

# Receipt Bank Canadian Sales Tax Manual - Xero

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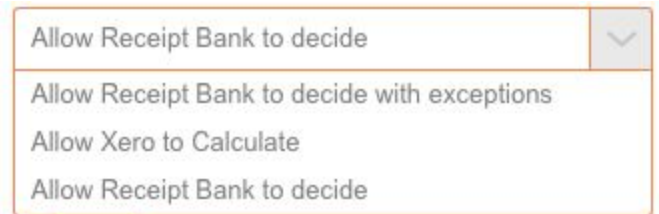
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## Receipt Bank Tax Settings

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



The image shows a dropdown menu with the following options:

- Allow Receipt Bank to decide
- Allow Receipt Bank to decide with exceptions
- Allow Xero to Calculate
- Allow Receipt Bank to decide

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- 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

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- 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	<input type="text" value="54.48"/>
Tax	<input type="text" value="HST on Purchases"/> ▼
Tax amount	<input type="text" value="6.27"/>
Net amount	<input type="text" value="48.21"/>

- 
- **Use supplier tax rates**

Use supplier tax rates  ON

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- 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	<input type="text" value="GST on Purchases"/> ▼
	<input type="text" value="Search for..."/> 🔍
	<input type="text" value="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	Amounts
GST/HST	\$ 264.85	Currency	CAD - Canada, Dollars
<b>Total</b>	<b>\$ 2,302.15</b>	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:

1. Using "Extracted amount" in the "Tax" field
  - o 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
<b>TOTAL</b>	<b>2,302.15</b>

2. 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
<b>TOTAL</b>	<b>2,302.15</b>

- 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  ▾

Total amount

Tax  ✓ ▾

Tax amount

Net amount

- 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
<b>TOTAL</b>	<b>2,302.15</b>

## 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:
Subtotal	360.00	Amounts <input type="text" value="Amounts"/>
TOTAL VAT 20%	72.00	Currency <input type="text" value="GBP - United Kingdom, Pounds"/>
<b>TOTAL GBP</b>	<b>432.00</b>	Total amount <input type="text" value="432.00"/>
		Tax <input type="text" value="Extracted amount"/>
		Tax amount <input type="text" value="72.00"/>
		Net amount <input type="text" value="360.00"/>

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

Amounts ▾

Currency  ▾

Total amount

Tax  ✓ ▾

Tax amount

Net amount

## 2. 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  ▾

- On the individual receipt’s page:

Amounts ▾

Currency  ▾

Total amount

Tax  ▾

Tax amount

Net amount

## 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) ▼
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●

- 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:

SUB-TOTAL :	23.64
HST:	3.07
<b>TOTAL :</b>	<b>26.71</b>

### On the credit card slip:

SUBTOTAL \$	26.71
TIP \$	4.29
<b>TOTAL \$</b>	<b>31.00</b>

### In Receipt Bank:

Amounts ▾

Currency  ▾

Total amount

Tax  ▾

Tax amount

Net amount

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
<b>Taxes by Tax Component</b>			
<b>HST</b>			
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)
<b>Total HST</b>		<b>(9,850.00)</b>	<b>(1,280.50)</b>

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:

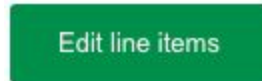
Subtotal	27.93
Total HST 13%	3.07
Total No Tax 0%	0.00
<b>TOTAL</b>	<b>31.00</b>

○

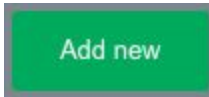
## 2. Using “Edit Line Items”

- 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:

- i. In the receipt page, click *Edit line items*



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



- iii. Enter the lines as follows:

**Edit line items** ✕

Description	Quantity	Total amount	Tax	Category	Project	Client
Meal with Client X	1	28.71	HST on Mea	3.07	420 - Meals & Entertain	
Tip	1	4.29	Tax Exempt	0.0	420 - Meals & Entertain	

	Line Items	Item
Net amount	27.93	27.93
Tax amount	3.07	3.07
<b>Total amount</b>	<b>31.00</b>	<b>31.00</b>

Close Add new

- **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
<b>TOTAL</b>	<b>31.00</b>

## 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	CAD - Canada, Dollars ▾	Category	820 - Sales Tax (0%) ▾
Total amount	144.70	Description	Import tax
Tax	Sales Tax on Imports ▾		
Tax amount	0.00		
Net amount	144.70		

- 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:	35	35	1016.03
GST/TPS:			1613.55
EXCISE TAX/TAXE D'ACCISE:			0.00
<b>TOTAL:</b>			<b>2629.58</b>

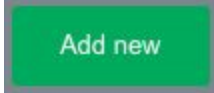
- To send this item to Xero, you'll need to split out the duty and GST/HST into separate lines by following these steps:
  - First, select a 0% "Tax Exempt" rate from the *Tax* dropdown list

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:

Edit line items

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

CAD - Canada, Dollars



Total amount

112.00

Tax

GST on Purchases (BC PST incl in tot:



Tax amount

5.00

Net amount

107.00