

Tax Tip
Week of May 17, 2010

Input Tax Credits on Employee Expenses

When an employee submits an expense report, an employer who is registered under the GST legislation can normally claim an input tax credit on the expenditure. It is a complex calculation to determine the actual GST/HST included on the expense report, so CRA allows the employers to use a factor to determine the amount of the rebate. However, this process has become more complicated since as at July 31, 2010 the following changes will occur with regard to the rates:

- Ontario and BC will harmonize their PST with GST
- Nova Scotia has raised their rate HST rate by 2%

Effective July 1, 2010, employers can use the following factors to determine their input tax credit on employee expenses:

Provinces that have not harmonized their tax will use a rebate factor of 4/104

Provinces with a Harmonized Sales Tax will use the following rates

- New Brunswick, Newfoundland and Ontario have a rebate factor of 12/112
- British Columbia's rebate factor is 11/111
- Nova Scotia's rebate factor is 14/114