



Canada Revenue
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GST/HST Information for Freight Carriers

Is this booklet for you?

This booklet explains how the goods and services tax/harmonized sales tax (GST/HST) applies to domestic and international freight transportation services. It is intended for freight companies and self-employed truck owner-operators. It will help you understand what a freight transportation service is and how GST/HST affects you as a freight carrier.

Special rules apply to foreign carriers. For more information, see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*.

GST/HST and Quebec

In Quebec, Revenu Québec administers the GST/HST. If the physical location of your business is in Quebec, contact Revenu Québec at **1-800-567-4692**. Also see the Revenu Québec publication, IN-203-V, *General Information Concerning the QST and the GST/HST*, available on their Web site at **www.revenu.gouv.qc.ca**.

What's new?

Effective January 1, 2008, the GST rate is reduced from 6% to 5% and the HST rate from 14% to 13%.

If you have a visual impairment, you can get our publications in braille, large print, etext (CD or diskette), or MP3. For more information, visit our Web site at **www.cra.gc.ca/alternate** or call **1-800-959-2221**.

La version française de cette publication est intitulée *Renseignements sur la TPS/TVH pour les transporteurs de marchandises*.

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Definitions

Carrier – means a person who supplies freight transportation services, whether that person actually performs the services or not. A person needs only to accept responsibility as the supplier of the freight transportation service to be considered the carrier.

Notes

A person who has a contract with a shipper to move the shipper's goods from one place to another is still considered to be a carrier of the goods, even if the work is subcontracted to another person who actually performs the entire freight transportation service.

For GST/HST purposes, a person does not need a carrier licence to be a carrier. For instance, if independent owner-operators of highway tractors and courier vehicles provide freight transportation services, they are carriers whether or not they are required by law to be licensed as carriers.

Consignee – is a person to whom the property is to be delivered.

Continuous freight movement – means the transportation of goods by one or more carriers to a destination specified by the shipper of the goods, where all the freight transportation services are supplied as a result of instructions given by the shipper of the goods.

Continuous outbound freight movement – means the transportation of goods by one or more carriers from a place in Canada to a place outside Canada, or to another place in Canada from which the goods are to be exported. After the shipper transfers possession of the goods to a carrier, and before the goods are exported, the goods cannot be further processed, transformed, or altered in Canada, except to the extent necessary to transport the goods.

Destination – of a continuous freight movement of goods means the place specified by the shipper (usually on the bill of lading) where possession of the goods is transferred to the person to whom the goods are consigned or addressed by the shipper.

Freight transportation service – means the service of transporting goods, and includes mail delivery and courier services. It also includes goods or services that are incidental to, or part of, a freight transportation service and may consist of warehousing, packing, and loading services, whether or not a separate charge is made for them.

Input tax credit (ITC) – means a credit GST/HST registrants can claim to recover the GST/HST they paid or owe for goods or services they acquired, imported into Canada, or brought into a participating province for use, consumption, or supply in the course of their commercial activities.

Origin – of a continuous freight movement means the place where the first carrier engaged in the movement takes possession of the goods being transported.

Participating provinces – means the provinces of Nova Scotia, New Brunswick, and Newfoundland and Labrador.

Person – means an individual, a partnership, a corporation, the estate of a deceased individual, a trust, or any organization such as a society, a union, a club, an association, or a commission.

Registrant – means a person that is registered or has to be registered for the GST/HST.

Shipper – of goods means the person who transfers possession of the goods being shipped to a carrier at the origin of a continuous freight movement or a continuous outbound freight movement. For GST/HST purposes, a person cannot be both a shipper and a carrier for the same shipment; the person is considered a shipper only.

What is GST/HST?

GST is a tax that applies on most taxable supplies made in Canada. Three participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) harmonized their provincial sales tax with the GST to create the harmonized sales tax (HST). HST applies to the same goods and services as GST. The GST is 5% and the HST is 13% (5% federal part and 8% provincial part).

GST/HST also applies to intangible property such as trademarks, rights to use a patent, digitized products downloaded from the Internet and paid for individually, and options to purchase property.

GST/HST registrants who make taxable supplies (other than zero-rated supplies) in the three participating provinces collect the HST. Registrants collect the GST on taxable supplies that are made in the rest of Canada (other than zero-rated supplies). For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Taxable supplies of goods and services

GST/HST registrants have to charge, collect, and account for the GST/HST on their taxable supplies of goods and services and they may claim input tax credits (ITCs) to recover the GST/HST they pay or owe on purchases made to provide them. Examples of supplies taxable at 5% or 13% include:

- most transportation of goods within Canada;
- customs brokerage services;
- gasoline, propane, diesel, and other fuels;
- vehicle repairs and maintenance;
- commercial rent;

- advertising; and
- most telecommunication services provided in Canada.

Zero-rated supplies

GST/HST at the rate of 0% is charged on zero-rated supplies (no GST/HST is charged) but GST/HST registrants may claim ITCs to recover the GST/HST they pay or owe on purchases made to provide them. Examples of **zero-rated** supplies include:

- transportation of goods to a place outside Canada from a place inside Canada (continuous outbound freight movement) when the charge for the service is \$5 or more;
- transportation of goods from a place outside Canada to a place in Canada (continuous inbound freight movement); and
- freight transportation services between two points outside Canada.

For more information, see “How GST/HST applies to freight transportation services” on page 9.

Exempt supplies of goods and services

Supplies of certain goods and services are exempt; they are not subject to GST/HST. GST/HST registrants do not charge GST/HST on exempt supplies of goods and services and cannot claim ITCs to recover the GST/HST they paid or owe on expenses related to making such supplies.

Examples of exempt supplies include:

- insurance services provided directly by insurance companies;
- licences or permits provided by a government or municipality; and
- certain domestic ferry services.

Additional information

For more information on GST/HST registration, and how to charge, collect, calculate, and account for the GST/HST, see Guide RC4022, *General Information for GST/HST Registrants*.

Freight transportation services

Freight transportation service means the service of transporting goods. In certain circumstances, other services may also be considered freight transportation services. Before determining whether a freight transportation service is taxable at 5%, 13%, or 0%, you have to determine if the service you provide is a freight transportation service. You also have to determine if the goods and services you provide are incidental to, or part of, a freight transportation service.

Driving services

The service of a driver is usually not a freight transportation service. This is the case when, for example, a self-employed driver does not use his or her own truck and does not assume liability for the supply of a freight transportation service. The driver is then supplying driving services.

Freight forwarders' services

Freight forwarders usually act as agents on behalf of their clients. They mainly assist shippers in connection with the preparation and booking of a freight transportation service.

The services they provide are freight transportation services if they are carriers (they buy and resell freight transportation services) and they assume liability for the transportation of goods.

A freight forwarder is not a carrier providing freight transportation services when the freight forwarder acts as an agent for a shipper and does not assume liability for the transportation of goods. For more information, see "Freight forwarders' services" on page 12.

Pilot car services

A pilot car service involves using a marker vehicle when a carrier moves a load that exceeds legislated dimensions for travel on roads and highways. The pilot car service is part of a freight transportation service when the pilot car service is provided by the carrier.

If an independent contractor or someone other than the carrier provides the pilot car service, the service is not part of a freight transportation service.

Repositioning a conveyance

Carriers may charge empty mile charges for the repositioning of a conveyance. The service is incidental to a freight transportation service when the charge relates to a specific freight movement. Documents, such as a probill or trip number on the driver's pay stub, have to be kept to show that the charge is part of a freight transportation service.

Shunting services

A service of transferring trailers from a client's yard to a loading dock (shunting) is a freight transportation service.

Stevedoring services

Stevedoring (the loading and unloading of ships) is a freight transportation service and persons providing these services are carriers.

Reload centre services

A reload centre is used as a cross-dock operation where goods are transported to the facility by rail or by truck. The goods are unloaded and, if not immediately reloaded for export, are stored for a short period of time, usually 30 days or less. If the goods are not processed or altered in any way while they are in the facility, the services supplied at reload centres are freight transportation services.

Towing services

The service of towing a vehicle from the site of an accident or breakdown is a freight transportation service. Roadside services (for example, car boosting, winching, and unlocking doors) are not freight transportation services since these services do not involve the transportation of goods. If the tow truck operator provides car boosting or other services before towing a vehicle, the car boosting or other services may be incidental to the freight transportation services.

Property and services incidental to, or part of, freight transportation services

Freight transportation services may also include property or services that are incidental to, or part of, a freight transportation service. The following are examples of property and services that may be part of, or incidental to, a freight transportation service:

- storage and warehousing;
- loading and unloading;
- refrigeration; and
- packing.

Property and services incidental to, or part of, a freight transportation service have the same tax status as the supply of the freight transportation service.

How GST/HST applies to freight transportation services

A supply of a freight transportation service made in Canada can be taxable at 5% or 13%, or zero-rated. This section explains how GST/HST applies to goods and services commonly provided in the freight transportation industry and how to determine the tax status of these services.

Supplies of freight transportation services taxable at 5% or 13%

Most domestic freight transportation services are subject to HST for destinations within the participating provinces and to GST for destinations in the rest of Canada. If you provide a freight transportation service that takes place partly outside Canada, but both the origin and destination are in Canada, it is considered a domestic service. Examples include coastal shipping or shipments between two places in Canada routed through the United States.

Supplies of zero-rated freight transportation services

International freight services

The following international freight transportation services are zero-rated:

- transportation of goods from a place in Canada to a place outside Canada when the freight charge is \$5 or more;
- transportation of goods from a place outside Canada to a place in Canada; and
- transportation of goods from a place outside Canada to another place outside Canada, even if the goods pass through Canada.

Domestic freight services

Freight transportation services provided in Canada are generally subject to GST/HST as explained on page 7. However, the following freight transportation services are zero-rated and you do not charge GST/HST for providing them:

- services that are part of a continuous inbound or outbound international freight movement; and
- services that are being supplied to another carrier under an interlining arrangement that are part of a continuous freight movement.

For more information, see “Continuous inbound freight movement” and “Continuous outbound freight movement” on the next page, and “Interlining” on page 11.

Continuous inbound freight movement

The supply of a freight transportation service from one place in Canada to another place in Canada is zero-rated when the service is part of a continuous freight movement that originates outside Canada and has a destination in Canada. If you are a carrier who is responsible for invoicing or billing a customer for the domestic service (the customer is not a carrier), you must keep documents to show that the domestic service is part of a continuous inbound freight movement.

Example

A shipment arrives in Halifax, Nova Scotia, from London, England, on an ocean bill of lading. The shipper has specified on the original bill of lading that the goods are destined for Montréal, Quebec. Under a separate contract, a rail carrier is to deliver the goods to the consignee in Montréal. The freight transportation service by the rail carrier is zero-rated if the rail carrier has a copy of the original bill of lading. If the rail carrier cannot get a copy of the original bill of lading, the rail carrier should get a certification from the ocean carrier or the ocean carrier's agent that the cargo originated outside Canada as specified on the shipper's bill of lading.

Continuous outbound freight movement

The domestic part of a continuous outbound international freight movement is zero-rated and you do not charge GST/HST if the following conditions are met:

- the shipper provides the carrier with a written declaration stating that the goods are being shipped for export and the domestic freight transportation service the carrier will supply is part of a continuous outbound freight movement of the goods;
- the goods are exported;
- the domestic freight transportation service is part of a continuous outbound freight movement of the goods; and
- the charge for the domestic freight transportation service is \$5 or more.

The domestic freight transportation services are zero-rated only if they are part of a continuous outbound freight movement. One of the requirements is that the goods transported cannot be processed, transformed, or altered in Canada after the shipper transfers possession of the goods to a carrier and before they are exported, except to the extent necessary to transport the goods. This might include packing or refrigeration to make sure that the goods arrive at their destination in good condition. Domestic freight transportation services used to move raw materials to a processing plant, such as grain moved to a dockside elevator to be cleaned, dried, and graded before being exported, are subject to GST/HST, unless interlining applies.

Shipper's declaration

The shipper's declaration should state that the goods are being shipped for export and the carrier's freight transportation services are part of a continuous outbound freight movement of the goods. The declaration could be on the bill of lading given to the original carrier, or on a separate document given to the carrier. See GST/HST Memorandum 28.2, *Freight Transportation Services*, for an example of a shipper's declaration.

If the declaration is not made, the carrier's services are taxable at 5% or 13% and the carrier has to collect GST/HST on the freight transportation service provided in Canada unless interlining applies. For more information, see "Interlining" below.

A carrier's services are also taxable at 5% or 13% if a shipper provides a declaration to the carrier but the goods are not exported. In this case, the carrier is not required to collect the GST/HST on its services if the carrier did not know or could not reasonably have known that the goods were being delivered to a destination in Canada. When the shipper provides a false declaration, the shipper has to account for the tax on the carrier's services.

Interlining

Several carriers may take part in the supply of a freight transportation service during the course of a continuous freight movement from the shipper to the consignee, but only one carrier invoices the customer. This process is called **interlining**.

Only the "invoicing carrier" who settles the freight bill directly with the customer, who may be the shipper or the consignee, is responsible for charging and collecting any applicable GST/HST. Supplies between interlining carriers are zero-rated. This is the case even if the invoicing carrier is acting as an agent for the other carriers for collecting the GST/HST.

When a person, whose business includes the supply of freight transportation services, is shipping his or her own goods and transfers possession of those goods to a carrier, that person is the shipper and the interlining rules do not apply. In this case the person is the shipper of the goods and not a carrier.

Example

Carrier A contracts with carrier B to have carrier B transport a load of pallets owned by carrier A. Carrier B's charge for the freight transportation service does not qualify as interlining. Therefore, if it is a domestic freight transportation service, carrier B's service is subject to GST/HST.

If an owner-operator provides a freight transportation service on behalf of a carrier and that carrier remains responsible for invoicing the customer, the services provided by the owner-operator are zero-rated since the owner-operator is an interlining carrier and is not the invoicing carrier.

Chargeback

Interlining may also involve transactions, other than freight transportation services, between the first carrier and the subsequent carrier (a **chargeback**). A chargeback for supplies used in the transportation of freight from one freight carrier to another freight carrier (such as a truck owner-operator), is not a supply of a freight transportation service. A chargeback is usually for goods and services (such as fuel, truck repairs, maintenance, or permit fees) used to provide freight transportation services but are not freight transportation services. A chargeback is usually subject to GST/HST.

Couriers

The interlining rules also apply to courier services. For example, when a freight company contracts with a courier to pick up or deliver goods to the freight company, the courier bills the freight company for the service and, in turn, the freight company bills either the shipper or the consignee. The courier does not charge GST/HST on its service because it is an interlining carrier and it is not the invoicing carrier.

When a courier company contracts with a person to deliver goods, the courier company issues an invoice to its customer and is responsible for charging and collecting GST/HST. Persons who are on contract with the courier company to make deliveries and who do not invoice the customer directly can zero-rate their services to the courier company because they are interlining carriers and not the invoicing carriers.

Tow-truck operators

The interlining rules also apply to the service of towing a vehicle from the site of an accident or breakdown. When self-employed contractors (operators) work for a GST/HST registered tow-truck company, the services provided by the operators to the tow-truck company are zero-rated and the tow-truck company (as the invoicing carrier) is responsible for charging and collecting the GST/HST from the customers.

Freight forwarders' services

Freight forwarders usually act as agents on behalf of their clients. However, they may also be carriers and assume liability for the transportation of goods. If they buy and resell freight transportation services, they are subject to the same rules as the carriers who perform the actual transportation service.

If a registrant freight forwarder acts as an agent for a Canadian shipper by arranging for the transportation of goods, the freight forwarder charges GST/HST on its commission whether the destination of the goods is domestic or international.

Services provided by a freight forwarder are zero-rated when:

- the freight forwarder is acting as an agent for a non-resident person who is not registered for GST/HST when the service is provided; and
- the service relates to a zero-rated freight transportation service, other than interlining.

Other freight and miscellaneous charges

Demurrage payments and penalties

Amounts that a shipper pays a carrier for the detention of a ship, freight car, or other cargo conveyance during loading or unloading beyond the scheduled time of departure are not subject to GST/HST.

Insurance

If you act as an agent for an insurance company to arrange insurance coverage on your client's goods, you do not collect GST/HST on premiums paid to the insurance company. Carriers often provide their clients with some protection against losses or damages. You can self-insure your clients' goods by including a risk premium in your charge or by charging a separate amount to your client for risk protection. In these cases, you are self-insuring against claims for losses or damages. The charge to your client for this protection takes the same tax status as the freight charge for GST/HST purposes because it is incidental to, or part of, the freight transportation service.

Loss or damage claim settlements

If freight is lost or damaged in transit, the carrier may be required under the terms of the agreement to replace the goods or otherwise compensate the customer. The claims that carriers pay to claimants are usually not subject to GST/HST.

Loss or damage claim settlements are different from a reduction in freight charges. A reduction in freight charges is an adjustment to the original invoice. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Mileage credits

A rail carrier pays the owners of railway cars a fee when shippers use cars that the rail carrier does not own. This fee is referred to as a mileage credit and is subject to GST/HST.

When a railway carrier passes this cost on to the shipper, the invoice to the shipper should reflect GST/HST on both the gross rental charge and on the mileage credit.

Sufferance warehouse

The Canada Border Services Agency licenses sufferance warehouses for Canada Customs inspections and clearances. These warehouses are referred to as “type B” warehouses for purposes of the *Customs Act*.

Sufferance warehouse services, including the handling and storage services a sufferance warehouse operator provides for imported goods, are zero-rated when the purpose of the service is to enable the examination of these goods before release.

The zero-rating does not include office rents and bay rental fees charged to tenants and fees for preparing entry documents (other than re-manifesting fees incidental to the handling and storage of goods).

For more information

Contact us if, after reading this booklet, you would like to get forms or publications, or you need more help.

To get forms and publications, visit our Web site at www.cra.gc.ca/forms or call 1-800-959-2221.

For more information or enquiries, visit our Web site at www.cra.gc.ca/gsthst or call 1-800-959-5525.

Teletypewriter (TTY) users

If you use a TTY, an agent at our bilingual enquiry service (1-800-665-0354) can help you during regular business hours.

Direct deposit



If you are expecting refunds or rebates when you file your GST/HST returns or rebate applications, you can complete and send us Form GST469, *Direct Deposit Request*. This form is available on our Web site at www.cra.gc.ca/dd-bus. This is a safe, convenient, dependable, and time-saving method of receiving your GST/HST refunds and rebates.

Our service complaint process

If you are not satisfied with the **service** you have received, contact the CRA employee you have been dealing with (or phone the number you have been given). If you still disagree with the way your concerns are being addressed, ask to discuss the matter with the employee's supervisor.

If the matter is still not resolved, you have the right to file a service complaint by completing Form RC193, *Service-Related Complaint*. If you are still not satisfied with the way that the CRA has handled your complaint, you can contact the Taxpayers' Ombudsman.

For more information, visit our Web site at www.cra.gc.ca/complaints or see Pamphlet RC4420, *Information on CRA Service Complaints*.

Your opinion counts

If you have any comments or suggestions that could help us improve our publications, we would like to hear from you. Please send your comments to:



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