

December 1, 2010

Reimbursement of Expenses – Increase in Mathematical Factors

Employers, partnerships, charities and public institutions that reimburse expenses incurred by employees, members or volunteers can, under the administrative policy, use a simplified method to calculate the input tax refunds (ITRs) or partial rebates to which they are entitled.

Instead of calculating the exact amount of tax applicable, large businesses (LBs) can calculate the ITRs to which they are entitled by applying the specified percentage to the amount of expenses reimbursed or allowances paid to their employees, members or volunteers. This method, known formerly as the "4.1% method," is now referred to as the "LB simplified method."

Similarly, the ITRs claimed by small and medium-sized businesses (SMBs), as well as the partial rebates claimed by charities, qualifying non-profit organizations and selected public service bodies, can be determined by applying the specified factor to reimbursed expenses, rather than by indicating the exact amounts of QST paid. This method, known formerly as the "7/107th method," is now called the "SMB simplified method."

The upcoming increases in the QST rate, which will rise to 8.5% on January 1, 2011, and to 9.5% on January 1, 2012, will lead to changes in the specified percentage and specified factor used in the simplified methods for calculating ITRs. These changes are outlined in the table below.

Period in which the expenses are incurred	QST rate	Specified percentage (LB simplified method)	Specified factor (SMB simplified method)
Before January 1, 2011	7.5%	4.1%	7/107
After December 31, 2010, and before January 1, 2012	8.5%	4.5%	8/108
After December 31, 2011	9.5%	5%	9/109