



Registered Massage Therapists'
Association of Ontario

**HARMONIZED SALES TAX (HST)
GUIDELINE[®]
for
ONTARIO
REGISTERED MASSAGE THERAPISTS**

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1. INTRODUCTION

This guideline has been produced by the Registered Massage Therapists' Association of Ontario (RMTAO) to assist RMTs in the process of implementing the Harmonized Sales Tax (HST).

Although every effort has been made to ensure that the information contained in this guideline is accurate, it does not constitute legal, financial or accounting advice.

2. WHAT IS THE HST?

The Harmonized Sales Tax is a value added tax that is levied by the Government of Canada on behalf of both the Ontario and Canadian governments. On July 1, 2010, the HST replaced the GST in the Province of Ontario and is the application of the former Goods and Services Tax in combination with a new Ontario Value Added Tax (OVAT), which replaced the Retail Sales Tax in Ontario. (HST = GST + OVAT)

The tax is collected and remitted by a massage therapist HST-registrant to the Government of Canada. Essentially, a massage therapist who is an HST-registrant is collecting a tax for the Government; however, the massage therapist is not being taxed. The rate of HST is 13% of the value of the goods or services.

Like the GST, the HST is designed to ensure that the end-user of a product or service pays the tax. This is achieved by ensuring that manufacturers or suppliers who purchase goods and services in order to provide goods and services are able to off-set the amount of tax they collect on sales by the amount of tax they pay in purchasing the goods and services. The system operates through Input Tax Credits (ITCs) that are calculated at the time of submitting a tax return.

A very simple example of how ITCs work is as follows: Jane RMT works out of her home and works 40 hours per month and charges her clients \$85 per hour. Her costs for linen, electricity, rent and so on are \$850 per month.

Monthly Income:	\$ 3,400.00
HST Collected:	\$ 442.00
Monthly Expenses:	\$ 850.00
HST Paid (ITCs)	\$ 110.50
HST Return (HST collected minus ITCs):	\$ 331.50

This means that the portion of the tax that was paid to allow Jane to deliver massage therapy services was deducted from the amount she collected in order to allow it to be paid by the client. Jane remits \$331.50 to the Canada Revenue Agency.

3. WHY IS HST APPLIED TO A HEALTH SERVICE?

The determination of whether a service is or is not taxed is made within the Excise Tax Act and its Schedules and Regulations as administered by the Canada Revenue Agency and the Canadian Minister of Finance. The Act's Schedules and Regulations clearly outline which services are exempt and although many health services are listed among the exemptions, massage therapy is not among them.

While massage therapy is a regulated health profession in Ontario, that is only the case in three other provinces. Canada Revenue Agency and the Minister of Finance, in consultation with the provincial Ministers of Finance, established a policy that set the minimum requirements before an application for exemption could be made. These are:

- a) Either the service is publicly funded in three provinces; or
- b) The profession is regulated in five provinces.

Massage therapy does not currently meet either of these conditions.

So, while Ontarians see massage therapy as health care because it is regulated under Ontario's Regulated Health Professions Act, 1991, this Act is a provincial Act and has no bearing on definitions included in Federal legislation such as the Excise Tax Act.

As a result, the HST, like the GST before it, must therefore be charged to clients, and collected and remitted by massage therapists who are HST-registered.

Even after a fifth province is regulated, massage therapy will not be automatically exempt from remitting HST. For example, once a fifth province was regulated for naturopathy, it took two years before they were granted a tax exempt status. The act of tax exemption of a distinct group of people is an act of parliament, which means that a bill needs to be formed and passed. In the case of Naturopaths and Acupuncturists, that both obtained HST exemption in 2014, the tax exemption was included in the federal budget which was proposed, read, voted on and passed, resulting in the tax exemptions of those professions.

This guideline will provide some basic information about the HST. It is highly recommended that a massage therapist whose total gross billings in any continuous four-quarter (12-month) period and who is about to become HST-registered seek the advice of an accountant prior to registration.

4. WHO MUST REGISTER FOR HST

You must become HST-registered when your gross billings (earnings) meet or surpass \$30,000 in any single calendar quarter or in four consecutive calendar quarters.

In each calendar quarter (January – March, April – June, July – September, October – December) review your gross (before expenses) billings to determine if you have exceeded the \$30,000 threshold. If you have, you must become HST-registered.

If your gross earnings in a single calendar quarter do not exceed \$30,000, add the current gross billings to the three previous calendar quarters. If the total gross (before expenses) income meets or exceeds, \$30,000, you must become HST-Registered. While this is customarily referred to as your “annual earnings,” HST-registration does not wait until the end of the fiscal or calendar year, but is determined by any continuous four-quarter (12-month) period. This only applies if you are self-employed.

Once HST-registered, you must charge HST on all products and services provided, even if your billing amount for a 12-month period drops below \$30,000. The only exception is if you contact the Canada

Revenue Agency and become de-registered from HST. You will be required to prove that you are no longer billing \$30,000 or more in the 12-month period and that you are not likely to do so in the foreseeable future.

Once HST-registered, you must remit the HST amount and return until such time as you de-register. If you close your practice and you are HST-registered, remember to contact the Canada Revenue Agency and get de-registered from the HST.

Voluntary HST-Registration

You may choose to voluntarily become HST-Registered. Why would you do that? There are several reasons:

1. The amount of tax being charged to you in your practice includes HST and it may be more economical for you to become HST-Registered and charge the tax. Many items, such as your Association fees, rent and professional services are now taxed under the HST.
2. Registration of the majority of RMTs levels the playing field in terms of pricing and taxes. RMTs working out of the same clinic charge either no tax (if they are not HST-registered) or add 13% tax (if they are HST-registered). Voluntary registration would ensure the consumer recognizes that these services are not HST exempt, and that the tax is applied to massage therapy.
3. If you work under a split percentage arrangement, and the clinic owner is HST registered, it would be advantageous to you to be HST registered as well.

It is therefore recommended that RMTs who do not meet the threshold requirements voluntarily become HST-registered.

5. POSTING YOUR FEES

If you are HST-registered, you may elect to post your fees as HST included or as HST added, however, your receipts must indicate whether HST is included or whether it is being added (in which case it is identified as a separate line item). Your HST number **MUST** appear on your invoices and receipts. It is a Revenue Canada Agency requirement that even if you elect to charge your fees as HST-included, when a fee exceeds \$30, the HST must be itemized on the invoice.

The RMTAO's Schedule of Services and Fees Guideline provides recommended fees in both HST-included and HST-excluded forms, so you can choose the fee structure that best fits your practice.

6. DON'T EAT THE TAX

When the GST was implemented in January 1991, many Registered Massage Therapists incorporated the tax into their fees out of fear that their clients would not pay the added tax. This is generally referred to as "eating the tax" because rather than being tax collectors, many RMTs choose to pay the tax on behalf of their clients.

What this meant to the average RMT in 1991 who took this approach and who charged \$80.00 per hour was, rather than collecting \$84.00 and giving the government its due (\$4.00 using the 5% GST), They elected to take home less money (\$76.19 after paying the government the 5% on the \$80.00 charge).

This same approach has often been taken since HST came into effect, and the same RMT then took home \$70.80 (\$80 minus \$9.20 in HST). That is a significant reduction in earnings over the course of a year by any calculation.

In addition to the economic impact, “eating the tax” will mean that you will work just as hard but be earning less income. In order to maintain your income levels, you will have to increase the number of clients you see. This means that you will be working harder which will in turn impact your health and well-being causing increased fatigue which can impact client care.

When you make the decision not to collect the added tax, you are making a decision for your client, as well as making a judgment on your client’s ability to cover this tax.

As a result, the RMTAO is strongly recommending to all RMTs that they be tax collectors not tax payers when it comes to the services you provide and the HST. Don’t eat the tax; pass it along to your clients.

7. MULTIPLE PRACTICE ENVIRONMENTS

Many massage therapists work in several different practice settings at any given time. For example, a massage therapist may work part-time in a clinic and part-time out of his or her home. Whether you charge HST in each situation will depend on your billing arrangement in that situation.

If you are HST-registered but also on salary as an employee in an organization, you do not charge HST on that salary nor do you remit a payment for the portion of your earnings paid as an employee.

When working in a clinic, if you invoice the client directly and your total earnings are over \$30,000, you must charge, collect and remit HST even if the clinic is not registered. If the clinic is HST-registered but you are not registered, and you bill the client directly, you do not charge HST.

Most often, clinics are registered for HST and they collect fees from your clients. They will charge HST. If you are registered for HST, you will charge the clinic HST for the services you provide them, unless you are a salaried employee.

When applied to split percentages, who collects and remits HST can be complicated. We have created an additional document entitled “HST and the Split” which outlines all of the possible scenarios that can apply to RMTs working under the increasingly common split percentage model.

8. WHEN TO EXPECT HST TO BE REMOVED FROM MASSAGE THERAPY

The Government of Canada has been clear that massage therapists in Ontario who meet the threshold requirements for GST/HST (see Section 4) must levy, collect, and remit HST until either massage therapy is included in the provincial health plans of three provinces or it is a regulated profession in five provinces.

The RMTAO has been in contact with the HST/GST rulings office, as well as the appropriate provincial and federal bodies. HST continues to be a priority for the RMTAO and we have worked hard on this

issue since its inception. At this point, the RMTAO, along with the Canadian Massage Therapist Alliance (CMTA) have taken all of the steps that we can prior to a fifth province becoming regulated, including a letter of intention to the federal government. Our current focus is supporting other provinces in their application for self-regulation with their respective provincial governments.

Once a fifth province is regulated for massage therapy, there will be a series of steps that must be taken immediately. The first step would be for the CMTA to send a letter to the Federal Ministry of Finance requesting tax exemption. Once this letter is acknowledged, the Ministry of Finance will require specific information such as the financial impact on the federal government, and that the majority of RMTs in each regulated province are united behind this request. Once the Ministry of Finance is satisfied with the information provided, the request would need to be formed into a bill, or included in another bill such as the federal budget, to be heard in parliament and then passed into law. As this is a federal issue, the majority of the responsibility would be with the CMTA, with support from the regulated provinces.

9. WHICH FORM TO USE WHEN BECOMING HST-REGISTERED?

When a massage therapist becomes HST-registered, they have the choice of using the traditional “Detail Method”, or using the “Quick Method” of accounting for HST.

The traditional detail method allows a HST-registrant to track the amount of HST they charge to their clients as well as track the amount of HST they pay for the goods and services purchased in the operation of their business (Input Tax Credits). When remitting the tax, the amount of tax remitted to the government is the amount of tax collected from clients minus the Input Tax Credits. This method is typically used by businesses that purchase a substantive number of goods and services as it is more economical to do so because of the large number of ITCs used, which in turn lowers the amount of HST to be remitted. On the other hand, this method is typically considered more complicated.

The Quick Method allows massage therapists who earn less than \$200,000 but more than \$30,000 in any continuous four-quarter period to register and charge the 13% HST to the client; however, the amount remitted to Canada Revenue Agency is 8.8%. The 8.8% is calculated on “gross billings, including HST” in the Quick Method. Input Tax Credits (ITCs) are not calculated in determining the amount of HST remitted to the government, although they would still be tracked for your own personal accounting purposes. This method is most commonly used by massage therapists as they typically have fewer ITCs to warrant the detailed method.

The number and dollar value of ITCs may make it worthwhile to consider using the detailed form given the increased value of the taxes. HST-registrants are expected to account for the ITCs even if they use the Quick Method.

We will use the Jane RMT example from Section 2 to demonstrate the difference in the two forms:

Quick Method		Detailed Method	
Monthly income	\$3,400.00	Monthly income	\$3,400.00
HST Collected	\$442.00	HST Collected	\$442.00
Total income	\$3,842.00	Total income	\$3,842.00

Monthly Expenses	\$850.00		Monthly Expenses	\$850.00
HST Paid	\$110.50		HST Paid	\$110.50
Total Expenses	\$960.50		Total Expenses	\$960.50
HST Return			HST Return	
Total Income	\$3,842.00		HST Collected	\$442.00
HST Rate	8.8%		HST Paid	\$110.50
HST Payable	\$338.10		HST Payable	\$331.50

Based on this example, Jane RMT would save \$6.60 per month by using the detailed method for filing her HST return. On an annual basis, Jane would save \$79.20. This example is a simplistic version of an RMT practice. A more detailed example based on annual income and expenses is attached at Appendix 2.

10. RESOURCE LIST

The following is a list of additional resources Registered Massage Therapists might access to guide in the process of preparing for and implementing the Harmonized Sales Tax.

Canada Revenue Agency (<http://www.cra-arc.gc.ca>)

GST/HST Info Sheets: <http://www.cra-arc.gc.ca/menu/GHIS-e.html>

General information on GST/HST: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/menu-eng.html>

Forms and Publications: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/frmspbs/bynm-eng.html>

Registration: www.businessregistration.gc.ca

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/rgstrng/mndtry-eng.html>

Anti-avoidance Rules: <http://www.cra-arc.gc.ca/E/pub/gm/g500-6-9/g500-6-9-e.html>

11. FREQUENTLY ASKED QUESTIONS

Q 1. Do I have to become HST-registered if I earn less than \$30,000?

No. The point at which one must become HST-registered (referred to as the threshold) is the same as it was under the GST rules. Specifically, you must become HST-registered when your gross earnings in any consecutive 12-month period exceed \$30,000.

Q 2. Are massage therapy services exempt when prescribed by a physician?

No. Massage therapy services are never automatically exempt from the application of the HST/GST regardless of whether they are prescribed by a physician or any other health practitioner. Although some accountants have claimed this to be true, the RMTAO has asked and received clarification that the only means by which massage therapy would be exempt is if it is added in the appropriate regulations under the Excise Sales Tax to which it has not been added.

Q 3. Who has to pay HST?

All individuals and companies must pay HST unless they have been registered as “exempt”. Any company or individual who indicates that they are HST-exempt will be able to provide you with an exemption number that you must retain on their file for use in the event of a HST audit. Examples of companies or organizations that are HST exempt include:

- Provincial government agencies
- Public hospitals
- Insurance companies

This list is not exhaustive. In every case where an individual claims that they are exempt, you are required to obtain, and they are required to provide you with, the Canada Revenue Agency HST-exemption number.

Q 4. On which services is HST applied?

All goods and services that are not deemed exempt or zero-rated under the Excise Sales Tax and its schedules or that have not been exempted from the Ontario Value Added Tax in Provincial legislation must have HST applied to them.

Q 5. If I am a new massage therapist entering practice what will this mean for me?

The new RMT will be required to apply for an HST number, and collect and remit HST if their income exceeds \$30,000 in four consecutive quarters.

Q 6. How will this affect my fee per service?

The application of the HST will not affect your fees for massage therapy. You can choose to list your fees in an HST-included or HST-excluded format, and the RMTAO’s Schedule of Services and Fee Guideline includes both formats. You should only be charging HST if you are HST registered.

Q 7. Will I be responsible for HST if I work for someone else?

This will depend on the type of business agreement that the massage therapist has entered into, who collects the fees (the RMT or the business owner), and what the payment structure is like. This should be discussed with the individual that you plan to be in business with. Some RMTs choose to collect and remit their HST because the Input Tax Credits are financially advantageous. This involves the reimbursement of HST paid for property and services used during commercial activity.

Q8. How does HST impact fees paid under Ontario’s Auto Insurance System?

The remittance of HST by insurance companies, on top of the usual fees applied for the services of massage therapy continues to be of concern. The membership has been diligent in directing the various insurance adjusters to the FSCO’s own Professional Services Guideline that clearly states under the section on HST that where...“the HST is considered by the CRA to be applicable to any of the services or fees listed in this Guideline, then the HST is payable by an insurer in addition to the fees as set out in this guideline.”

We recently contacted the Financial Services Commission of Ontario (FSCO) seeking an official Letter of Intention that outlines the application of the HST as it was intended by the Superintendent and required

by the Canada Revenue Agency. We have included our partners in the Coalition of Health Professional Associations in Ontario Automobile Insurance Services. We will work with FSCO and the Insurance Bureau of Canada (IBC) to issue a position to the insurance companies regarding the remittance of HST in addition to the Minor Injury Guideline block fees.

Q9. How does HST impact fees paid through the Workplace Safety and Insurance Board?

HST has no effect on WSIB payments as the WSIB system is exempt from HST. As a result, HST is not applied to the services offered.

It is also important to note that under WSIB rules, health care providers cannot charge a co-payment to the client when payment is being made by WSIB as the governing legislation specifically prohibits the practice.

12. SUMMARY OF RECOMMENDATIONS

1. It is therefore recommended that RMTs who do not meet the threshold requirements voluntarily become HST-registered.
2. RMTs should be tax collectors as the legislation requires and not tax payers when it comes to the services you provide and HST. Don't eat the tax; pass it along to your clients.
3. RMTs should familiarize themselves with who should collect and remit HST depending on their unique practice arrangement. It is particularly important to understand how HST is applied in a split percentage scenario, as it is one of the more complex scenarios.
4. Keep up-to-date with the ongoing RMTAO advocacy efforts with regards to HST. We are working with the Canadian Massage Therapist Alliance on the steps that can be taken to gain HST exemption, prior to a massage therapy being regulated in a fifth province, and continue to support efforts to attain regulation in other provinces.

13. DISCLAIMER

This publication is intended to provide useful information to assist RMTs in understanding, collecting and remitting the Harmonized Sales Tax (HST) and does not replace any federal or provincial legislation and accompanying regulations. It is intended for reference purposes and does not constitute legal or financial advice. As such, it may not address all aspects of your practice. You therefore may wish to consult the appropriate legislation or contact an accountant or legal counsel.

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