



Receipt Bank
Canadian Sales Tax Manual





About the Author



Dave MacPherson is Tech Director at LiveCA, LLP. He majored in accounting at Dalhousie University in Halifax, Nova Scotia, and spent the early part of his career with the Canada Revenue Agency (CRA). He's worked as an income tax auditor, a GST/HST auditor, and as an electronic accounting data specialist.

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Introduction

Receipt Bank is an incredibly useful tool for saving time on data entry. In Canada, we deal with many different sales tax rates and rules. Receipt Bank helps us ensure taxes on purchases are sent over to Xero so our clients can accurately claim all of their input tax credits (ITCs). The following document provides instructions and recommendations for dealing with sales taxes using Receipt Bank and Xero. It does not provide a full discussion of the Receipt Bank to Xero integration. For information on other parts of the integration, visit Receipt Bank's Knowledge Base [here](#).

Quick-Start Guide

The different Xero and Receipt Bank settings that affect sales tax are discussed in detail in the following sections.

Here are our recommended Receipt Bank settings for the majority of Canadian clients:

1. *Publishing tax data to purchases*: Allow Receipt Bank to decide
2. *Show tax rate dropdown for items*: ON
3. *Use supplier tax rates*: ON

A screenshot of the Receipt Bank 'Tax Settings' interface. It features a header 'Tax Settings' with a downward arrow. Below this are three settings: 'Publishing tax data to purchases' with a dropdown menu set to 'Allow Receipt Bank to decide', 'Show tax rate dropdown for items' with a green toggle switch labeled 'ON', and 'Use supplier tax rates' with a green toggle switch labeled 'ON'.

Xero Settings

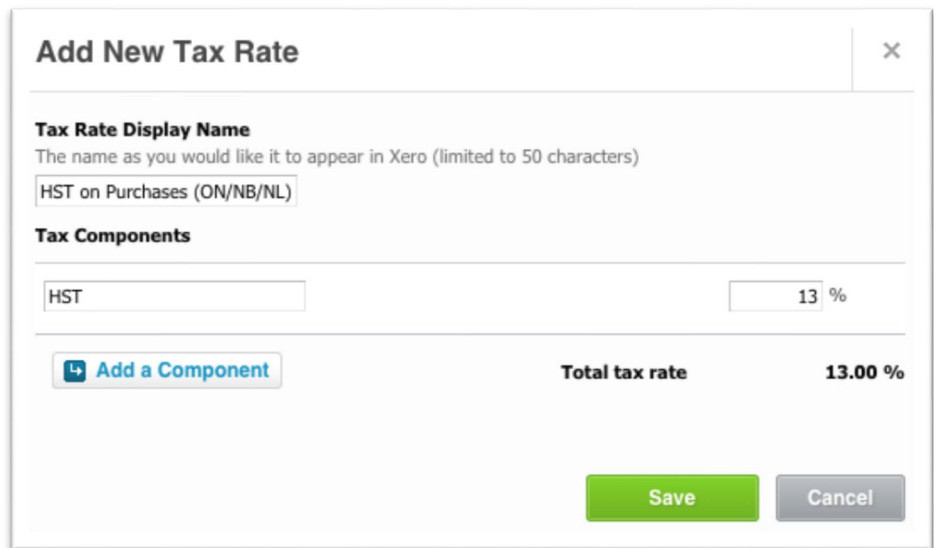
Before publishing items from Receipt Bank to Xero, it's important to ensure your Xero tax rates and your Chart of Accounts are set up correctly.

- **Tax rates**

- To see your tax rates in Xero, click *Settings -> General Settings -> Tax Rates*
- To add a new tax rate:
 - Click *New Tax Rate*:



- Fill out the details as follows:
 - *Tax Rate Display Name*: The name of your tax rate.
 - *Tax Components*: Enter one line for each tax component, including the name and percentage. Tax components can be HST, GST, PST, RST, or QST.
 - Here's an example of the tax rate that would be set up for Ontario, New Brunswick, and Newfoundland HST:



Add New Tax Rate

Tax Rate Display Name
The name as you would like it to appear in Xero (limited to 50 characters)

HST on Purchases (ON/NB/NL)

Tax Components

HST	13 %
-----	------

[Add a Component](#)

Total tax rate **13.00 %**

[Save](#) [Cancel](#)

- Click *Save*
- A full listing of the Canadian tax rates for each province is included in an appendix [here](#).
- For more information on adding tax rates in Xero, visit Xero's help files [here](#).

- **Chart of Accounts**

- Receipt Bank's tax integration relies heavily on Xero's chart of accounts and the default tax rates for each account. To review and update these tax rates:
 - Open the Chart of Accounts in Xero by clicking *Settings -> Chart of Accounts*



- Ensure the “Tax rate” listed for each account is the tax rate most often used for that type of transaction
- To change the tax rates:
 - Click into the account you would like to change the rate for
 - Select the correct rate from the *Tax* dropdown list:

Tax

The default tax setting for this account

HST on Purchases (ON/NB/NL)
▼

- Click *Save*

Receipt Bank Tax Settings

You can find the Receipt Bank -> Xero integration settings by clicking on *Account Settings* in the top-right of Receipt Bank, and then the *Integration* tab on the left-hand side. Following is a summary of the Tax Settings:

- **Publishing tax data to purchases**

Publishing tax data to purchases	<div style="border: 1px solid #ccc; padding: 2px;"> <div style="display: flex; justify-content: space-between; align-items: center;"> Allow Receipt Bank to decide ▼ </div> <div style="border-top: 1px solid #ccc; padding-top: 2px;"> Allow Receipt Bank to decide with exceptions Allow Xero to Calculate Allow Receipt Bank to decide </div> </div>
----------------------------------	--

- There are three options for how to publish sales taxes to Xero:
 - *Allow Receipt Bank to decide with exceptions:*
 - Selecting this option will send the sales tax from Receipt Bank to Xero based on the “Tax amount” and rate selected on the individual receipts. However, there are two exceptions:
 - When Receipt Bank does not extract a tax amount, the tax amount for the receipt will be calculated in Xero using the default tax rate for the account/category selected.
 - When the default tax rate for the account/category selected is 0%, Xero will ignore the “Tax amount” from Receipt Bank and not bring any tax over for the item.
 - We do not recommend selecting this option, as it often results in ITCs being claimed for purchases that didn’t actually include tax, or in ITCs being missed on purchases that did actually include tax.
 - *Allow Xero to Calculate:*



- Selecting this option will ignore the “Tax amount” that’s in Receipt Bank and recalculate sales taxes in Xero using the default tax rate for the account/category selected.
- We recommend only using this option if the client does not claim ITCs, claims ITCs based on a standard percentage, or uses the Quick Method for GST/HST calculation.
- *Allow Receipt Bank to decide:*
 - Selecting this option will always send the sales tax from Receipt Bank to Xero using the “Tax amount” used for the individual receipts.
 - We recommend using this option, as it is the most accurate.
- **Show tax rate dropdown for items**

Show tax rate dropdown for items ☒ ON

- When turned ON, Receipt Bank will pull all of the tax rates that have been created in Xero. Each receipt in Receipt Bank will have a *Tax* dropdown list, which can be used to select the appropriate tax rate for the transaction.
- By default, “Extracted amount” will be selected, and Receipt Bank will pull the sales tax amount directly from the receipt. When “Extracted amount” is used, the correct tax amount gets published to Xero using the default tax rate for the selected account/category.
- By selecting a tax rate, Receipt Bank recalculates the tax using the selected rate. Here’s an example, using 13% HST as the rate:

Total amount	54.48
Tax	HST on Purchases
Tax amount	6.27
Net amount	48.21

- **Use supplier tax rates**

Use supplier tax rates
☒ ON

- If enabled, Receipt Bank will use the tax rates selected for each supplier by default, overwriting the amounts extracted on the receipts. You can select tax rates for suppliers by clicking *Suppliers*, clicking into a supplier, and then selecting a tax rate from the dropdown list:

Tax rate

GST on Purchases

Search for...

GST on Purchases

Publishing receipts to Xero

This section explains how to publish receipts to Xero while ensuring the proper tax amount and tax rates get sent over.

Receipts with tax

Receipt Bank will extract the correct tax amount for the vast majority of receipts. Here's an example of a receipt and how the taxes were picked up in RB:

On the receipt:		In Receipt Bank:	
Sub-Total	\$ 2,037.30	Amounts ▾	
GST/HST	\$ 264.85	Currency	CAD - Canada, Dollars ▾
Total	\$ 2,302.15	Total amount	2302.15
		Tax	Extracted amount ▾
		Tax amount	264.85
		Net amount	2037.30

The “Tax amount” in Receipt Bank equals the “GST/HST” amount on the receipt. This can be published to Xero in two different ways:

- Using “Extracted amount” in the “Tax” field
 - Receipt Bank will publish the receipt to Xero using the default tax rate for the selected category. In this case, the default tax rate for the category was 13% HST:

Subtotal	2,037.30
Total HST 13%	264.85
TOTAL	2,302.15

- Manually selecting the correct tax rate
 - There will be some situations where you don’t want to use “Extracted amount” because the default tax rate doesn’t match the taxes charged on your receipt. Let’s say, for the example above, we were charged 13% HST, but our default tax rate for the category used is 12% BC GST/PST.

If we publish the receipt to Xero using “Extracted amount”, here’s how it shows up:



Subtotal	2,037.30
Total GST 5%	112.05
Total PST 7%	152.80
includes Adjustment to Tax	20.37
TOTAL	2,302.15

- As you can see, the HST amount of \$264.85 was incorrectly split into GST and PST portions. An “adjustment to tax” was included to allow for this.
- To avoid these errors, select the correct tax rate from the *Tax* dropdown in Receipt Bank:

Amounts ▾

Currency

CAD - Canada, Dollars ▾

Total amount

2302.15

Tax

HST on Purchases (ON/NB/NL) ✓ ▾

Tax amount

264.85

Net amount

2037.30

- Receipt Bank will recalculate the receipt’s taxes using this rate, and when the receipt is published to Xero, the tax will be allocated to the correct rate:



Subtotal	2,037.30
Total HST 13%	264.85
TOTAL	2,302.15

Receipts with non-CAD tax

Receipt Bank will extract non-Canadian sales tax from receipts. This includes state taxes for purchases made in the USA, as well as European VAT taxes. Here's an example of a GBP receipt and how the taxes were picked up in RB:

On the receipt:	In Receipt Bank:						
<table><tr><td>Subtotal</td><td>360.00</td></tr><tr><td>TOTAL VAT 20%</td><td>72.00</td></tr><tr><td>TOTAL GBP</td><td>432.00</td></tr></table>	Subtotal	360.00	TOTAL VAT 20%	72.00	TOTAL GBP	432.00	<div>Amounts ▾</div> <div>Currency<div>GBP - United Kingdom, Pounds</div>▾</div> <div>Total amount<div>432.00</div></div> <div>Tax<div>Extracted amount</div>▾</div> <div>Tax amount<div>72.00</div></div> <div>Net amount<div>360.00</div></div>
Subtotal	360.00						
TOTAL VAT 20%	72.00						
TOTAL GBP	432.00						

The "Tax amount" in Receipt Bank equals the amount of VAT from the receipt. However, this amount cannot be claimed as an ITC on a Canadian GST/HST return, and should be included as part of the expense instead. To ensure these taxes don't get sent to Xero, you have two options:

1. Manually selecting a 0% tax rate

- If you choose a 0% tax rate from the *Tax* dropdown, Receipt Bank will recalculate the taxes as \$0.

2. Using supplier rates

Amounts ▾		
Currency	GBP - United Kingdom, Pounds	tax
Total amount	432.00	
Tax	Tax Exempt ✓	
Tax amount	0.00	
Net amount	432.00	

- If “use supplier tax rates” is enabled in your integration settings and you have entered a default tax rate for a supplier, Receipt Bank will automatically use that tax rate on new receipts:
 - On the “Supplier” page:

Tax rate	Tax Exempt
----------	------------

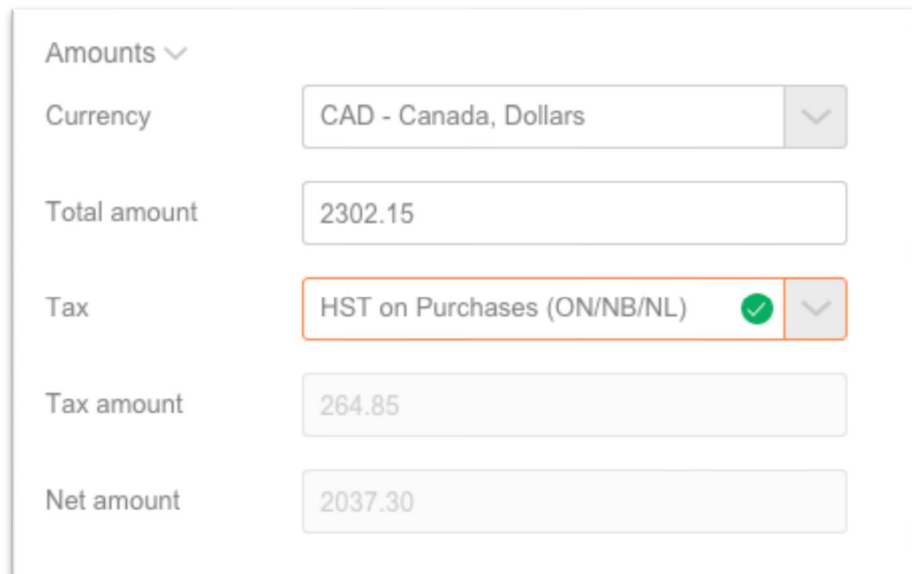
- On the individual receipt’s page:

Amounts ▾	
Currency	GBP - United Kingdom, Pounds
Total amount	432.00
Tax	Tax Exempt
Tax amount	0.00
Net amount	432.00

Receipts that don't display tax separately

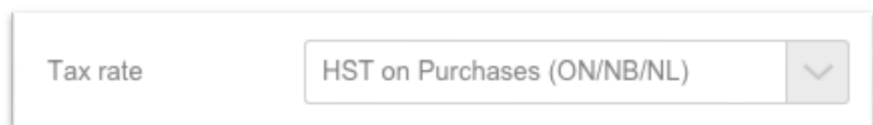
Sometimes receipts will not have the taxes broken out on a separate line, but there is tax included in the total. These types of receipts are called “tax-inclusive receipts”. Frequent examples include tax-inclusive parking and taxi receipts. Receipt Bank is not able to pull tax amounts for these receipts. There are three options for ensuring the correct taxes get recorded and published to Xero:

1. Manually selecting the correct tax rate
 - When you choose a tax rate from the *Tax* dropdown list, Receipt Bank will calculate the receipt's taxes using that rate, even if the taxes aren't broken out on the receipt:



Amounts ▾	
Currency	CAD - Canada, Dollars ▾
Total amount	2302.15
Tax	HST on Purchases (ON/NB/NL) ✓ ▾
Tax amount	264.85
Net amount	2037.30

3. Using supplier tax rates
 - If “use supplier tax rates” is enabled in your integration settings and you have entered a default tax rate for a supplier, Receipt Bank will automatically use that tax rate on new receipts:
 - On the “Supplier” page:



Tax rate	HST on Purchases (ON/NB/NL) ▾
----------	-------------------------------

- On the individual receipt's page:

Amounts ▾	
Currency	CAD - Canada, Dollars ▾
Total amount	2302.15
Tax	HST on Purchases (ON/NB/NL) ▾
Tax amount	264.85
Net amount	2037.30

4. Manually calculating and keying in the tax amount
 - If the default tax rate for the selected category is the same as the rate used on the receipt, but the receipt did not pick up taxes, you can leave “Extracted amount” selected and manually key over the “Tax amount” field with the correct tax amount:

Tax	Extracted amount ▾
Tax amount	264.85 ✓

- When this item is published to Xero, the tax amount will be sent over, and the default tax rate for the selected category will be used.

Receipts with tips

Often, meal receipts will total the meal + taxes + a tip. The meal and taxes are usually listed on a receipt, and the tip and total on a credit card slip. When submitting to Receipt Bank, it's best to take one picture of the two of these slips side-by-side. This way, Receipt Bank will be able to extract the proper total, as well as the tax amount.



Here's an example:

On the receipt:	Amounts ▾	In Receipt Bank:
	Currency	CAD - Canada, Dollars ▾
	Total amount	31.00
On the credit card slip:	Tax	Extracted amount ▾
	Tax amount	3.07
	Net amount	27.93

As you can see, Receipt Bank pulled the proper tax amount of \$3.07 from the receipt, as well as the proper total of \$31.00 from the credit card slip.

Due to CRA regulations, only half of the GST/HST paid on meals & entertainment (“M&E”) expenses are eligible to be claimed as ITCs. To make calculating GST/HST returns easier, we recommend creating additional tax rates to use for meals & entertainment accounts. An example would be “HST on Meals & Entertainment (ON/NB/NL)” using a 13% rate. If all meals & entertainment expenses use these rates, it will be easy to isolate your tax on M&E and to calculate the 50% adjustment (using a manual journal entry in Xero). Here's a screenshot from Xero's Sales Tax Report with the M&E rate broken out separately:

Tax	Rate	Net	Tax
Taxes by Tax Component			
HST			
HST on Meals & Entertainment (ON/NB/NL) (13%)	13.0%	(850.00)	(110.50)
HST on Purchases (ON/NB/NL) (13%)	13.0%	(9,000.00)	(1,170.00)
Total HST		(9,850.00)	(1,280.50)

There are two main ways to deal with tax on M&E expenses:

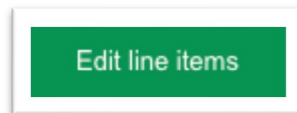
1. Using “Extracted amount”

- Using the above receipt as an example, if the default tax rate for the M&E account is 13% HST and the extracted amount is used, Receipt Bank will correctly publish the taxes to Xero:

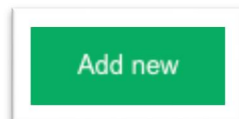
Subtotal	27.93
Total HST 13%	3.07
Total No Tax 0%	0.00
TOTAL	31.00

2. Using “Edit Line Items”

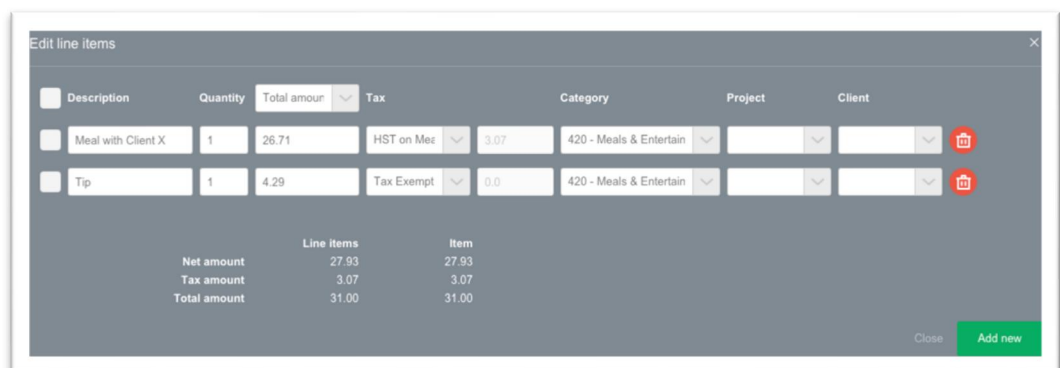
- If the taxes charged on the receipt did not use the default tax rate for the selected category, you can split out the taxes and the tip by following these steps:
 - In the receipt page, click *Edit line items*



- Click *Add New* twice to add two separate lines



- Enter the lines as follows:



Description	Quantity	Total amount	Tax	Category	Project	Client
Meal with Client X	1	26.71	HST on Mes	420 - Meals & Entertain		
Tip	1	4.29	Tax Exempt	420 - Meals & Entertain		

	Line items	Item
Net amount	27.93	27.93
Tax amount	3.07	3.07
Total amount	31.00	31.00

- Line 1 (the meal):**
 - Description:* Enter a description for the expense
 - Quantity:* 1



- *Total amount:* Enter the pre-tip total from the receipt
 - *Tax:* Select the appropriate tax rate for this expense
 - ex: “HST on Meals & Entertainment (ON/NB/NL)”
 - *Category:* Select the appropriate account/category for the expense
- *Line 2 (the tip):*
 - *Description:* Enter a description for the expense
 - *Quantity:* 1
 - *Total amount:* Enter the tip amount from the receipt
 - *Tax:* Select a 0% tax rate from the dropdown list
 - ex: “Tax Exempt”
 - *Category:* Select the appropriate account/category for the expense
- iv. Ensure the totals from the “Line items” column match the totals from the “Item” column.
- v. Click *Close* and publish the receipt to Xero. The tax amount will be sent to Xero correctly:

Subtotal	27.93
Total HST 13%	3.07
Total No Tax 0%	0.00
<hr/>	
TOTAL	31.00
<hr/>	

Receipts for import taxes

Sometimes, your clients will receive bills or receipts where the majority of the purchase is for GST/HST. These transactions are most common when importing goods and paying customs/duty bills. Following is how to deal with these items in RB and publish them to Xero:

1. When the bill is exclusively for GST/HST
 - Some bills will include only GST/HST and no duties or other charges. Here’s an example:



Description	

GST on Goods / TPS sur marchandises	
Grand Total	\$144.70

- For these items, Receipt Bank may extract the data as follows:

Total amount	<input type="text" value="144.70"/>
Tax	<input type="text" value="Extracted amount"/>
Tax amount	<input type="text" value="144.70"/>
Net amount	<input type="text" value="0.00"/>

- If you try to publish a receipt to Xero when the tax amount exceeds the net amount without making any changes, you will encounter an error. Instead of doing this, it's best to select the "Sales Tax on Imports" tax rate from the *Tax* dropdown and use your GST/HST liability account from Xero ("Sales Tax", by default) as the category:

Amounts	
Currency	<input type="text" value="CAD - Canada, Dollars"/>
Total amount	<input type="text" value="144.70"/>
Tax	<input type="text" value="Sales Tax on Imports"/>
Tax amount	<input type="text" value="0.00"/>
Net amount	<input type="text" value="144.70"/>
Category	<input type="text" value="820 - Sales Tax (0%)"/>
Description	<input type="text" value="Import tax"/>

- When you send this item through to Xero, it will be posted directly to your GST/HST liability account, and will show up on Xero's Sales Tax Report.

2. When the bill is for GST/HST and other charges

- Some bills will include GST/HST, as well as duties or other charges. Here's an example:

DUTY/DROIT:		1016.03
GST/TPS:		1613.55
EXCISE TAX/TAXE D'ACCISE:		0.00
TOTAL:		2629.58

- To send this item to Xero, you'll need to split out the duty and GST/HST into separate lines by following these steps:

- First, select a 0% "Tax Exempt" rate from the *Tax* dropdown list

Tax

Tax Exempt

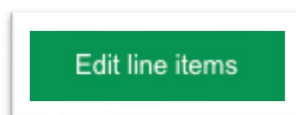
✓

▼

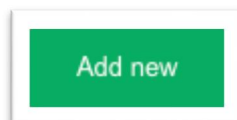
Tax amount

0.00

- Next, click *Edit line items*:



- Click *Add New* twice to add two separate lines (or more, if required)



- Enter the lines as follows:

Description	Quantity	Total amount	Tax		Category
Duty	1	1016.03	Tax Exempt	0.0	402 - Duty
GST/HST	1	1613.55	Sales Tax on	0.0	820 - Sales Tax (0%)
Net amount		2629.58	Line Items		Item
Tax amount		0.00			
Total amount		2629.58			



- *Line 1 (the duty or other charge):*
 - a. *Description:* Enter a description for the transaction
 - b. *Quantity:* 1
 - c. *Total amount:* Enter the amount charged for duties or other charges from the bill
 - d. *Tax:* Select a 0% “Tax Exempt” tax rate
 - e. *Category:* Select the appropriate account/category for the expense
- *Line 2 (the GST/HST amount):*
 - a. *Description:* Enter a description for the transaction
 - b. *Quantity:* 1
 - c. *Total amount:* Enter the GST/HST amount from the bill
 - d. *Tax:* Select “Sales Tax on Imports” from the dropdown list
 - e. *Category:* Select the GST/HST liability account used in Xero
- Ensure the totals from the “Line items” column match the totals from the “Item” column.
- Click *Close* and publish the receipt to Xero. The tax amount will be sent to Xero correctly.

Appendix A - Tax rate setup in Xero

Below are all the Canadian tax rates by province. The tax rate names, percentages, and different components are listed, and can be used to create the rates in Xero:

Table #1 - All rates by province

Province / Territory of purchase	Tax Rate Name	Comp. #1 Name	Comp. #1 %	Comp. #2 Name	Comp. #2 %
Alberta	GST on Purchases	GST	5%	-	-
British Columbia	GST/PST on Purchases (BC)	GST	5%	PST	7%
Manitoba	GST/RST on Purchases (MB)	GST	5%	RST	8%
New Brunswick	HST on Purchases (ON/NB/NL)	HST	13%	-	-
Newfoundland	HST on Purchases (ON/NB/NL)	HST	13%	-	-
Nova Scotia	HST on Purchases (NS)	HST	15%	-	-
Ontario	HST on Purchases (ON/NB/NL)	HST	13%	-	-
Prince Edward Island	HST on Purchases (PE)	HST	14%	-	-
Quebec	GST/QST on Purchases (QC)	GST	5%	QST	9.975%
Saskatchewan	GST/PST on Purchases (SK)	GST	5%	PST	5%
Northwest Territories / Yukon / Nunavut	GST on Purchases	GST	5%	-	-

Table #2 - Alternative method for dealing with provincial sales tax

For purchases made in participating provinces (those with HST) or provinces that only charge 5% GST, GST/HST registrants can claim the full amount of the sales tax paid as an ITC. If GST/HST registrants make purchases in non-participating provinces that charge additional provincially-regulated sales taxes (PST/RST/QST) and the registrants are not registered for these provincial sales taxes, only the GST portion can be claimed as an ITC, and the provincial portion is claimed as part of the expense. To calculate only the GST amount, you can use the rates in the table below:

Province / Territory of purchase	Tax Rate Name	Component #1 Name	Component #1 Percentage
British Columbia	GST on Purchases (BC PST incl in total)	GST	4.6729%
Manitoba	GST on Purchases (MB RST incl in total)	GST	4.6296%
Quebec	GST on Purchases (QC QST incl in total)	GST	4.5465%
Saskatchewan	GST on Purchases (SK PST incl in total)	GST	4.7619%

Example calculation:

A purchase totalling \$112 was made in British Columbia by a client who is not (and is not required to be) registered for BC PST. Here's a breakdown of the item:

- Total before taxes: \$100
- 5% GST: \$5
- 7% PST: \$7
- Total: $\$100 + \$5 + \$7 = \112



By selecting the rate from the table above in the *Tax* dropdown, Receipt Bank calculates only the GST:

Amounts ▾	
Currency	<div>CAD - Canada, Dollars ▾</div>
Total amount	<div>112.00</div>
Tax	<div>GST on Purchases (BC PST incl in tot: ▾</div>
Tax amount	<div>5.00</div>
Net amount	<div>107.00</div>