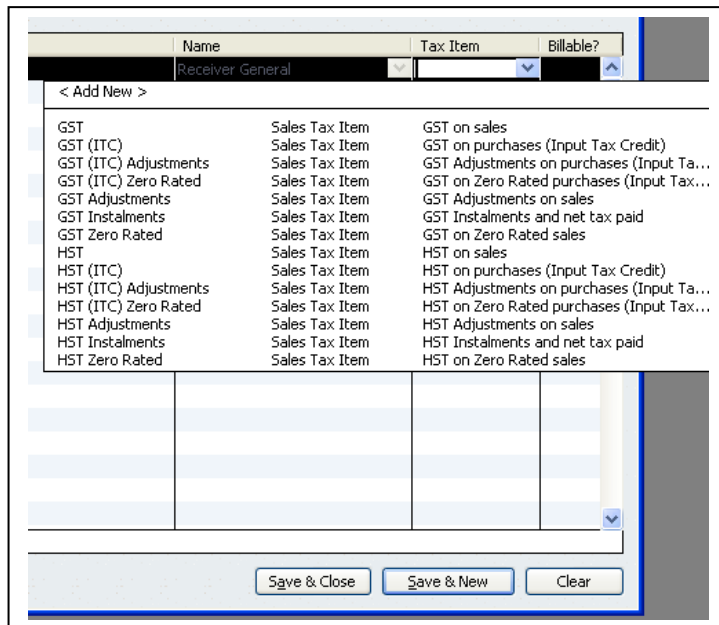
A cheque to Receiver General for an instalment is best posted as a “Journal Entry”. In that regard, the user can ensure that the amount allocates correctly to the next GST/HST return. The bank account is “credited” and GST/HST Payable is “debited”. In the “Tax Item” column for “GST/HST Payable” select either “GST Instalments” or “HST Instalments” depending on your province or territory.

Ensure that all instalment cheques are dated WITHIN the reporting period.

See the next section “GST/HST And Journal Entries” for a screenshot of the options available in the “Tax Item” column of a Journal Entry.

GST/HST And Journal Entries

NOTE TO USER: If your business uses the "Journal Entry" transaction, note that "Journal Entries" require the user to select the type of tax item in the “Tax Item” column. This ensures that the GST in a Journal Entry is allocated to the correct line (or box) on the GST return. For more information on how to post a Journal Entry with GST/HST see Chapter 7 “Using The Journal Entry To Post Business Expenses Paid For By Cash”.



This screenshot shows the possible selections in the “Tax Item” column where the user wishes to post directly to GST/HST Payable in the Journal Entry. Depending on your province or territory, your company file will display either “GST” items or “HST” items, not both.

QuickBooks Reports For The GST/HST Return

NOTE TO USER: QuickBooks sends all GST/HST-related data to the account called "GST/HST Payable". This includes both the "GST/HST Collected" and the "GST/HST Paid".

NOTE TO USER: CRA requires that the "Sales" and "GST/HST Collected" reported on a GST/HST return actually and truly reflect the activities of the business. It is prudent to ensure that all transactions of the business are posted and reconciled prior to completing a GST/HST return. This means that sales are to be posted; all cash purchases posted and Journal Entries posted; all bank accounts reconciled; and all credit card accounts reconciled up to and including the last month in the GST/HST "Reporting Period".

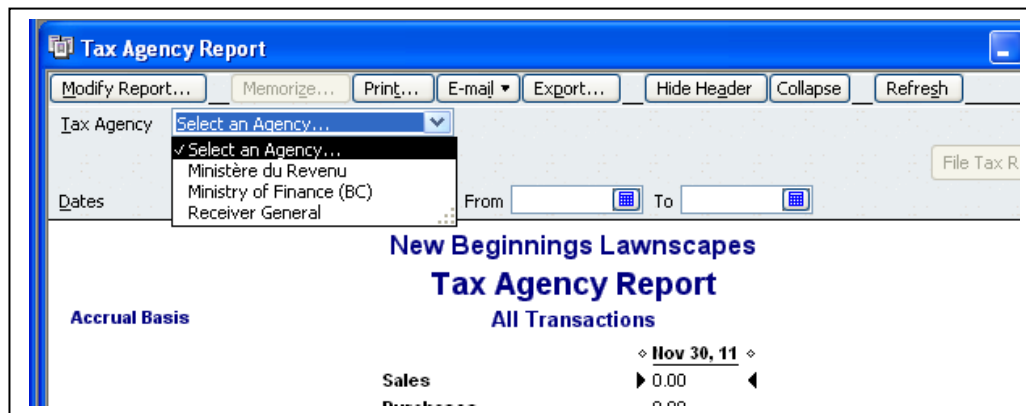
NOTE TO USER: DO NOT ALTER THE AMOUNTS IN OR "VOID" ANY SALES TRANSACTIONS IN A QUARTER IF THE GST/HST RETURN HAS BEEN SUBMITTED *FOR THAT QUARTER*. If a sales transaction is "uncollectible" or "incorrect" and *if* the GST/HST return has already been submitted for that quarter, make any corrections in *the next* GST/HST reporting period. If a customer has been overcharged, issue a "Credit Memo". If a customer has been under-charged, generate a subsequent invoice.

New Beginnings Lawns is required to submit quarterly GST/HST returns.

The Tax Agency report for the period is used to fill out the GST/HST return. Be sure that the "From" and "To" dates coincide with the period set out on your GST/HST return.

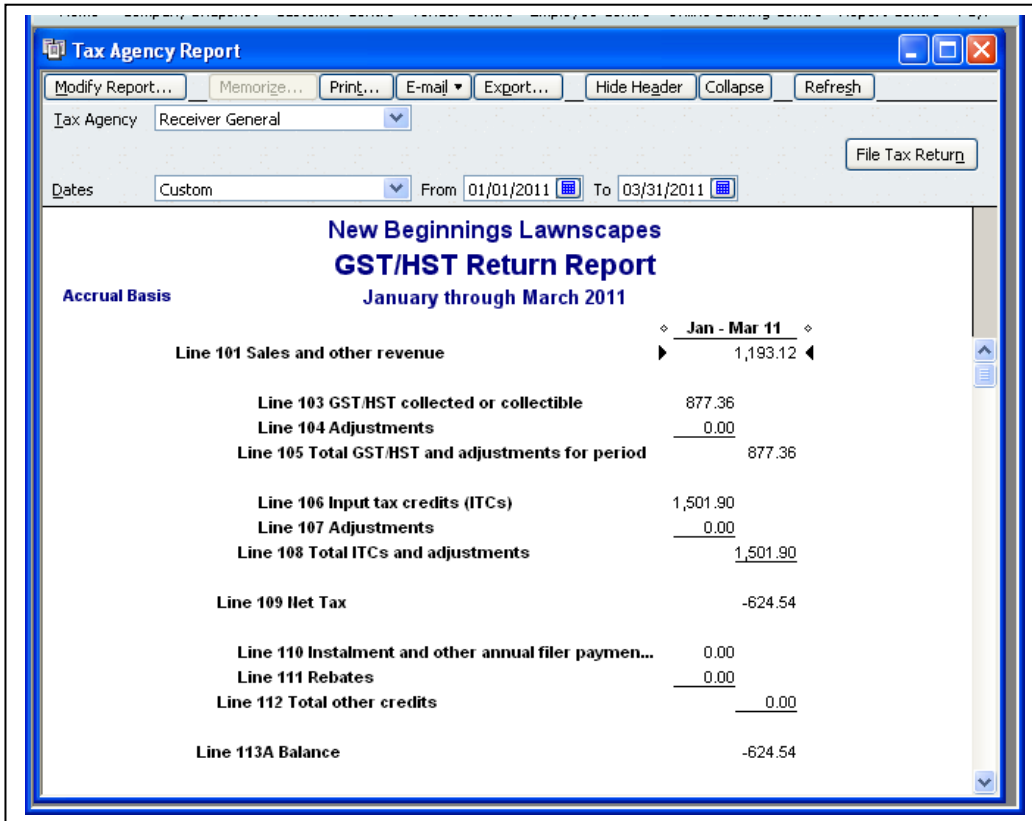
ACTION: Click on the "Sales Tax" menu heading, click on "Tax Agency Report". In the "Tax Agency" field, select "Receiver General".

The report may automatically default to the correct reporting period, based on your "Company Information" and "Preferences".



ACTION: If required, change the "From" and "To" dates so that they coincide with your reporting period. Click "Refresh". Print the report. For classroom purposes, do not print the report.

The line numbers and amounts are listed conveniently on the GST/HST Return Report. This info. is manually transferred to the actual GST/HST return.



SUMMARY OF THE GST/HST RETURN FOR *New Beginnings Lawnscares* for the GST/HST Reporting Period 01/01/11-03/31/11:

Sales line 101	= \$1193.12
GST/HST Collected line 103/105	= \$ 877.36
ITC's line 106/108	= <u>\$1501.90</u>
Net GST/HST line 109	= \$ 624.54

The GST/HST Return has 2 pages. Essentially, the information from the first page is transferred to the boxes with the same "Box number" on the second page. It is recommended to take the entire GST/HST return (you can leave the printouts stapled to it) to the bank or CRA office when you make your GST/HST payment. The clerk will stamp your part of the GST/HST return and keep the part that Canada Revenue Agency requires.

NOTE TO USER: Installments submitted for an "annual" GST/HST reporting period are tallied up and totalled on line 110/112.

There are two supplementary reports that the user can generate to verify the figures on the GST return. The first is the "Profit & Loss Standard" for the reporting period (the "Total Income" should equal the "Line 101 sales and other revenue" on the GST/HST Return Report). This report is available in the "Reports", "Company & Financial" manu and is filtered so that only "Income" shows on the report.

The second report that the user can generate to double-check the information on the GST/HST Return Report is a “QuickReport” on the GST/HST Payable account on the Chart of Accounts. The user selects the appropriate “From” and “To” dates and verifies that the “Balance” column total matches the “Line 113A Balance” on the GST/HST Return Report. The user can then filter the report for multiple transaction types, those being “Invoice”, “Sales Receipt” and “Credit Memo”. The total of the “Amount” column should match “Line 103 GST/HST collected or collectible” on the GST/HST Return Report.

For assistance with filtering reports, see Chapter 11 “Modifying Reports: Adding Columns, Imposing Filters And Find”.

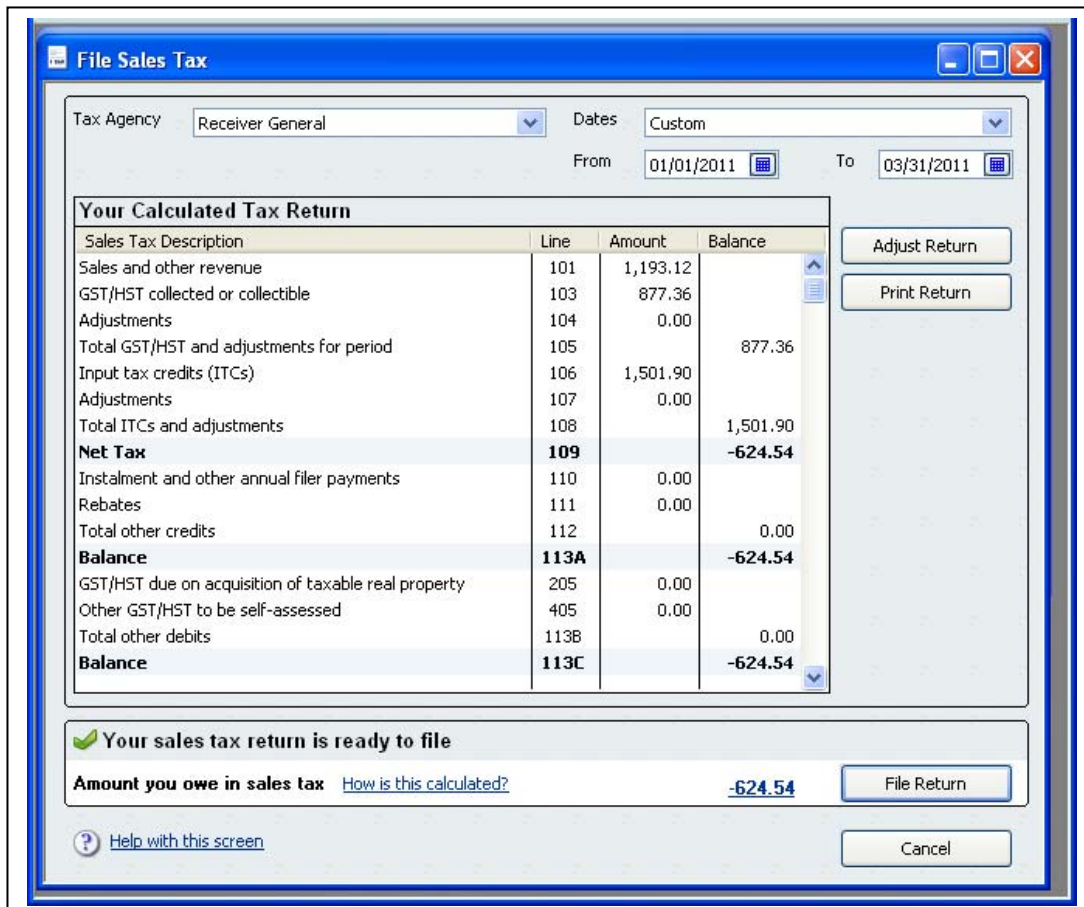
The “File Sales Tax” Feature

WARNING: Unless the user implements the “File Sales Tax” feature for each GST/HST or PST reporting period, the “Liability Report” for the Sales Tax will not be correct for the next reporting period.

ACTION: From the “Sales Tax” menu heading, select “File Sales Tax”. In the “Tax Agency” field, select “Receiver General”.

ACTION: Ensure that the “From” and “To” dates coincide with the reporting period set out on your GST return. Ensure that you tab OUT of the “From” box so that the information displayed refreshes.

New Beginnings Lawscapes has a refund of \$624.54 for the period ending 03/11/2011 as per the GST/HST Return Report and the QuickReport that can be generated from the “GST/HST Payable” account on the Chart of Accounts. The “Balance” in the “File Sales Tax” window is the same. It is safe to continue with using the “File Sales Tax” feature when these three amounts are verified as being the same.



Where there is a refund due to the business, the “Balance” will display with a minus sign. Where there is a balance owing, the “Balance” will display without a minus sign. This means that the business owes Canada Revenue Agency the “Balance”.

NOTE: THIS SCREENSHOT IS FOR REFERENCE ONLY and shows what the “File Sales Tax” window would look like if *New Beginnings Lawnscares* had a balance owing:

Sales Tax Description	Line	Amount	Balance
Sales and other revenue	101	6,993.12	
GST/HST collected or collectible	103	1,573.36	
Adjustments	104	0.00	
Total GST/HST and adjustments for period	105		1,573.36
Input tax credits (ITCs)	106	1,501.90	
Adjustments	107	0.00	
Total ITCs and adjustments	108		1,501.90
Net Tax	109		71.46
Instalment and other annual filer payments	110	0.00	
Rebates	111	0.00	
Total other credits	112		0.00
Balance	113A		71.46
GST/HST due on acquisition of taxable real property	205	0.00	
Other GST/HST to be self-assessed	405	0.00	
Total other debits	113B		0.00
Balance	113C		71.46

Your sales tax return is ready to file

Amount you owe in sales tax [How is this calculated?](#) **71.46**

[Help with this screen](#)

ACTION: Click on “File Return” at the bottom of the “File Sales Tax” window.

This box allows the user to select online filing or paper filing. Note that “Online Filing” requires the account with Canada Revenue Agency be set up in advance via the internet. Some businesses have mandatory online filing requirements for GST/HST. Visit <http://www.cra-arc.gc.ca/E/pub/gi/notice249/notice249-e.pdf> or type “GST/HST Notice 249” in your internet browser for more information about setting up online filing and payments.

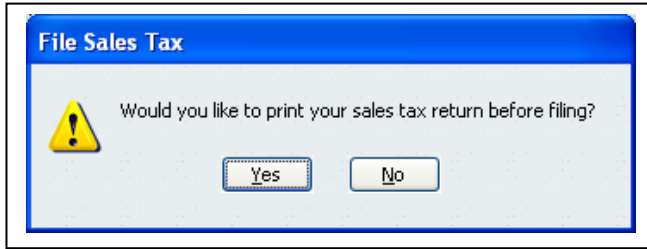
ACTION: *New Beginnings Lawnscares* uses “Paper” filing. Click beside “Paper or other filing method” and click “Continue”.

How Would You Like to File Your Return?

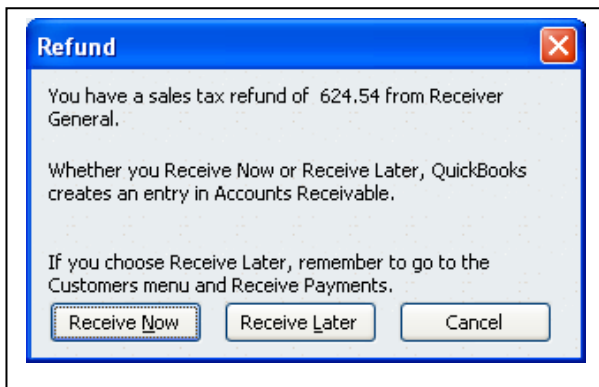
File online with QuickBooks Submit your return online to the Canada Revenue Agency.

Paper or other filing method QuickBooks will not submit any information to the Canada Revenue Agency.

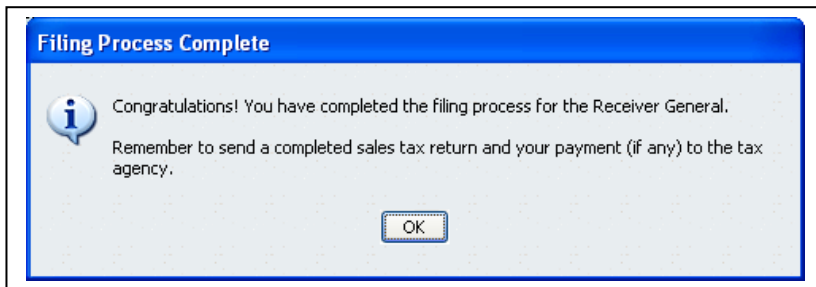
ACTION: If you receive this prompt, it is quite possible that you did not print the GST/HST Return Report” for the period. Click on “Yes”.



ACTION: If your business is receiving a refund, click on “Receive Later” (Canada Revenue Agency does not offer immediate refunds). Wait for the activity to finish.

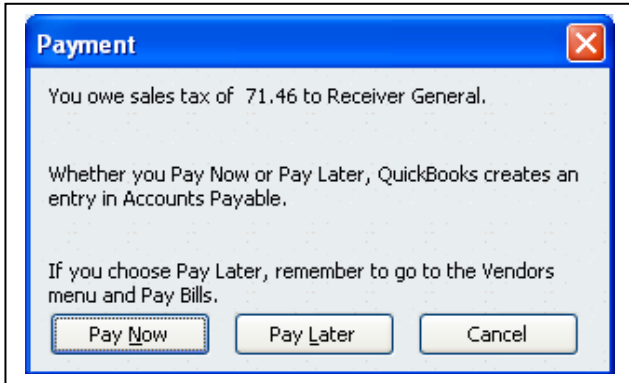


ACTION: Click “OK”.

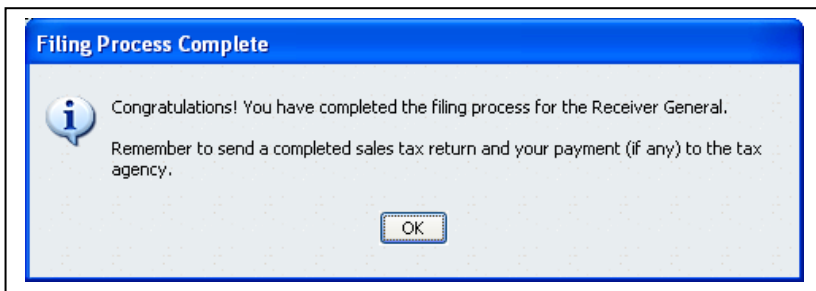


If your business owes GST to Canada Revenue Agency for the GST period, you will be asked whether you wish to “Pay Now” or “Pay Later”. Even if the cheque is not being sent in immediately, it is prudent to prepare the cheque.

ACTION: Click on “Pay Now”. Wait for the activity to finish.



ACTION: Click “OK”.



If your business is receiving a GST/HST refund, the refund will now be a “Receivable”.

ACTION: From the “Reports” menu, choose “Customer & Receivables” and “A/R Aging Summary”. Assuming that today’s date is AFTER the end of the GST reporting period, there should be an amount equal to the GST refund for the customer “Receiver General-Receivable”.

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Albas, David	0.00	877.63	0.00	0.00	0.00	877.63
Juniper Lodge	0.00	0.00	91.21	0.00	0.00	91.21
Receiver General - Receivable	624.54	0.00	0.00	0.00	0.00	624.54
TOTAL	624.54	877.63	91.21	0.00	0.00	1,593.38

If your business owes money to Canada Revenue Agency, you will find yourself in the “Pay Bills” activity window.

ACTION: Place a checkmark to the left of the “Receiver General” balance owing. Ensure that the payment method is appropriate at the bottom of the window. It is recommended to date the cheque for the last day in the GST Reporting Period that you filed.

ACTION: Once your “Pay Bills” window is complete, click on “Pay Selected Bills”. Impose a cheque number OR print the cheque as desired.

Pay Bills

Select Bills to be Paid

Show bills Due on or before 04/24/2010 Show all bills

Sort By Vendor

<input checked="" type="checkbox"/>	Date Due	Vendor	Ref. No.	Disc. Date	Amt. Due	Disc. Used	Credits Used	Amt. To Pay
<input type="checkbox"/>	03/25/2011	Dee Smith C...	1159		374.50	0.00	0.00	0.00
<input type="checkbox"/>	06/27/2011	Dee Smith C...	1989		380.92	0.00	0.00	0.00
<input type="checkbox"/>	02/10/2011	Kelowna, Ci...			75.00	0.00	0.00	0.00
<input type="checkbox"/>	10/02/2011	Kelowna, Ci...	09/22		122.60	0.00	0.00	0.00
<input checked="" type="checkbox"/>		Receiver Ge...	GST/HSTC...		71.46	0.00	0.00	71.46
<input type="checkbox"/>	06/26/2011	Satellite Ear...	QR5091		1,333.93	0.00	0.00	0.00
<input type="checkbox"/>	04/14/2011	Sidewalk Su...	192287		244.72	0.00	0.00	0.00
<input type="checkbox"/>	02/10/2011	Wendel's Tr...			310.25	0.00	0.00	0.00
Totals					3,165.50	0.00	0.00	71.46

Clear Selections

Credit Information for Highlighted Bill

Vendor **Receiver General** Terms Sugg. Discount **0.00** Number of Credits **0**

Bill Ref. No. **GST/HSTCA0001** Total Credits Available **0.00**

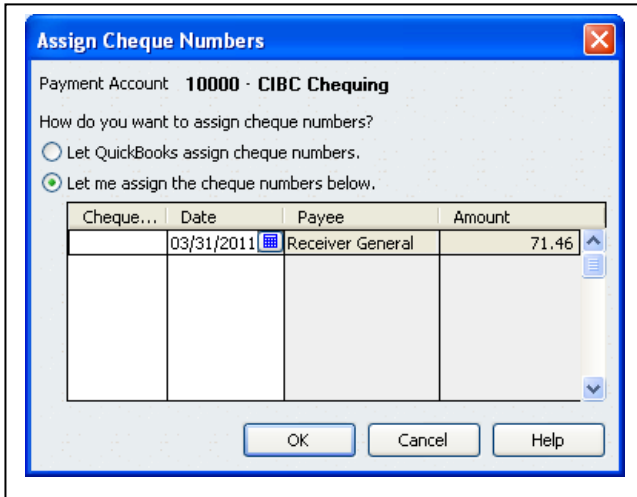
Go to Bill Set Discount Set Credits

Payment

Date 03/31/2011 Method Cheque To be printed Assign cheque no. Account 10000 - CIBC Chequing **Ending Balance 2,421.75**

Pay Selected Bills Cancel

ACTION: If you chose to “Assign cheque no.” you will need to impose a cheque number. Record the cheque # and date on the front of the GST/HST return.



ACTION: If you chose “To be printed”, you will need to print the cheque. Record the cheque # and date on the front of the GST/HST return.

