

CANADA:

Impact of the Goods and Services Tax

PURCHASING

Ultimately, the consumer pays for the GST. Thus, the consumer has fine tuned his/her buying behavior and has become smarter.

BONDED WAREHOUSE

If you put your goods in a bonded warehouse, they have not officially entered Canada and have escaped Canadian tax laws. A broker can provide this service. When an order comes in, the broker releases the goods on the instructions of the U.S. exporter. They can then:

A. Pay the duty and taxes and flow it through

Or

B. Let the Canadian buyer take the goods out of bond and pay the duty and taxes.

CASH FLOW IMPLICATION OF THE GST

On May 1, 1991, the Canadian government adopted a new system for paying the GST. The deferment gives Canadian or non-resident importers 15 to 20 working days to get back the input tax credit before making the GST payment. Thus, the importer is no longer financing the input tax credit for the Canadian government.