

## Non-Resident Importer (NRI) and GST in Canada

Non-Resident importers (NRI) act as both the Exporter and the Importer of Record for goods sold/consigned to Canada using DDP term of sale so that their goods are delivered to the door of the customer in Canada with all duties, taxes, clearance and transportation charges included.

A NRI is registered with Canada Border Service Agency (CBSA) and receives their unique importer number to be used at clearances but besides possible duty, there is GST payable at time of import. GST (Goods and Services Tax) is a 5% tax assessed on most goods and services in Canada including all imports and controlled by the Canada Revenue Agency (CRA). GST is similar to the European VAT.

A Canadian importer, who pays duty and GST on their imports, have the opportunity to rebate or receive back the GST that was paid at the time of import through the Canadian tax program unlike a NRI.

A NRI who will only be importing once or possibly twice into Canada has a limited exception for getting back the GST if their customer/consignee in Canada is willing to help them with the process. The NRI pays the duty and GST at the time of import and would give the payment document (B3) to the consignee who can make the request on their behalf through a special flow through process with CRA. The NRI (non-GST importer) cannot issue an invoice to the consignee for the GST and must wait for the process to finish over a period of 6 to 12 months for the money to be sent to the consignee who will then pass the GST paid back to the NRI.

If you anticipate having more than two shipments into Canada where you are acting as the Importer of Record, you have 2 options. Remember, the value that you declare at time of import is the actual value that you would be selling to your consignee.

- 1) Do NOT register and the GST would now be treated as an expense or cost because you cannot charge the GST, you cannot collect the GST, but you still have to pay the GST upon importation.
- 2) Register in the GST program along with your importer number and work with a Canadian account for all processing and record keeping on your behalf.
  - NRI can now claim back GST paid at time of import
  - NRI must charge their Canadian customer the GST plus applicable provincial taxes depending on what province they are selling to
  - GST and provincial tax must be shown as a separate line on the commercial invoice and be collected from the consignee
  - You will receive a form from the CRA where you or your Canadian accountant will indicate all the GST you paid (input tax credit) to CBSA on import versus all the GST plus provincial tax you collected from your clients (plus/minus)
  - This amount will result in either a remittance to the Government or a refund
  - You can choose to file your GST/HST monthly, quarterly or yearly depending on the disbursements involved.
  - Must remain registered for the GST for at least 1 year
  - Must maintain books and records in Canada for 6 years plus the current year
  - For a non-resident that has a permanent establishment in Canada, it is required to file income tax returns
  - For a non-resident that is carrying on business in Canada without a permanent establishment, it may still be required to file a treaty-based return

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### Current Provincial Taxes on Sale

PST (Provincial Sales Tax)

HST (Harmonizes Sales Tax – combines GST and provincial tax into 1 rate)

QST (Quebec Consumption Tax -provincial)

Alberta 5% GST (no PST)

British Columbia 5% GST / 7% PST

Manitoba 5% GST / 7% PST

New Brunswick 15% HST

Newfoundland 15% HST

Ontario 13% HST

Prince Edward Island 15% HST

Quebec 5% GST / 9.975% QST

Saskatchewan 5% GST / 6% PST

Territories: Northwest Territories, Nunavut and Yukon are all only 5% GST.

Generally, you have to register for the GST/HST if your worldwide revenues are more than CAD\$30,000 and you are conducting business in Canada.

If you do not have a permanent establishment in Canada when you apply to be registered for the GST/HST, then you have to provide the CRA with a security deposit. The initial amount of the security deposit is 50% of your estimated net tax, whether positive or negative, during the 12-month period after you register. For subsequent years, the amount of security is equal to 50% of your actual net tax for the previous 12-month period, whether this amount is positive or negative.

Due to the complexities of the GST process for the NRI, many shipments are sold DDP except GST as agreed with the customer/consignee. The importer of record is the consignee who can process the GST rebate much easier while all other charges like duty, clearance and transportation charges are paid by the exporter/vendor. The value declared for import is the same for an NRI or Canadian importer.