

General Guide for Goods and Services Tax (GST) for MTAA Members

This document has been designed specifically for MTA members to provide non-specific (generic) details regarding Goods and Services Tax (GST) including information on GST registration and options, managing your GST account including how to file and pay GST & closing your GST account.

Please be advised that ultimately each member is responsible for remaining up to date on GST regulations as it relates to their individual practice. We encourage members to speak with a tax accountant to review the details of their specific situation.

Basic Information about GST

GST is a value added tax that is levied by the Government of Canada (GOC). GST is a consumption tax that is passed on to the end consumer; GST registrants are not being charged an extra tax.

Many believe it is not appropriate that GST is applied to medical services such as Massage Therapy; however, current tax laws state that these services are subject to GST & therefore GST must be charged to the patient, collected, reported & remitted to the Canada Revenue Agency (CRA) by those who have registered for GST.

You are required to charge & collect GST if you meet the registration requirements or choose to voluntarily register. Massage therapists that have not registered for GST are not required to charge or collect GST.

When GST registered, you may post your service fees as GST included or as GST added. However, it is a Canada Revenue Agency (CRA) requirement that even if you choose to charge your fees as GST included, the GST rate & amount must be itemized on the invoice or receipt. Your GST number **MUST** also appear on your invoices & receipts.

You must keep records supporting the information provided on GST returns for a minimum of 6 years. The records must describe the goods/services in enough detail to determine whether or not GST applies & allow you to calculate:

- the amount of GST charged & collected,
- the amount of GST paid on eligible expenses,
- the amount of net tax owing or refunded.

You are responsible for holding GST collected in trust until you send it to CRA.

Who Must Register for GST & When?

You **MUST** register for GST when your cumulative gross earnings (it is recommended to speak with an accountant to determine what is considered gross earnings for your situation) in any 4 consecutive calendar quarters surpasses \$30,000. (It is recommended that you use a spreadsheet or bookkeeping software such as QuickBooks to keep a running total of your earnings for each of your billing periods & calendar quarters).

At the end of each calendar quarter add the previous 3 quarters gross earnings to the current calendar quarter's gross earnings to determine your cumulative gross earnings for the rolling 4 calendar quarters.

Example	Q1 – FY1	Q2 – FY1	Q3 – FY1	Q4 – FY1	Q1 – FY2	Q2 – FY2
Period Earnings	\$5,500	\$6,500	\$ 7,500	\$8,500	\$9,500	\$10,500
Running Total (Q1-Q4 FY1)	\$5,500	\$12,000	\$19,500	\$28,000		
Running Total (Q2-Q4 FY1 + Q1 FY2)		\$6,500	\$14,000	\$22,500	\$32,000	
Running Total (Q3-Q4 FY1 + Q1+Q2 FY2)			\$7,500	\$16,000	\$25,500	\$36,000

Often referred to as “annual earnings,” the example illustrates GST registration is not restricted by a fiscal or calendar year. In this example registration is required by the 1st day of the 2nd quarter of the 2nd fiscal year.

There is a misconception that if you have 1 or more “businesses”, such as providing services as a massage therapist, providing services as a yoga instructor & selling handmade products on a website or market that each “business” is independent of the other. This is **FALSE**.

You must include all taxable supplies provided in Canada that on their own would be subject to GST in your cumulative calculation of annual earnings.

Once GST registered, you must charge GST on ALL products & services provided, even if your annual earnings fall below \$30,000 for a period.

A business may choose to register for GST **VOLUNTARILY** if they sell taxable goods or services in Canada.

Installments, bartering, gift certificates; coupons/promotions are all situations that are relevant to massage therapists. However, due to their complexity are outside the scope of this informational handout. *(It is recommended that you consult with a tax accountant for guidance on the proper treatment of these transactions)*

Simplified Method for Input Tax Credits (ITC) and the Quick Method to calculate GST.

Massage therapists should be aware that there are alternatives that can be used to simplify the calculation of their ITC's or eliminate the need to calculate ITC's at all by using the quick method. Both of these topics are outside the scope of this informational general guide, and it is recommended that you consult with a tax accountant to review if either of these elections is suitable for your situation.

There is also the quick method to calculate the GST you must pay. Most small businesses can use this method to reduce their paperwork & bookkeeping costs by filing a special election (written request) with CRA.

How to Register for GST & what you need to register

You can register for GST by sending form RC1 Request for a business number to your CRA tax center by mail or fax; by calling CRA at 1-800-959-5525, or using the CRA Online Business Registration Service.

In addition to having your basic personal information, such as a Social Insurance Number (SIN), date of birth, mailing address & details from your last filed T1 on hand, please expect to answer to the following questions when you register:

1. **Effective date of registration** – what month & day will you start charging GST, this is usually the day you make the request for registration but can be up to 30 days in the past or future (*it is recommended that you discuss with an accountant the most suitable registration date for your situation*)
2. **Fiscal year for GST purposes** – for sole proprietress this will be December 31 (Incorporation's should consult an accountant to determine the most suitable year end for your situation)
3. **Total annual revenue** – an estimate of your earnings for the next 12 months (*can be below \$30,000 if registering voluntarily*)

The CRA will send a notice to the mailing address provided confirming the GST account number assigned. This is also a good time to register for CRA's My Business Account so you can manage your accounts online.

Charging & Collecting GST

For therapists that work in different practice contexts, charging & collecting GST at 3rd party locations depends on your fees for services contract & the patient invoicing system in place. For example, who charges the GST in this example?

Sam is not GST registered. He gave Lydia \$100 massage therapy treatment. The clinic Sam is contracting out of is collecting the payment & they are GST registered. The clinic is responsible for collecting 100% of the GST.

This is also an example of agency between a vendor (Sam) and the agent (the clinic); the details of agency are outside the scope of this informational handout. (If you feel your situation may be considered an agency relationship, you should seek the guidance of a qualified tax accountant for more information.)

What information needs to be included in your GST return?

For each reporting period, you need to prepare & file a GST Return & pay the net amount of GST owing.

If you have charged GST & have not yet collected it (such as with insurance payments at the end of a reporting period), you are liable for the GST you charged on goods/services on the day the service is provided & the receipt is issued. You must include this non-received GST in your return for the reporting period.

If you were required to charge GST but did not charge it (such as when you have crossed the required registration threshold of \$30,000), you are still liable for the tax. You have to include the GST that you should have charged & collected in the reporting period during which you should have charged & collected the GST.

How to calculate net tax using the Regular Method

The regular calculation is straightforward. The GST is calculated on every supply of taxable goods & services.

To do so, calculate:

- The GST collectible on taxable supplies during the reporting period
- The GST paid on business expenses for which you can claim an input tax credit (ITC)
- The difference between these two amounts is net tax.

Example

During the last reporting period, your GST collected on taxable supplies was: Line 105	\$1,000
You are eligible to claim ITCs for the GST paid on business expenses. Line 108	\$800
Your net tax would be Line 113/114	\$200

Completing & Filing a Return

The return due date is determined by your assigned reporting period. When a due date falls on a weekend or public holiday recognized by the CRA payment is considered on time if it is received on the next business day.

Reporting Period	Due Date
Monthly	30 days after the month end
Quarterly	30 days after the quarter end
Annual – Corporations (some Sole Proprietors**)	90 days after the fiscal year end
Annual – Sole Proprietors**	June 15 following year

*(**refer to your personalized GST return mailed to you or your MYCRA Business Account)*

Filing Methods

Each year, CRA should mail you a personalized GST return package that includes the details of your reporting periods & due dates, your access code for filing electronically, & a remittance voucher.

1. You can file GST returns electronically or on paper.
 - a. Paper filing means mailing a paper copy of the completed & signed GST return to your tax services office before the due date.
2. GST NETFILE allows registrants to file returns with CRA over the internet using a unique access code.
3. GST TELEFILE use your access code to file returns using a touch tone phone

4. File returns electronically without an access code by using the secure My Business Account portal
5. Allow a 3rd party to file returns digitally on your behalf by granting them access to Represent a client.

After Filing

Once CRA processes your return, the CRA will send you a notice of assessment (*paper in the postal mail or electronic if signed up for email notifications*). If there is a balance, the CRA will include a personalized remittance voucher.

Usually, the CRA processes electronic submissions in 2 weeks & in 4 weeks for paper filings. The CRA can hold refunds (including your personal income tax refund) until all unfiled returns & balances have been filed & paid.

Penalties & interest

Failing to comply with your GST obligations can lead to penalties, interest, or even criminal prosecution.

Penalties or interest may apply if you did not file on time (by the due date), received a demand to file & did not file, had to file electronically & didn't, or make a false statement or omission.

Interest is charged on overdue balances or when you make a late or insufficient instalment payment

When to remit (pay) GST

Deadlines are assigned based on reporting periods. Most payments are due at the same time as the return. When a due date falls on a weekend or public holiday recognized by the CRA payment is considered on time if it is received on the next business day.

GST payment & filing deadlines

Reporting Period	Payment Deadline
Monthly	30 days after the month end
Quarterly	30 days after the quarter end
Annual – Corporations (some Sole Proprietors**)	90 days after the fiscal year end
Annual – Sole Proprietors**	April 30th following year

How to remit (pay) GST

There are 3 ways to make payments

1. Electronically
 - a. Pay using your financial institution's online or telephone banking services.
 - b. Pay online using CRA's My Payment website (check for participating financial institutions).
 - c. Authorize CRA to withdraw payments from your bank account on specific dates.
2. In person using an original CRA remittance voucher at a Canadian financial institution.
3. Send payment by mail

What to do if you cannot pay

If you can't pay your balance in full by the due date, you can contact CRA to setup a payment arrangement.

Closing your practice

When you retire from being self-employed, you must contact CRA & close the GST account.

When closing your GST account, you must file all returns up to the closure date & you must file returns even if you had no business transactions or no net tax to remit for a reporting period.

Common Questions About GST

Q) If I don't anticipate billing more than \$30,000 for my massage services this year, am I considered GST exempt?

A) Massage therapists in Alberta are not exempt from GST regulations. If your running total of revenue stays below \$30,000 over each 4 consecutive calendar quarters you are not required to register for GST.

You are not exempt from GST you are just not required to register until you reach \$30,000 in revenue or you choose to register voluntarily.

Q) I signed a new contract that is going to push me past \$30,000 this year. If I register for GST, does it apply to my entire year? I have already invoiced about \$25,000, would I have to remit GST on those earnings or would I start once I reach the \$30,000?

A) You start charging GST based on your effective date of registration. Your earnings prior to the effective date of your GST registration would not have GST applied to it retroactively.

Q) I am not yet GST registered, but I was told that I should charge and collect GST anyway. How do I handle the GST collected before I registered?

A) You should not be charging or collecting GST until you are GST registered (required or voluntary). If you charged GST before your effective date, you would either need to refund the GST paid or immediately register for a GST number (backdated to the date you started charging GST).

Important

The MTAA is not able to answer questions regarding GST & highly recommends that its members who require more information specific to their situation seek the advice of a tax accountant.

MTAA members are also encouraged to take the educational courses offered by the MTAA on the topics of accounting, business management, GST & taxes for more in-depth details that are outside the scope of this informational handout.