



# HST: Real Case Scenarios

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- Harmonized Sales Tax (HST) Refresher 101 for Chiropractors
- How does HST apply to health care services?
- How does HST apply to health care supplies?
- Application of the GST/HST on the income split between practitioners and clinic
  - Sole practitioners: GST/HST exempt services and zero-rated supplies
  - Clinic: GST/HST exempt services and GST/HST applicable services
  - Clinic: Multiple GST/HST exempt services and GST/HST applicable services
  - Practitioners and medical practitioners using the services of a management company
- Question and Answer Period

- ▶ HST or Harmonized Sales Tax was established in 2010
- ▶ Harmonized Sales Tax (HST) consist of Provincial Sales Tax (PST) (8% in Ontario) along with the federal GST (5% Nationwide)
- ▶ HST/GST is implied on majority of the goods and services imported to Canada or services performed in Canada
- ▶ It is important for businesses to know which items are taxable and which items are exempt

# How does HST apply to health care services?

- ▶ The services of some health care professionals are taxable while others are not
- ▶ Goods and services that are exempt cannot be registered for the GST/HST
- ▶ List of health care professionals whose services are exempt from GST/HST can be found in **part II of Schedule V to the Excise Tax Act**

# How does HST apply to health care services?

- ▶ Examples of some of the services that are exempt to GST/HST are:
  - **Chiropractors, Chiropodists, Occupational Therapists, Physiotherapist**+++

Note: Services that are not listed in Part II of the Schedule V to the Excise Tax Act are usually taxable

- ▶ Some of the therapist or health care workers whose services are generally taxable are:
  - **Massage Therapy; Reflexologists, Sports Therapists** +++

Note: Due to the economic action plan of 2014, both acupuncturists and naturopathic doctors were made HST exempt as of **February 12, 2014**

# How does HST apply to health care supplies?

- ▶ Some goods and services are taxed at (0%) meaning they are zero-rated
- ▶ Many medical supplies are zero-rated
- ▶ However, a GST/HST registrant can claim an input tax credit (ITCs) for the GST/HST paid or payable on expenses made to provide zero-rated sales or supplies
- ▶ Zero-rated medical supplies count towards your total worldwide taxable supplies of goods and services

# How does HST apply to health care supplies?

- ▶ Custom-made orthotic and orthopaedic devices are an example of zero-rated supply
- ▶ If the devices are not custom-made, they are zero-rated when prescribed by a medical practitioner
- ▶ A common example of health care supply which are not zero rated or exempt are dietary supplements
- ▶ Dietary Supplements should be taxed at a rate of 13% in Ontario.
- ▶ Note: In terms of whether GST/HST applies to your practice, please review the full presentation on the OCA website

# **Application of the GST/HST on the income split between practitioners and clinic**



- ▶ Confusion with application of GST/HST on the agreed amount of income split between the practitioners and clinic
- ▶ The agreed amount of income split is considered income paid to the clinic for the use of the clinic, similar to “rent expense,” and would be considered a taxable supply so GST/HST will apply
- ▶ CRA GST/HST POLICY STATEMENT P-238

**“Medical Practitioner”** is a person who:

- ▶ Is entitled under the law of a province to practice the profession of medicine or dentistry

**“Practitioner”** is a person who:

- ▶ Practices the profession of chiropractic, optometry, physiotherapy, etc.,
- ▶ Is required to be licensed or otherwise certified to practice the profession in the province, and
- ▶ Is not required to be licensed or otherwise certified to practice the profession in the province, but has the qualifications equal to those necessary to be licensed or otherwise certified in another province

In the Excise Tax Act (ETA), Medical Practice Organizations include the term “clinic” which are used most widely in the industry.

Some of the common examples of how income split occurs include the following:

- ▶ Sole practitioners providing GST/HST exempt services and zero-rated supplies
- ▶ Clinic providing both GST/HST exempt services and GST/HST applicable services
- ▶ Clinic providing multiple GST/HST exempt services and GST/HST applicable services
- ▶ Practitioners and medical practitioners using the services of a management company

The CRA wants you to think of the income splitting from a transaction-based accounting perspective.

- 1) The clinic collects the fees for the service provided to the customer/patient
- 2) The practitioner bills the clinic for the paid service
- 3) The clinic collects rent from the practitioner based on split agreement

The transactions will net against one another, but according to P-238 this is how the transactions should occur.



## EXAMPLE (assuming no GST/HST involved)

- 1) The clinic collects from the patient for chiropractic services provided at a fee of \$100
- 2) The chiropractor bills the clinic for \$100 for the service provided
- 3) The clinic collects \$30 from the chiropractor (assuming the agreement is a 30/70 split)

# GST/HST on the income split between practitioners and clinic

EXAMPLE (assuming no GST/HST involved)

|              | Transactions  | NET Result    |
|--------------|---|---------------|
| Clinic       | <ul style="list-style-type: none"><li>- Collects \$100</li><li>- Pays \$100</li><li>- Collects \$30</li></ul> | Collects \$30 |
| Chiropractor | <ul style="list-style-type: none"><li>- Collects \$100</li><li>- Pays \$30</li></ul>                          | Collects \$70 |

# **Sole practitioners: GST/HST exempt services & zero-rated supplies**

## Situation

- ▶ Practitioner provides chiropractic services
  - No associates
  - Does not provide massage therapy
  
- ▶ Practitioner also offers custom-made orthotic and orthopaedic devices



## GST/HST Rules

According to **part II of Schedule V to the Excise Tax Act**,

- ▶ Chiropractic services are exempt from GST/HST
- ▶ Custom-made orthotic and orthopaedic devices are zero-rated supplies
  - Considered to be part of the calculation for annual world-wide taxable sales, which is used in the calculation to determine if your taxable supplies and goods are over \$30,000

## Analysis

### Registration for GST/HST:

- ▶ Chiropractic services
  - Exempt from GST/HST, so you can not register for GST/HST
- ▶ Custom-made orthotic and orthopaedic devices
  - If annual world-wide taxable sales are equal to or more than \$30,000, you must register
  - If annual world-wide taxable sales are less than \$30,000, you do not need to register

# Sole practitioners: GST/HST exempt services & zero-rated supplies

## Example

- ▶ Chiropractic services
  - Rendered services for a \$100.00 fee
  - Chiropractor collects \$100.00 (no GST/HST on services)
  - No ITCs on related expenses
  
- ▶ Custom-made orthotic and orthopaedic devices (assuming a device sells for \$100.00 and the cost is \$11.30 (\$1.30 HST))
  - If registered, chiropractor receives \$100.00
    - GST/HST Return: no HST collected, \$1.30 of ITCs → HST refundable of \$1.30
    - Income: collected \$100.00 sales, paid \$10.00 → net income of \$90.00
  - If not registered, chiropractor receives \$100.00
    - Income: collected \$100.00 sales, paid \$11.30 → net income of \$88.70

## Decision

### Collecting GST/HST and claiming ITCs:

- ▶ Chiropractic services
  - You do not collect GST/HST on the services provided
  - You can not claim ITCs on expenses
  
- ▶ Custom-made orthotic and orthopaedic devices
  - If you are registered for GST/HST purposes, you do not collect GST/HST on the services provided (zero-rated) but you can claim ITCs on expenses related to GST/HST paid or payable on expenses made to provide these supplies
  - If you are not registered for GST/HST purposes, you do not collect GST/HST nor can you claim ITCs

# **Clinic: GST/HST exempt services & GST/HST applicable services**

## Situation

- ▶ Practitioner A provides chiropractic services and also offers custom-made orthotic and orthopaedic devices
  - Same situation as previous case
  - Assume no orthotic devices are sold
  - Practitioner A owns the clinic
  - The clinic does all the customer billings (for Practitioner A and B)
  
- ▶ Practitioner B provides massage therapy services
  - Works at the clinic and have an agreement to give 20% of his/her sales to Practitioner A for using the clinic
  - Earns over \$30,000 in one year

## GST/HST Rules

According to **part II of Schedule V to the Excise Tax Act**,

- ▶ Chiropractic services are exempt from GST/HST and custom-made orthotic and orthopaedic devices are zero-rated supplies
- ▶ Massage therapy services are GST/HST applicable services
- ▶ The 20% that Practitioner B agreed to pay Practitioner A for the use of the clinic is considered rent, which is a taxable supply, so GST/HST is applicable
  - Considered to be part of the calculation for annual world-wide taxable sales

## Analysis

### Registration for GST/HST:

- ▶ Chiropractic services and custom-made orthotic and orthopaedic devices
  - Same as previous case
- ▶ Massage therapist (Practitioner B) and “rental income” (Clinic/Practitioner A)
  - If annual world-wide taxable sales are equal to or more than \$30,000, you must register
  - If annual world-wide taxable sales are less than \$30,000, you do not need to register



## Example

- ▶ If the clinic/practitioner A earns more than \$30,000 of annual world-wide taxable sales (incl. rent), then the clinic needs to charge HST on the split
- ▶ If the massage therapist charges \$100.00 for a session:
  - 1) The clinic/practitioner A collects \$113.00 (\$100.00 + \$13.00 HST) for the services provided
  - 2) Practitioner B (massage therapist) bills the clinic for the paid service for \$113.00 (\$100.00 + \$13.00 HST)
  - 3) The clinic/practitioner A bills practitioner B \$22.60 (\$20.00 + \$2.60 HST) for rent
    - 20% of the sales (based on the agreement) is equivalent to \$20.00 (20% x \$100.00)
    - The agreed split is considered rent, which is a taxable supply, so the clinic needs to collect \$2.60 of HST (\$20.00 x 13%)

# Clinic: GST/HST exempt services & GST/HST applicable services

## Example

### Total Amounts

|                                 | Transactions   | NET Result        |
|---------------------------------|--|-------------------|
| <b>Clinic/<br/>Chiropractor</b> | <ul style="list-style-type: none"><li>- Collects \$100.00 (Chiropractor)</li><li>- Collects \$113.00 (Massage Therapist)</li><li>- Pays \$113.00 (Massage Therapist)</li><li>- Collects \$22.60 (Massage Therapist - Rent)</li></ul> | Collects \$122.60 |
| <b>Massage<br/>Therapist</b>    | <ul style="list-style-type: none"><li>- Collects \$113.00 (Clinic)</li><li>- Pays \$22.60 (Clinic - Rent)</li></ul>  | Collects \$90.40  |

# Clinic: GST/HST exempt services & GST/HST applicable services

## Example

### GST/HST Amounts

|                          | Transactions   | NET Result               |
|--------------------------|--|--------------------------|
| <b>Chiropractor</b>      | GST/HST EXEMPT   | GST/HST EXEMPT           |
| <b>Massage Therapist</b> | <ul style="list-style-type: none"><li>– Collects \$13.00 (Clinic)</li><li>– Pays \$2.60 (Clinic – Rent)</li></ul>  | GST/HST Payable: \$10.40 |
| <b>Clinic</b>            | <ul style="list-style-type: none"><li>– Collects \$13.00 (Massage Therapist)</li><li>– Pays \$13.00 (Massage Therapist)</li><li>– Collects \$2.60 (Massage Therapist – Rent)</li></ul> | GST/HST Payable: \$2.60  |

## Decision

### Collecting GST/HST and claiming ITCs:

- ▶ Chiropractic services and custom-made orthotic and orthopaedic devices
  - Same as previous case
- ▶ Massage Therapist and Clinic/Practitioner A (providing rent)
  - If you are registered for GST/HST purposes, you collect GST/HST on these tax applicable services and you can claim ITCs on expenses related to GST/HST paid or payable on expenses made to provide these taxable services
  - If you are not registered for GST/HST purposes, you do not collect GST/HST nor can you claim ITCs

**Clinic:**  
**Multiple GST/HST exempt  
services & GST/HST  
applicable services**

## Situation

- ▶ Practitioner A provides chiropractic services and also offers custom-made orthotic and orthopaedic devices
  - Same situation as previous case
- ▶ Practitioner B provides massage therapy services
  - Same situation as previous case
- ▶ Practitioner C provides physiotherapy services
  - Works at the clinic and have an agreement to give 50% of his/her sales to Practitioner A for using the clinic

## GST/HST Rules

According to **part II of Schedule V to the Excise Tax Act**,

- ▶ Chiropractic services are exempt from GST/HST and custom-made orthotic and orthopaedic devices are zero-rated supplies
- ▶ Massage therapy services are GST/HST applicable services
- ▶ Physiotherapy services are GST/HST exempt services
  
- ▶ The 20% that Practitioner B and 50% that Practitioner C agrees to pay Practitioner A for the use of the clinic is considered rent, which is a taxable supply, so GST/HST is applicable

## Analysis

### Registration for GST/HST:

- ▶ Chiropractic services and custom-made orthotic and orthopaedic devices
  - Same as previous case
- ▶ Massage therapist (Practitioner B) and “rental income” (Clinic/Practitioner A)
  - Same as previous case
- ▶ Physiotherapist (Practitioner C)
  - Exempt from GST/HST, so you can not register for GST/HST



## Example

- ▶ If the clinic/practitioner A earns more than \$30,000 of annual world-wide taxable sales (incl. rent), then the clinic needs to charge HST on the split
- ▶ Same situation for the other practitioners as previous case
- ▶ If the physiotherapist charges \$100 for a session,
  - 1) The clinic/practitioner A collects \$100 for the services provided
  - 2) Practitioner C (physiotherapist) bills the clinic for the paid service for \$100
  - 3) The clinic/practitioner A bills practitioner C \$56.50 (\$50.00 + \$6.50 HST) for rent
    - 50% of the sales (based on the agreement) is equivalent to \$50.00 ( $50\% \times \$100$ )
    - The agreed split is considered rent, which is a taxable supply, so the clinic needs to collect \$5.60 of HST ( $\$50.00 \times 13\%$ )

# Clinic: Multiple GST/HST exempt services & GST/HST applicable services

## Example

### Total Amounts

|                                 | Transactions   | NET Result                   |
|---------------------------------|--|------------------------------|
| <b>Clinic/<br/>Chiropractor</b> | <ul style="list-style-type: none"><li>- Collects \$100.00 (Chiropractor)</li><li>- Collects \$113.00 (Massage Therapist)</li><li>- Pays \$113.00 (Massage Therapist)</li><li>- Collects \$22.60 (Massage Therapist – Rent)</li><li>- Collects \$100.00 (Physiotherapist)</li><li>- Pays \$100.00 (Physiotherapist)</li><li>- Collects \$56.50 (Physiotherapist – Rent)</li></ul> | <b>Collects<br/>\$179.10</b> |

# Clinic: Multiple GST/HST exempt services & GST/HST applicable services

## Example

### Total Amounts

|                          | Transactions  | NET Result       |
|--------------------------|---|------------------|
| <b>Massage Therapist</b> | <ul style="list-style-type: none"><li>– Collects \$113.00 (Clinic)</li><li>– Pays \$22.60 (Clinic – Rent)</li></ul> | Collects \$90.40 |
| <b>Physio-therapist</b>  | <ul style="list-style-type: none"><li>– Collects \$100.00 (Clinic)</li><li>– Pays \$56.50 (Clinic – Rent)</li></ul> | Collects \$43.50 |

# Clinic: Multiple GST/HST exempt services & GST/HST applicable services

## Example

### GST/HST Amounts

|                          | Transactions  | NET Result               |
|--------------------------|---|--------------------------|
| <b>Chiropractor</b>      | GST/HST EXEMPT  | GST/HST EXEMPT           |
| <b>Massage Therapist</b> | <ul style="list-style-type: none"><li>– Collects \$13.00 (Clinic)</li><li>– Pays \$2.60 (Clinic – Rent)</li></ul> | GST/HST Payable: \$10.40 |
| <b>Physio-therapist</b>  | GST/HST EXEMPT  | GST/HST EXEMPT           |

# Clinic: Multiple GST/HST exempt services & GST/HST applicable services

## Example

### GST/HST Amounts

|        | Transactions  | NET Result              |
|--------|---|-------------------------|
| Clinic | <ul style="list-style-type: none"><li>- Collects \$13.00 (Massage Therapist)</li><li>- Pays \$13.00 (Massage Therapist)</li><li>- Collects \$2.60 (Massage Therapist - Rent)</li><li>- Collects \$0.00 (Physiotherapist)</li><li>- Pays \$0.00 (Physiotherapist)</li><li>- Collects \$6.50 (Physiotherapist - Rent)</li></ul> | GST/HST Payable: \$9.10 |

## Decision

### Collecting GST/HST and claiming ITCs:

- ▶ Chiropractic services and custom-made orthotic and orthopaedic devices
  - Same as previous case
- ▶ Massage Therapist and Clinic/Practitioner A (providing rent)
  - Same as previous case
- ▶ Physiotherapist
  - You do not collect GST/HST on the services provided
  - You can not claim ITCs on expenses

# **Practitioners & medical practitioners using the services of a management company**



## Situation

- ▶ Management company (a corporation) owns the clinic
- ▶ Practitioner A provides chiropractic services and also offers custom-made orthotic and orthopaedic devices
  - Same situation as previous case
  - Practitioner A works at the clinic and has an agreement to give 50% of his/her sales to the management company
- ▶ Practitioner B provides massage therapy services
  - Same situation as previous case but instead it has an agreement to give 20% of his/her sales to the management company instead





## Situation

- ▶ Practitioner C provides physiotherapy services
  - Same situation as previous case but instead it has an agreement to give 50% of his/her sales to the management company instead
  
- ▶ Medical Practitioner D provides medical services (medical doctor)
  - Has an agreement to give 40% of his/her sales to the management company



## GST/HST Rules

According to **part II of Schedule V to the Excise Tax Act,**

- ▶ Chiropractic services are exempt from GST/HST and custom-made orthotic and orthopaedic devices are zero-rated supplies
- ▶ Massage therapy services are GST/HST applicable services
- ▶ Physiotherapy services are GST/HST exempt services
- ▶ Medical services are GST/HST exempt services
  
- ▶ The 20% that Practitioner B, 50% that Practitioner A and C, and 40% that Practitioner D agrees to pay the management company for the use of the clinic is considered rent, which is a taxable supply



## Analysis

### Registration for GST/HST:

- ▶ Chiropractic services (Practitioner A) and custom-made orthotic and orthopaedic devices
  - Same as previous case
- ▶ Massage therapist (Practitioner B)
  - Same as previous case
- ▶ Physiotherapist (Practitioner C)
  - Same as previous case



## Analysis

### Registration for GST/HST:

- ▶ Medical Doctor (Medical Practitioner D)
  - Exempt from GST/HST, so you can not register for GST/HST
  
- ▶ Management Company (Clinic) – Rent
  - If annual world-wide taxable sales are equal to or more than \$30,000, you must register
  - If annual world-wide taxable sales are less than \$30,000, you do not need to register



## Example

- ▶ If the management company (clinic) earns more than \$30,000 of annual world-wide taxable sales, then it needs to charge HST on the split
- ▶ If the chiropractor charges \$100.00 for a session and does not sell any orthotics,
  - 1) The clinic collects \$100.00 for the services provided
  - 2) Practitioner A (chiropractor) bills the clinic for the paid service for \$100.00
  - 3) The clinic bills practitioner A \$56.50 (\$50.00 + \$6.50 HST) for rent
    - 50% of the sales (based on the agreement) is equivalent to \$50.00 (50% x \$100.00)
    - The agreed split is considered rent, which is a taxable supply, so the clinic needs to collect \$6.50 of HST (\$50.00 x 13%)



## Example

- ▶ If the massage therapist charges \$100.00 for a session,
  - 1) The clinic collects \$113.00 (\$100.00 + \$13.00 HST) for the services provided
  - 2) Practitioner B (massage therapist) bills the clinic for the paid service for \$113.00 (\$100.00 + \$13.00 HST)
  - 3) The clinic bills practitioner B \$22.60 (\$20.00 + \$2.60 HST) for rent
    - 20% of the sales (based on the agreement) is equivalent to \$20.00 (20% x \$100.00)
    - The agreed split is considered rent, which is a taxable supply, so the clinic needs to collect \$2.60 of HST (\$20.00 x 13%)



## Example

- ▶ If the physiotherapist charges \$100.00 for a session,
  - 1) The clinic collects \$100.00 for the services provided
  - 2) Practitioner C (physiotherapist) bills the clinic for the paid service for \$100.00
  - 3) The clinic bills practitioner C \$56.50 (\$50.00 + \$6.50 HST) for rent
    - 50% of the sales (based on the agreement) is equivalent to \$50.00 (50% x \$100)
    - The agreed split is considered rent, which is a taxable supply, so the clinic needs to collect \$5.60 of HST (\$50.00 x 13%)



## Example

- ▶ If the medical doctor charges \$200.00 for a session,
  - 1) The clinic collects \$200.00 for the services provided
    - The medical doctor billing is done through the management company through OHIP billing
  - 2) Medical practitioner D (medical doctor) bills the clinic for the paid service for \$200.00
  - 3) The clinic bills medical practitioner D \$90.40 (\$80.00 + \$10.40 HST) for rent
    - 40% of the sales (based on the agreement) is equivalent to \$80.00 (40% x \$200.00)
    - The agreed split is considered rent, which is a taxable supply, so the clinic needs to collect \$10.40 of HST (\$80.00 x 13%)



# Practitioners & medical practitioners using the services of a management company



**SRJ** CHARTERED  
ACCOUNTANTS  
Professional Corporation

## Example

### Total Amounts

|                                    | Transactions   | NET Result |
|------------------------------------|--|------------|
| <b>Management Company (Clinic)</b> | <ul style="list-style-type: none"><li>- Collects \$100.00 (Chiropractor)</li><li>- Pays \$100.00 (Chiropractor)</li><li>- Collects \$56.50 (Chiropractor – Rent)</li><li>- Collects \$113.00 (Massage Therapist)</li><li>- Pays \$113.00 (Massage Therapist)</li><li>- Collects \$22.60 (Massage Therapist – Rent)</li></ul> |            |

# Practitioners & medical practitioners using the services of a management company



**SRJ** CHARTERED  
ACCOUNTANTS  
Professional Corporation

## Example

### Total Amounts

|                             | Transactions   | NET Result        |
|-----------------------------|--|-------------------|
| Management Company (Clinic) | <ul style="list-style-type: none"><li>- Collects \$100.00 (Physiotherapist)</li><li>- Pays \$100.00 (Physiotherapist)</li><li>- Collects \$56.50 (Physiotherapist – Rent)</li><li>- Collects \$200.00 (Medical Doctor)</li><li>- Pays \$200.00 (Medical Doctor)</li><li>- Collects \$90.40 (Medical Doctor – Rent)</li></ul> | Collects \$226.00 |

# Practitioners & medical practitioners using the services of a management company



**SRJ** CHARTERED  
ACCOUNTANTS  
Professional Corporation

## Example

### Total Amounts

|                          | Transactions  | NET Result       |
|--------------------------|---|------------------|
| <b>Chiropractor</b>      | <ul style="list-style-type: none"><li>- Collects \$100.00 (Clinic)</li><li>- Pays \$56.50 (Clinic - Rent)</li></ul> | Collects \$43.50 |
| <b>Massage Therapist</b> | <ul style="list-style-type: none"><li>- Collects \$113.00 (Clinic)</li><li>- Pays \$22.60 (Clinic - Rent)</li></ul> | Collects \$90.40 |

# Practitioners & medical practitioners using the services of a management company



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## Example

### Total Amounts

|                         | Transactions  | NET Result        |
|-------------------------|---|-------------------|
| <b>Physio-therapist</b> | <ul style="list-style-type: none"><li>– Collects \$100.00 (Clinic)</li><li>– Pays \$56.50 (Clinic – Rent)</li></ul> | Collects \$43.50  |
| <b>Medical Doctor</b>   | <ul style="list-style-type: none"><li>– Collects \$200.00 (Clinic)</li><li>– Pays \$90.40 (Clinic – Rent)</li></ul> | Collects \$109.60 |

# Practitioners & medical practitioners using the services of a management company



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## Example

### GST/HST Amounts

|                   | Transactions  | NET Result               |
|-------------------|---|--------------------------|
| Chiropractor      | GST/HST EXEMPT  | GST/HST EXEMPT           |
| Massage Therapist | <ul style="list-style-type: none"><li>– Collects \$13.00 (Clinic)</li><li>– Pays \$2.60 (Clinic – Rent)</li></ul> | GST/HST Payable: \$10.40 |

# Practitioners & medical practitioners using the services of a management company



**SRJ** CHARTERED  
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## Example

### GST/HST Amounts

|                  | Transactions   | NET Result     |
|------------------|----------------|----------------|
| Physio-therapist | GST/HST EXEMPT | GST/HST EXEMPT |
| Medical Doctor   | GST/HST EXEMPT | GST/HST EXEMPT |

# Practitioners & medical practitioners using the services of a management company



**SRJ** CHARTERED  
ACCOUNTANTS  
Professional Corporation

## Example

### GST/HST Amounts

|                                    | Transactions   | NET Result                      |
|------------------------------------|--|---------------------------------|
| <b>Management Company (Clinic)</b> | <ul style="list-style-type: none"><li>- Collects \$6.50 (Chiropractor – Rent)</li><li>- Collects \$13.00 (Massage Therapist)</li><li>- Pays \$13.00 (Massage Therapist)</li><li>- Collects \$2.60 (Massage Therapist – Rent)</li><li>- Collects \$6.50 (Physiotherapist – Rent)</li><li>- Collects \$10.40 (Medical Doctor – Rent)</li></ul> | <b>GST/HST Payable: \$26.00</b> |



## Example

### Outcome:

- ▶ The management company collects:
  - From the chiropractor, \$56.50;
  - From the massage therapist, \$22.60;
  - From the physiotherapist, \$56.50;
  - From the medical doctor, \$90.40.
  
- ▶ In total from these transactions, the management company has:
  - Rental income = \$200.00 (\$50.00 + 20.00 + 50.00 + 80.00); and
  - HST collected = \$26.00 (\$6.50 + 2.60 + 6.50 + 10.40).





## Decision

Collecting GST/HST and claiming ITCs:

- ▶ Chiropractic services and custom-made orthotic and orthopaedic devices
  - Same as previous case
- ▶ Massage Therapist
  - Same as previous case
- ▶ Physiotherapist
  - Same as previous case



## Decision

### Collecting GST/HST and claiming ITCs:

- ▶ Medical Doctor
  - You do not collect GST/HST on the services provided
  - You can not claim ITCs on expenses
  
- ▶ Management Company (Clinic)
  - If you are registered for GST/HST purposes, you collect GST/HST on the rent and you can claim ITCs on expenses related to GST/HST paid or payable on expenses made to provide these taxable services
  - If you are not registered for GST/HST purposes, you do not collect GST/HST nor can you claim ITCs

# Questions & Answers – Thank You!

On behalf of our Partners at SRJ Chartered Accountants, we are proud to be working alongside the Ontario Chiropractic Association and all of its members. As per our arrangement with the OCA, we are offering preferred rates to its members for the following services:

- ▶ Incorporations and business registration;
- ▶ Personal income tax returns;
- ▶ Corporate income tax returns;
- ▶ Bookkeeping services; and
- ▶ **HST Services**

Should you have any questions on these matters, please do not hesitate to contact us for some further guidance.

Thank you.

SRJ Chartered Accountants

## Contact Info:

|                    |  |
|--------------------|--|
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