



ARE YOU SELF-EMPLOYED? SHOULD YOU BE CHARGING HST?

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HST isn't just for incorporated businesses. Did you know that if you are self-employed it is your responsibility to ensure you are registered and collecting HST if you meet certain conditions? Many entrepreneurs run afoul of the HST rules, only realizing too late that they are on the hook for money they didn't collect. If you should have been registered for HST but are not, the Canada Revenue Agency ("CRA") may retroactively register you and require that you remit all the HST you should have collected from your customers as if you had been registered.

Whether you are self-employed or incorporated, if you have a small business that earns less than \$30,000 in gross revenue (world-wide) over any four consecutive calendar quarters you are considered a *small supplier* and do not have to register for HST, although you may if you choose. Unless your business is one of the few that are exempt, if you earn over \$30,000 in any four consecutive calendar quarters you are required to register for, and collect HST, and remit it to CRA. A business is exempt from collecting HST if its supplies, or source income, are on the exempt list. Exempt services include, but are not limited to, day care services, legal aid, most health services, and long term residential rent.



Our goal is to provide updates on topical accounting and tax issues. Information contained in this newsletter is not meant to be a comprehensive summary of the issues raised. Rather, we wish to bring what we believe to be important issues to the attention of our valued clients and readers. We would be pleased to discuss any questions that you, the reader, might have in greater detail.

If you determine that you are not a *small supplier* and your supplies are not exempt, you must register and charge HST. If you exceed \$30,000 in one quarter, you must start charging HST on the supply/invoice that made you exceed \$30,000. If you exceed \$30,000 within the previous four consecutive calendar quarters (but not in a single quarter) you should start charging HST at the beginning of the month following that in which you exceeded the threshold.



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There are two methods for calculating the HST you must remit to CRA. The *regular method* requires that you remit to CRA the total of all HST you collected less any HST amounts you paid out on your business expenses. The *quick method* allows you to send CRA a flat percentage of your gross sales including HST. Under the *quick method*, you do not have to track the HST you spend on your business expenses, other than on the purchase of capital assets (i.e. computers, furniture). This method can be very advantageous for businesses with large labour expenses as compared to other costs, and requires less administration. In Ontario, the percentage remittance is 7.8% on the first \$30,000 of gross sales including HST, and 8.8% on the balance of sales. To use the quick method your annual sales must be less than \$400,000, and an election must be filed with CRA, in advance.

HST can be filed annually, quarterly or monthly, and there are penalties for late filing. Remember that the HST you collect is money you hold in trust for CRA, and it doesn't belong to you. You must remit the amounts you owe in a timely manner.

The information above is a very brief overview of some basic HST concepts and should not be relied upon as complete tax advice. For complete information on HST, CRA's website offers a wealth of information. The link is <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/menu-eng.html>.

Don't wait until you are preparing to file your personal taxes to realize you should have been charging HST. It is wise to contact your accountant to discuss your HST status if you are unsure of your responsibilities and if you should be collecting and remitting.

Contact Us

Give us a call for more information about this article.

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