
HOW THE GST WORKS

The GST works like this:

- Businesses are required to charge GST at the rate of seven per cent of the purchase price of taxable goods and services they sell in Canada. Most businesses are able to claim a full credit (called an "input tax credit") for the GST that they pay on the goods and services they purchase to operate their businesses.
- At specified intervals (as detailed below), the company adds up the amount of GST it has paid to its suppliers in that period. It subtracts this amount from the total amount of GST it has collected from its own customers. If it has collected more than it paid, the difference is remitted to the government. If more tax was paid than was collected, a refund can be claimed from the government. The government is required to provide this refund within 21 days, or pay interest beyond that point.