



AFOA CANADA

Building a Community of Professionals

RECORDING GST/HST RECEIVABLE

*Quick Reference
Guide*

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INTRODUCTION

This guide provides clear and easy-to-follow instructions on recording GST/HST receivable, emphasizing the differences between regular Accounts Payable (AP) invoices and Employee Reimbursements.

Goods and Services Tax “GST/HST” is a tax that organizations can claim back on certain purchases, otherwise known as an input tax credit “ITC”. Recording GST/HST receivable accurately ensures compliance and proper fiscal management for your organization.





RECORDING GST/HST ON REGULAR ACCOUNTS PAYABLE (AP) INVOICES

WHEN TO RECORD GST/HST?

Record GST/HST when you receive an invoice for goods or services that include GST/HST.

BENEFITS OF MULTI-YEAR BUDGETING

- **Predictability:** Provides a clearer financial outlook over a longer period.
- **Strategic Planning:** Supports long-term projects and initiatives.
- **Risk Management:** Helps in identifying and mitigating financial risks early.

STEPS

For Recording GST/HST

1 REVIEW THE INVOICE

- Check that the invoice includes the supplier's GST/HST registration number.
- Verify that the GST/HST amount is clearly stated.

2 CALCULATE GST/HST

- **GST/HST-Exclusive Invoices:** Use the GST/HST amount shown on the invoice.
- **GST/HST-Inclusive Invoices:** If the total includes GST/HST, a 2-part calculation,
 - **Total Amount Excluding Tax** = Divide the total amount by 1.05 (for a 5% GST/HST rate).
 - **Tax** = Total Amount Including Tax – Total Amount Excluding Tax
- Record PST separately (if applicable, and consult with local provincial guidelines).

3 ENTER INFORMATION IN ACCOUNTING SOFTWARE

- **Expense Amount:** Enter the cost of the goods/services excluding GST/HST.
 - Could be an income statement or balance sheet general ledger account (expense/capital asset)
- **GST/HST Receivable:** Enter the GST/HST amount separately.
 - Should be a balance sheet general ledger account

4 FILE THE INVOICE

- Keep a digital or physical copy of the invoice for records.
 - Could be used in a regular audit, or potentially a GST/HST audit.

EXAMPLE

Invoice Total (GST/HST-Exclusive): \$110

- Expense: \$100
- GST/HST Receivable: \$10

Invoice Total (GST/HST-Inclusive): \$231

- Expense: \$220
- GST/HST Receivable: \$11
 - **Calculation Step 1:** $\$231 / 1.05 = \220
 - **Calculation Step 2:** $\$231 - \$220 = \$11$



RECORDING GST/HST ON EMPLOYEE REIMBURSEMENTS

WHEN TO RECORD GST/HST?

Record GST/HST on expenses incurred by employees for any items which are used for business purposes if the original receipt includes GST/HST.

STEPS

For Recording GST/HST

Same as with regular Account Payable Invoice

1 COLLECT ORIGINAL RECEIPTS

- Ensure employees provide unmodified original receipts, or images showing GST/HST details.

2 REVIEW AND VERIFY RECEIPTS

- Check that the receipt includes the supplier's GST/HST registration number and the GST/HST amount.

3 CALCULATE GST/HST

- **GST/HST - Exclusive receipts:** Use the GST/HST amount shown on the receipt.
- **GST/HST - Inclusive receipts:** If the total includes GST/HST, a 2-part calculation,
 - **Total Amount Excluding Tax** = divide the total amount by 1.05 (for a 5% GST/HST rate).
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KEY DIFFERENCES BETWEEN *AP Invoices and Employee Reimbursements*

SOURCE OF RECEIPTS

- **AP Invoices:** Issued by vendors for purchases made by the organization.
- **Employee Reimbursements:** Receipts provided by employees for expenses they incurred on behalf of the organization.

VERIFICATION

- **AP Invoices:** Typically have more formal documentation and clear GST/HST breakdown.
- **Employee Reimbursements:** May require careful verification of receipts to ensure GST/HST details are included.

ENTRY IN ACCOUNTING SYSTEM

- Both follow similar steps but require attention to detail in differentiating between organizational purchases and employee expenses.
- Reviewing employee expense reimbursements requires professional judgment regarding the purpose of the expense and whether it qualifies as a “business purpose.”
 - Generally speaking, if the item purchased and reimbursed to the employee, is used on behalf of or consumed by the organization, then the item is considered for “business purposes.”

Best Practices

1 MAINTAIN ACCURATE RECORDS

- Always file invoices and receipts systematically.
- Ensure all GST/HST amounts are correctly recorded to facilitate GST/HST claims.

2 REGULAR TRAINING

- Provide ongoing training to staff on GST/HST recording procedures.
- Regularly review CRA websites for changes to GST/HST reporting requirements.

3 COMMUNICATION

- Maintain clear communication with employees about the importance of providing detailed receipts.
- Have regular lunch and learns with employees to provide training.

CONCLUSION

Accurate recording of GST/HST receivable on both AP invoices and employee reimbursements is essential for compliance and effective fiscal management. By following the steps outlined in this guide, finance staff can confidently manage GST/HST transactions within a First Nation government context.