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Version visionnée sur le site Internet d'origine le 25 mars 2010.

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Amalgamation and acquisition services

A corporation may consider amalgamating with another corporation or acquiring another corporation as a way to expand its economic activities. Such a corporation may have a third party provide services relating to the amalgamation or acquisition, including

- analysis or presentation of proposed or alternative activities;
- research and evaluation services;
- financial analysis;
- preparation of documents;
- holding of due diligence meetings;
- development, structuring and negotiating of proposed activities;
- financial advice;
- other services.

When the corporation cannot acquire the services separately, they will generally be characterized as a single supply for GST/HST purposes. For more information on what constitutes a single supply or multiple supplies, refer to GST/HST Policy Statement [P-077R2](#), *Single and Multiple Supplies*.

Where a corporation is considering a transaction such as a purchase of assets (generally, a taxable supply) or a purchase of financial instruments, such as the shares of a corporation (an exempt supply under the GST/HST system and a zero-rated supply under the QST system), and a major part of the third party's role is to assist the corporation in determining the form the transaction should take, the supply by the third party would be a taxable supply of advice.

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Foot orthotics and specialty footwear

Foot orthotics are zero-rated (i.e., taxed at 0%) when the device is custom-made for an individual or when it is supplied on the written order of a medical practitioner for use by a consumer named in that order.

To qualify for zero-rating, the footwear must be specially designed for defects of the foot such as a crippled or deformed foot (a physical defect characterized by a form or position which is not normal). All other footwear which is not specially designed is subject to tax, regardless of whether an orthotic fits inside or not.

For more information regarding orthotics and specialty footwear, consult the brochure *The QST and the GST/HST: How They Apply to Medical Devices and Drugs (IN-211-V)*.

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GST/HST annual information schedule for financial institutions

A financial institution that is a GST/HST registrant (or that is required to register for the GST/HST) with a total annual income of more than \$1 million must complete form [FPZ-111-V, Schedule 1 – Financial Institution GST/HST Annual Information Schedule](#). Such an institution must file the schedule within six months after the end of its fiscal year for any fiscal year that began after 2006. For example, if a financial institution's fiscal year began on August 1, 2007, and ended on July 31, 2008, it must file the schedule by January 31, 2009.

A financial institution is not required to file the schedule for a fiscal year that began before 2007. For example, if such an institution's fiscal year began on November 1, 2006, and ended on October 31, 2007, it would not be required to file the schedule for that fiscal year.

GST/HST Info Sheet [GI-035, Annual Information Schedule for Financial Institutions](#), explains the filing requirements for the new GST/HST annual information schedule for financial institutions. Guide [RC4419, Financial Institution GST/HST Annual Information Schedule](#), provides definitions and line-by-line instructions on how to complete the schedule.

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Health care professionals

The supply of medical and certain other health care services are tax-exempt when they are rendered to individuals by regulated health care professionals who are identified in the *Excise Tax Act and the Act respecting the Québec sales tax*. For purposes of the GST/HST and QST, a "medical practitioner" means a person who is licensed under the laws of a province (or territory) to practise the profession of medicine or dentistry.

In addition, certain services provided by registered nurses, social workers, and dental hygienists are also exempt.

Exempt services

The supply of a consultative, treatment, diagnostic or other health care service rendered by a medical practitioner to an individual is generally exempt. Health care services rendered by a practitioner to an individual are also exempt. A practitioner is defined to mean a person who practises the profession of any of the services listed below and who is licensed or otherwise certified to practise that profession (if required in the province where the service is supplied) or has the qualifications equivalent to those necessary to be so licensed or certified in another province (if not required in the province where the service is supplied).

Services provided by any of the following are tax exempt (this list is non-exhaustive):

- optometrists
- chiropractors
- physiotherapists
- chiroprodists
- podiatrists
- osteopaths
- audiologists
- speech-language pathologists
- occupational therapists
- psychologists
- dieticians
- midwives

Nursing services are generally exempt when they are rendered to an individual by a registered nurse or a nursing assistant. Social work services rendered to an individual within a professional-client relationship are also generally exempt when the services are rendered by a licensed or otherwise certified social work professional. If the social worker is not required to be licensed or certified in the province where the service is supplied, then the social worker must have the qualifications equivalent to those necessary to be so licensed or certified in another province.

There are also exemptions for services that are paid for under a provincial health insurance plan and for radiological, laboratory and other similar diagnostic services rendered to an individual when the service is supplied on the order of a medical practitioner or practitioner, or on order from a nurse authorized by the laws of a province to order such a service, provided the order is given within a professional-client relationship.

Taxable services

Other health care services are not exempt. While there are many professionals who work in fields relating to health care, they are not medical practitioners or practitioners for GST/HST and QST purposes. As a result, their services are not exempt



supplies even where, for example, the service is similar to a service that may be performed by a nurse or a physiotherapist. The following is a non-exhaustive list of therapists and other health care workers whose services are taxable:

- acupuncturists
- kinesiologists
- massage therapists
- naturopaths
- reflexologists
- homeopaths
- reiki therapists
- sports therapists
- [Rolfing therapists](#)
- traditional Chinese medicine providers
- [phlebotomists](#)
- personal support workers

Note

Please note that the service providers must determine if their supplies are exempt.

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Reminder for corporations engaged in commercial activities

Corporations engaged in commercial activities in Canada are generally required to register for the GST. They are also required to register for the QST if they are engaged in such activities in Québec. Therefore, a supply of property or a service is generally subject to GST and QST unless it is an exempt supply.

A corporation is said to be engaged in commercial activities when it carries on a business or engages in an adventure or concern in the nature of trade regardless of whether there is a reasonable expectation of profit. The supplies made by a corporation in the course of its commercial activities are taxable supplies. However, the supplies made by a corporation otherwise than in the course of its commercial activities are exempt supplies.

Consequently, a corporation engaged in a commercial activity is required to collect GST and QST on the supplies it makes and remit these taxes to Revenu Québec. Likewise, the corporation may claim an input tax credit (ITC) and an input tax refund (ITR) in respect of property or services it acquired for the purpose of making the supply.



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Small-supplier division

Where a [public service body](#) (PSB), constituted as a legal person, has to register for the GST/HST and QST, or wants to register voluntarily, it must do so as a single entity. Branches or divisions that are part of the legal person cannot register separately. A PSB must take into account the total supplies of the entity to determine whether or not it has to register.

However, a PSB may apply to have each branch or division designated as a small-supplier division provided the PSB meets the following criteria:

- The branch or division must be a small supplier with taxable supplies of \$50,000 or less over the past four consecutive calendar quarters and \$50,000 or less in the current calendar quarter.
- The branch or division must be identified separately by its location or the nature of its activities.
- Separate records, books of account, and accounting systems must be kept for the branch or division.
- An earlier designation of the branch or division must not have been revoked within the previous 365-day period.



A designated small-supplier division is treated as a non-registrant. Consequently, the designated division will no longer collect GST/HST or QST on most of its taxable supplies and it generally cannot claim input tax credits (ITCs) and input tax refunds (ITRs) for the taxes paid on its purchases.

To apply for this treatment, the PSB must complete form [FP-631-V](#), *Application by a Public Service Body to Have Branches or Divisions Designated as Small-Supplier Divisions*.

There may be other tax consequences when a branch or division of a PSB becomes a small-supplier division. For example, taxes may be deemed payable on non-capital property held for consumption, use or supply primarily in the course of commercial activities, and certain ITCs and ITRs may be recaptured.

Example 1

A charity that is a GST/HST and QST registrant has a head office and nine branches. Each branch is located in a different area of the city and keeps separate records. The charity applies to have five branches, each having annual taxable supplies of \$35,000, designated as small-supplier divisions. Although no GST/HST or QST will generally be collected on the taxable supplies made by these five branches, the charity remains a GST/HST and QST registrant. Moreover, the charity must collect the GST/HST and QST on taxable supplies made by the head office and the four branches that are not designated.

The PSB must notify Revenu Québec in cases where small-supplier division designations have to be updated or added.

Example 2

All of a school authority's individual schools have been designated as small-supplier divisions. On July 1, 2008, one of the schools is closed. Revenu Québec must be notified of the change.

Example 3

The Municipality of Trout Lake has five designated small-supplier divisions. The Municipality of Trout Lake and the Municipality of Stony Creek amalgamate to create the Municipality of Watertown. In addition to notifying Revenu Québec of the amalgamation, the Municipality of Watertown would be required to apply to have any of its branches or divisions designated as small-supplier divisions.

For more information on small-supplier divisions, please see GST/HST Memoranda Series [2.4](#), *Branches and Divisions*.

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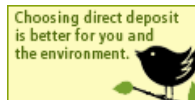
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CRA Publications

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■ GST/HST Technical Information Bulletins

- Trusts ([B-101](#))
- First Nations Goods and Services Tax – Place of Supply ([B-102](#))

■ GST/HST Info Sheets

- Visitor Rebate Program – Non-Residents Purchasing Accommodation: When is the Rebate Still Available? ([GI-026](#))
- Foreign Convention and Tour Incentive Program – Sponsors of Domestic Conventions: Application of the GST/HST to Admissions Sold to Non-Residents ([GI-027](#))
- Foreign Convention and Tour Incentive Program – Non Resident Exhibitors: Application of GST/HST to Purchases and Rebate for Purchases ([GI-028](#))
- Foreign Convention and Tour Incentive Program – Sponsors of Foreign Conventions: What Is a Foreign Convention and Rebate for Purchases ([GI-029](#))
- Foreign Convention and Tour Incentive Program – Non Registered Organizers of Foreign Conventions: Rebate for Purchases ([GI-030](#))
- Foreign Convention and Tour Incentive Program – Registrant Organizers and Convention Facility Operators: Paying and Crediting the Rebate Amount for Foreign Conventions ([GI-031](#))
- Foreign Convention and Tour Incentive Program – Non-Residents Purchasing Tour Packages: Rebate for Eligible Tour Packages ([GI-032](#))
- Foreign Convention And Tour Incentive Program – Non-Resident Tour Operators: Rebate for Accommodation Sold in Eligible Tour Packages ([GI-033](#))
- Foreign Convention and Tour Incentive Program – Tour Packages: What Is an Eligible Tour Package ([GI-044](#))
- Residential Care Facilities and Proposed Changes in the 2008 Budget ([GI-045](#))



■ GST/HST Memoranda Series

- General Restrictions and Limitations ([8-2](#))
- Refund, Adjustment, or Credit of the GST/HST under Section 232 of the Excise Tax Act ([12-2](#))
- Stated Price Net of Rebate – GST at 5% ([19.3.1.2](#))
- New Housing Rebates and the HST ([19.3.8](#))
- New Housing Rebates and HST at 13% ([19.8.3.1](#))

■ GST/HST Notices

- Returnable Containers Other than Beverage Containers ([B-038](#))
- Notice of Change – GST/HST Memoranda 4.4, Agriculture and Fishing ([Notice 228](#))
- Implementation of the Carcross/Tagish First Nations Goods and Services Tax ([Notice 229](#))
- First Nations Goods and Services Tax (FNGST) imposed by Shuswap, Akisqnuq, Lower Kootenay, St. Mary's and Tobacco Plains First Nations ([Notice 230](#))

Notice of Change GST/HST Technical Information Bulletin B-100, Standardized Accounting (B-100) [[Notice 231](#)]

- Notice of Change GST/HST Memorandum 4.4, Agriculture and Fishing ([Notice 232](#))
- Filing an Election under Section 167.11 of the Excise Tax Act ([Notice 233](#))
- Nisga'a Citizens and GST/HST ([Notice 234](#))

■ GST/HST Guides

- Will you do it for cash? ([RC4406](#))
- Financial Institution GST/HST Annual Information Schedule – Includes Form GST111 ([RC4419](#))

■ GST/HST Policy Statements

- Late-filed subsection 225.2(4) elections (P-250)

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Interest rates in effect for the GST

Prescribed interest rates are adjusted quarterly based on market trends. Penalties and interest related to the GST are calculated daily.

The prescribed annualized interest rates and the penalty rates for the quarterly periods from January 1 to December 31, 2008, are listed below.

Period	Annualized interest rate (%)
January 1 to March 31, 2008	8
April 1 to June 30, 2008	8
July 1 to September 30, 2008	7
October 1 to December 31, 2008	7

Penalty rate

The penalty is equal to:

- a. 1% of the amount overdue on the return, plus
- b. one-quarter of the amount calculated above, multiplied by the number of complete months the return was overdue, to a maximum of 12 months.

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A person that makes a payment, other than in the course of permanent employment, to a person (including a corporation) not resident in Canada for services performed by that person in Québec must withhold 9% income tax from the payment. Such a source deduction of income tax must be made, for example, from fees paid to a person not resident in Canada, from a purse or share of a purse given to a professional athlete, and from participations paid to a performing artist.

The person making the payment must also file an RL-1 slip ([Relevé 1: Revenu d'emploi et revenus divers](#)) in respect of the payments made to the person not resident in Canada.

Every person that fails to withhold 9% income tax from a payment as required becomes a debtor of the State for the full amount that should have been withheld and incurs a penalty equal to 15% of the amount. However, the amount of the source deduction may be recovered from the person not resident in Canada that received the payment, either by bringing an action in a court of competent jurisdiction or by withholding the amount from any amount paid or credited to that person.

Furthermore, if the person performing the services in Québec is an individual who holds a certificate from SODEC attesting that he or she works during the year as a producer on a film production recognized by SODEC, no income tax has to be withheld from the amounts (including salary or wages) paid to him or her with regard to the film production.

An individual or a corporation that does not have an establishment in Québec can make an application for a reduction in source deductions of income tax in writing or by filing form [TP-1016-V](#). A copy of the contract for services in Québec must be included with the application, which must be made 30 days before the services are to be performed or 30 days before the date of the first payment.



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