

## **CHAPTER 2 QUESTIONS (GST, HST and PST)**

1. The Harmonized Sales Tax or HST is applied –
  - a. to all goods and services sold in HST participating provinces in Canada
  - b. only to merchandise sold in HST participating provinces in Canada
  - c. to all goods and services except food and medicine
  - d. to most goods and services sold in participating provinces in Canada
2. Businesses must register for GST and apply GST to sales if –
  - a. they sell to customers in Canada
  - b. they have annual sales over \$30 000
  - c. they import goods from outside of Canada
  - d. all businesses in Canada must register for GST
3. Registration for GST favours a business because –
  - a. it increases revenue as customers pay more for the products and services
  - b. it makes the tax reports easier to prepare
  - c. it allows a business credits for the GST it pays for business-related expenses
  - d. there are no advantages to registering for GST
4. Items that are not taxable for GST –
  - a. are mostly basic necessities
  - b. are consumed in Canada
  - c. are not used or needed by most Canadians
  - d. there are no items that do not have GST applied
5. A business that is registered to collect PST from customers –
  - a. deducts the PST it pays on business-related expenses from the PST it remits to the provincial government
  - b. does not pay PST on any business-related expenses
  - c. pays PST on most goods and services, just like GST
  - d. pays PST on taxable supplies and services that it does not resell
6. HST (Harmonized Sales Tax) differs from GST in that –
  - a. it has a different tax rate
  - b. it includes a portion for provincial sales tax
  - c. it applies to a different set of products and services
  - d. a and b above
7. Provincial sales taxes –
  - a. apply at the same rate in all provinces and territories in Canada
  - b. are always calculated on the sales amount before any other taxes are added
  - c. on purchases that are treated as business expenses
  - d. increase revenue for a business by the amount of the tax collected from customers
8. Businesses that are allowed to use the Quick Method for applying GST/HST include –
  - a. banks and other financial institutions
  - b. any business with annual sales less than \$500 000
  - c. some small businesses
  - d. all businesses may use the Quick Method

9. GST/HST differs from other sales taxes in that –
  - a. it applies at all levels of sales
  - b. the same rate applies to all goods and services sold
  - c. all goods and services have GST/HST applied
  - d. GST/HST is applied in the same way as other sales taxes
10. Provincial sales taxes –
  - a. are charged on all goods and services
  - b. are charged on the item price plus GST to calculate the HST amount
  - c. are never charged on services
  - d. none of the above
11. The percentage tax rate applied for the Goods and Services Tax –
  - a. is constant at 5 percent
  - b. varies with the sales tax rate applied by the provinces
  - c. applies to all goods and services
  - d. can be changed through federal government legislation
12. Sales taxes on good and services in Canada –
  - a. are the same across all provinces and territories
  - b. are the same for all goods and services
  - c. are charged at the rate applicable to the province of destination
  - d. all of the above
13. Provinces that apply HST –
  - a. have an HST rate that is usually based on the original provincial tax rates
  - b. do not have provincial taxes
  - c. all have the same HST rate
  - d. charge one HST rate for goods and a different rate for services
14. HST rates –
  - a. are the same for all provinces
  - b. are set by the federal government
  - c. apply to all goods and services that have GST applied
  - d. may be different for different provinces
15. PST paid by a business on business-related purchases –
  - a. is the same rate for all provinces
  - b. is not paid if the goods will be resold
  - c. is refundable for all business-related purchases
  - d. PST is not paid on any business-related purchases
16. Which of the following statements is true about HST –
  - a. HST is applied to all goods and services
  - b. HST is applied only for goods that the business will not sell to customers
  - c. HST is applied in all provinces of Canada
  - d. HST rates depend on the provincial tax rate portion included

**CHAPTER 2: ANSWERS**

1. d. to most goods and services sold in participating provinces in Canada
2. b. they have annual sales over \$30 000
3. c. it allows a business credits for the GST it pays for business related expenses
4. a. are mostly basic necessities
5. d. pays PST on taxable merchandise that it does not resell
6. d. a and b above
7. c. on purchases that are treated as business expenses
8. c. some small businesses
9. a. it applies at all levels of sales
10. d. none of the above
11. d. can be changed through federal government legislation
12. c. are charged at the rate applicable for the province of destination
13. a. have an HST rate that is usually based on the original provincial tax rates
14. d. may be different for different provinces
15. b. is not paid if the goods will be resold
16. d. HST rates depend on the provincial tax rate portion included