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INTRODUCTION

1. This chapter outlines the department's position regarding provincial sales taxes (PST), Harmonized Sales Tax (HST) and the Goods and Services Tax (GST).
2. Since messes, CANEX Base Fund, and all other NPF facilities are operated under the National Defence Act, they are operated by the Crown. Non-public Funds are administered by the Department of National Defence under control of the Chief of Defence Staff and therefore controlled by the Crown. Since the Crown is not taxable by provincial legislation, it follows that messes, CANEX, Base Fund, and any other NPF facility are also exempt from such legislation.

PROVINCIAL SALES TAX (PST)

BACKGROUND

3. The requirement for federal government departments and agencies to charge, collect, and remit provincial sales tax (PST) was initiated by a Cabinet decision of September 7, 1961 [X-0325-61RD(01)] which directed all departments and government agencies selling goods to register with provincial authorities in provinces which levy PST and to collect and remit this tax to the appropriate province.
4. Subsequent to the 1961 Cabinet decision, Part VII of the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act (1985 Revised Statutes), provided that Reciprocal Tax Agreements (RTAs) between Canada and the government of any participating province shall contain provisions for the collection and remittance of PST, and the payment of sales taxes or similar taxes imposed by the other level of government.
5. The terms and conditions in the 1987 federal-provincial RTAs required federal and provincial governments to pay each other's sales taxes and fees. These agreements expired December 31, 1990.

CURRENT PST POLICY

6. The 1991 RTAs entered into by the federal government require federal government departments and agencies to pay certain types of provincial taxes and fees, depending on the type of agreements the province (or territory) entered into. In addition, departments and agencies with sales operation will collect and remit provincial sales taxes to the appropriate province.

INFORMATION SOURCES

7. Information regarding PST should be obtained from the applicable provincial sales tax office.

8. [Annex A](#) provides additional information on the requirement for NPF to pay PST, as a purchaser and, as a vendor, for NPF to collect and remit PST to the provinces.

GOODS AND SERVICES TAX (GST)

BACKGROUND

9. The Goods and Services Tax is a value added final consumption tax. It is a tax on non-commercial domestic consumption of goods and services. The GST is applied in stages, where the tax is collected on the sale price at each level and refunded to commercial purchasers at the next stage.
10. The federal government's Goods and Services Tax (GST) became effective 1 January 1991. The federal government has made it clear that all federal government departments will be subject to the GST in order to ensure that these organizations are not perceived as gaining any unfair advantages over other economic sectors. In light of this approach, DND must pay and collect GST.
11. The accounting and control of Non-Public Funds is significantly different and independent of Public Funds. The intended GST accounting structure for federal government departments was therefore not suitable for NPF operations. As a result, the Canada Customs and Revenue Agency (CCRA) granted NPF operations special status for GST purposes. NPF operations are considered to be "commercial operations" that provide some exempt supplies (e.g. daycare and housing rental) and will be able to claim the Input Tax Credit (ITC) for GST which it has paid on its purchases for non-exempt activities.

REGISTRATION

12. All federal government departments are registered as one single registrant for GST. All NPF operations including those of the reserve forces are included as part of this single registrant. This registration number is R121491807.
13. Within each department, there may be further division into reporting entities (branches) depending on their particular accounting structure. Therefore, each base/station/reserve unit that has sales, even if the total annual sales are less than \$30,000, shall register as a reporting entity, through CFO/APPM, and will be assigned individual NPF identification numbers by CCRA. For regular force NPF activities on all bases, in each NPF accounting region, there will be one regional GST number.
14. All applications for registration or deregistration of NPF reporting numbers must be submitted to CFO/APPM.

REPORTING

15. If not accounted by NPF Accounting regions, each base/station/unit will submit a monthly return directly to CCRA with the required information. This monthly return will be a consolidated report that will include all NPF activities operating within that particular base/station/unit. A return for transactions that occur in one accounting month is due at the end of the following accounting month. CCRA will automatically forward these forms to each location prior to the due date of each return. Detailed directions on how to complete the report are available in a separate CCRA guide.

INPUT TAX CREDITS

16. The Input Tax Credit (ITC) system allows businesses to claim all of the GST paid on inputs to the business, including goods and services that are not for resale. The ITCs are subtracted from the tax that has been collected on sales for the period with only the difference remitted to CCRA. Should the ITCs claimed total more than the tax that was collected for the period, the monthly return will be used as a claim for a refund from CCRA.

RECORD-KEEPING REQUIREMENTS

17. Books and records are required to be in an appropriate form and to contain sufficient information to allow determination of the amount of GST to be paid, collected, deducted, or refunded.
18. Registrants are required to keep their accounting records and books of account for a period of six years from the end of the year to which they relate. These records shall be made available to CCRA auditors, when required.

INFORMATION SOURCES

19. Should information be required or questions arise concerning the NPF accounting structure for GST or other GST items unique to NPF operations, units should contact CFO/APPM.
20. Information such as the tax rates applicable to specific items or other general GST information should be obtained from CCRA.
21. [Annex B](#) provides further information regarding special GST rules for NPF and situations that are common in NPF activities.

HARMONIZATION OF PST AND GST

BACKGROUND

22. In order to simplify sales tax procedures for vendors and to reduce provincial collection costs, some provinces may harmonize their PST system with the federal GST system.
23. Generally, this will result in a common tax base in that the same goods and services that have GST applied will also have PST applied.
24. Thus far, the provinces of Newfoundland, New Brunswick, and Nova Scotia have harmonized under the Harmonized Sales Tax (HST) and the province of Quebec has harmonized under the QST. In addition, an agreement was signed on December 20, 1993, between the Province of Quebec and the Crown, which states the obligations of both parties with respect to the application QST and GST.

HARMONIZED SALES TAX (HST)

25. The HST became effective in the provinces of Newfoundland, New Brunswick, and Nova Scotia on 1 Apr 97. All GST policies and procedures for NPF activities apply equally for HST.
26. Should information be required or questions arise concerning the NPF accounting structure for HST or other HST items unique to NPF operations, units should contact CFO/APPM.

27. Information such as the tax rates applicable to specific items or other general HST information should be obtained from CCRA.
28. [Annex B](#) provides further information regarding special HST rules for NPF and situations that are common in NPF activities.

QUEBEC SALES TAX (QST)

29. The province of Quebec harmonized the PST with the GST on 1 Jul 92. Although there are still separate GST and QST components, the same tax base (GST) is used.
30. [Annex C](#) summarizes the Quebec Sales Tax (QST)/GST harmonization as it applies to NPP activities. Specific questions such as the tax rates applied to specific items should be addressed to Revenue Quebec.

[Annex A - Provincial Sales Tax](#)

[Annex A - Appendix 1 – Provincial Sales Tax Exemption Procedures](#)

[Annex B - Goods and Services Tax and Harmonized Sales Tax](#)

[Annex B - Appendix 1 - Exemption Letter UN/Deployed Operations](#)

[Annex C - Harmonization of the Québec Sales Tax and the Goods and Services Tax](#)