



GST/HST for Taxi and Ridesharing Businesses

The complete GST/HST simplified guide for taxi and ridesharing drivers (or to be drivers), with examples.

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This article provides the comprehensive GST/HST guidelines and requirements for “self-employed” commercial ride-sharing drivers and taxi drivers. It covers GST/HST requirements for starting the business, running the business, and leaving the ride-sharing business. For more information or inquiries kindly reach out to us at insights@dominionaudit.com or at info@dominionaudit.com.

1. Definition of Taxi Business

The Excise Tax Act (ETA) defines taxi business as: a business of transporting passengers for **commercial activity** by taxi for fares, that are regulated by federal or provincial laws, and persons carrying on a business of transporting passengers for **commercial activity** for fares by motor vehicle, within a municipality and its environs, if the transportation is arranged or coordinated through an electronic platform or system, such as a mobile application or website. A taxi business also includes limousine services, even if they are not metered. For example, a limousine service at an hourly rate that is not metered is considered a taxi business. Examples of amounts charged in the taxi business include:

- metered taxi and limousine fares.
- flat-rate fares charged for transporting passengers by taxi and limousine.
- fees charged for leasing a taxi vehicle to a driver;
- fees charged by taxi licence owners for the use of their taxi licence.
- dispatch fees charged by a taxi stand to a driver, and
- related charges such as waiting time, parcel delivery, and transportation of luggage.

2. Driver GST/HST Registration

For the purposes of GST/HST, and QST, entities that are either eligible or mandated to register, depending on the situation, encompass all "persons". The legislation characterizes a person as an individual, partnership, corporation, trust or estate, or an entity that functions as a society, union, club, association, commission, or any other type of organization.

The legislation specifies that an individual is defined as a "natural person". Consequently, an individual intending to engage in one or more commercial activities, such as ridesharing and taxi services, as a sole proprietor is classified as a person obligated to register for GST/HST, and QST. This requirement holds true regardless of the number of distinct businesses operated by the sole proprietor, unless the person qualifies as a "small supplier".

A small supplier engaged in providing taxable commercial ride-sharing services, along with other taxable supplies, typically holds a registration that pertains solely to their commercial

ride-sharing services unless they indicate otherwise. Consequently, self-employed commercial ride-sharing drivers are not obligated to charge GST/HST for other taxable supplies, nor can they claim input tax credits (ITCs) or input tax refunds (ITRs) related to those supplies (ITCs and ITRs will be elaborated on later in this publication).

Should the total annual revenue from taxable supplies of commercial ride-sharing services and other taxable supplies surpass \$30,000 (for instance, \$20,000 from commercial ride-sharing services and \$15,000 from other taxable supplies), the self-employed commercial ride-sharing driver ceases to be classified as a small supplier and must charge and collect tax on all sales derived from their taxable supplies (the total taxable supplies amounting to \$35,000). If a self-employed commercial ride-sharing driver was already registered for GST/HST, including for another commercial activity, they are automatically deemed registered concerning their commercial ride-sharing services and are not required to reapply for registration.

3. Collection and Remittance of Net Tax

Every person (as defined by the ETA) that provides a taxable supply in Canada, or in Québec for QST purposes, is obligated, as an agent of the government, to collect the GST/HST, or QST, that is owed by the recipient concerning the supply. The ETA stipulates that a person who is mandated to register for GST/HST and has not done so is still bound to the general tax collection obligations set out in the ETA and, therefore, is subject to the same regulations and enforcement measures as those who are registered. The Act respecting the Québec sales tax (QSTA) mandates the same for QST purposes.

For any GST/HST, or QST, registrant, the sales tax should be classified in their books as sales tax collected and sales tax paid. This is because each is treated differently from accounting and tax legislation perspective.

3.1. The GST/HST Collected

3.1.1. Calculation of the GST/HST Collected

In the taxi industry, when the GST/HST is not itemized on a separate line of the invoice, it is considered to be incorporated into the fares. Consequently, the registrant is required to determine the amount of GST/HST that is part of the fares.

For example, if the registrant's fares encompass the GST, the registrant should multiply the invoice total by 5 and divide the outcome by 105. The following is a numerical example.

Example 1

A taxi driver working in Alberta charges a \$40 fare for a trip from an airport to a hotel. No GST was shown after the receipt subtotal. The GST included in the fare is equal to:

$$GST = \frac{\$40 \times 5}{105} = \$1.90$$

Alternatively, if the registrant fares include the:

- 13% HST, multiply the total by 13 and divide the result by 113.
- 14% HST, multiply the total by 14 and divide the result by 114.
- 15% HST, multiply the total by 15 and divide the result by 115.

Example 2

A taxi driver working in Nova Scotia charges a \$40 fare for a trip from an airport to a hotel. No HST was shown after the receipt subtotal. The HST included in the fare is equal to:

$$HST = \frac{\$40 \times 14}{114} = \$4.91$$

3.1.2. Invoice / Receipt Presentation

When issuing a receipt, the receipt must show the total GST/HST rate, or the total tax payable that applies to the fare for the commercial ride-sharing services, and either of the following:

- the total amount paid or payable for the service includes the GST/HST.
- the amount of the GST/HST payable on the service separately from the amount paid or payable for the service.

All ride sharing apps email the trip receipt or invoice to the riders after completing the trip. Drivers signed up with ride sharing services, therefore, need not to worry about receipt or invoice issuance and presentation.

3.2. The GST/HST Paid

3.2.1. GST/HST Paid on the Purchase of the Vehicle

3.2.1.1. *When using the vehicle 90% or more for ride sharing*

Passenger vehicles that are acquired, or imported, by registered individuals, or partnerships, are governed by specific rules and restrictions under the ETA. Registered individuals, or partnerships, are not permitted to claim full ITCs or ITRs at the time of acquiring, or importing, a passenger vehicle unless the vehicle is intended for use solely in commercial activities. For GST/HST registrants, excluding financial institutions, the term "solely in commercial activities" refers to a usage of 90% or more. Similarly, any tax owed regarding the

acquisition or importation of an enhancement to the vehicle is not eligible for an ITC or ITR at the time of acquisition, or importation, unless the vehicle itself will be utilized exclusively in commercial activities from the date of its acquisition, or importation, until the date when taxes on the enhancement became due.

In instances where a registrant purchases or imports a vehicle intended for use as capital property and in commercial activities, for the purpose of determining an ITC or ITR, the tax owed on the vehicle is considered to be the **lesser** of the tax that is actually due or an amount equivalent to the tax calculated based on the capital cost limit that is applicable for income tax purposes under the Income Tax Act or the Québec Taxation Act, depending on the situation.

In the CRA's accounting terms, the capital cost allowance is the tax credit, or "allowance", given in return to the depreciation expense, a.k.a. "cost", resulting from using the capital property in production in commercial activities. The CRA dictates the depreciation expense method, the depreciation rate, and the maximum allowed allowance amount per year. The dictated depreciation method is the declining-balance method with different rate of depreciation for each asset class. CRA asset classes and their depreciation rates can be found in "[Classes of depreciable property](#)" in CRA T4002(E) Rev. 24.

Example 3

A driver purchases a used vehicle for \$17,000 in Ontario in 2025 and pays 13% HST of \$2,210. The vehicle is used exclusively for commercial activities and is classified under class 10 by the CRA under classes of depreciable property. The following are statements of facts for this scenario:

- The vehicle was available for use immediately.
- The dictated rate by the CRA for the depreciation expense for class 10 is 30%.
- The half-year rule applies to this class of property.

The driver will be entitled to claim the following ITC in 2025:

1. Calculate the depreciable cost of the vehicle:

$$\text{Depreciable cost of the vehicle} = \text{Cash Price} + \text{Sales Taxes} + \text{Improvements}$$

$$\begin{aligned} \text{Depreciable cost of the vehicle} &= \$17,000 + \$2,210 + 0 = \$19,210 \\ &= \text{Undepreciated capital cost (UCC) for year 2025.} \end{aligned}$$

2. Calculate the CCA for the year 2025:

The calculated CCA for the first year (2025) will be:

$$\text{CCA for the year} = [\text{UCC at the Start of the Year}] \times \text{CCA Rate} \times \text{Adjustment subject to the half year rule}$$

$$= \$19,210 \times \%30 \times \frac{1}{2} = \$2,881.5$$

The lesser of the tax paid and the amount of the tax calculated based on the capital cost limit is the \$2,210 HST paid. Therefore, all the \$2,210 HST paid can be claimed as ITC in the 2025 GST/HST return.

3.2.1.2. *When using the vehicle less than 90%, but more than 10%, for ride sharing business*

In the case where the vehicle was used *less than exclusively* in commercial activities, the registered individual, or partnership, is eligible to claim an ITC or ITR on an annual basis, contingent upon its CCA claims for income tax purposes. The vehicle is considered to be acquired on the final day of each taxation year of the registrant following its acquisition, and an ITC or ITR may be claimed equivalent to: 5/105; 8/108 or 10/110 (where only the provincial component of HST was payable on the acquisition or importation); 13/113 or 14/114 or 15/115; or 9.975/109.975, respectively, off the portion of the CCA that was deducted in the calculation of income for that taxation year under the Income Tax Act or the Québec Taxation Act, as applicable, which pertains to commercial activities.

Example 4

A registrant driver purchases a used 2019 vehicle in Ontario on May 1st, 2025, to work as ride sharing service driver in Ontario. The driver has another job at a retail store and will be using the vehicle 50% of the time for ride sharing business, i.e. commercial activities, and 50% of the time for personal use, e.g. going to work at the retail store or going to shopping. The following are statements of facts for this scenario:

- The vehicle was available for use immediately.
- The sale invoice of the car showed a subtotal of \$20,000 with no additions or improvements made to the vehicle in the year 2025.
- According to CRA “classes of depreciable property”, the vehicle is classified as class 10.
- The dictated rate by the CRA for the depreciation expense for class 10 is 30%.
- The half-year rule applies to this class of property.

The driver will be entitled to claim the following ITC in 2025:

1. Calculate the depreciable cost of the vehicle:

$$\begin{aligned} \text{Depreciable cost of the vehicle} &= \text{Cash Price} + \text{Sales Taxes} + \text{Improvements} \\ &= \$20,000 + 2,600 + \$0 \\ &= \$22,600 = \text{Undepreciated capital cost (UCC) for year 2025.} \end{aligned}$$

2. Calculate CCA for the year

CCA for the year = [UCC at the Start of the Year] × CCA Rate × Adjustment subject to the half year rule

$$= \$22,600 \times 30\% \times \frac{1}{2} = \$3,390$$

The lesser of the tax paid and the amount of the tax calculated based on the capital cost limit is the \$2,600 HST paid. Therefore, all the \$2,600 HST paid can be claimed as ITC in the 2025 GST/HST return.

The following table shows the CCA calculations for the first three years of the vehicle useful life:

Year	Undepreciated capital cost (UCC) at the start of the year	X	CCA rate %	X	Adjustment subject to the half-year rule	=	CCA for the year
2025	\$22,600	X	30%	X	50%	=	\$3,390.00
2026	\$19,210 (=\$22,600-\$3,390)	X	30%			=	\$5,763.00
2027	\$13,447 (=\$19,210-\$5,763)	X	30%			=	\$4,034.10

– Table 1. CCA formulas and calculations. –

3.2.1.3. When using the vehicle less than 10% for ride sharing business

Drivers using their vehicle less than 10% of the time for ride sharing business are not eligible to claim ITCs on their paid GST/HST on the acquisition or importation of capital personal property of passenger vehicles.

3.2.2. GST/HST Paid on Operating Expenses

As a registrant, a driver can generally claim an ITC to recover the GST/HST paid, or payable, on their business purchases such as gas, car repairs, and car washes. Drivers must keep records of the amounts they pay or owe to support their ITC claims upon an audit. The ETA requires that a registrant obtain adequate supporting documentation prior to claiming an input tax credit, to show that GST/HST has been paid to a registered supplier. CRA *GST/HST memorandum 8.4* “[Documentary Requirements for Claiming Input Tax Credits](#)” provides more details on the documentary requirements that registrants must satisfy to substantiate claims for ITCs.

The registered individual, or partnership, must be a registrant during the reporting period in which the GST/HST on the property or service became payable by the person, or was paid without having become payable. The ITC must also be claimed in a return filed by the due

date within the time limit for claiming the ITC, which is four years from the date the GST/HST was paid, or became payable.

4. Change of Use of Personal Capital Property

If the GST/HST registered individual decides to stop working as a ride sharing driver (e.g. they have landed another paid job), there would be a change of use of the vehicle from exclusively for commercial activities to personal use. The treatment would be to deem the ride sharing business has closed, and the assets of the business were sold. Therefore, when stopping the ride sharing business, the registrant must value their vehicle in the market at the time of stopping the ride sharing business and calculate the HST collected upon sale of the vehicle, as if the vehicle was sold. The calculated HST collected would be reported on line 103 of the final GST/HST return of the registrant.

Example 5

A well-educated ride sharing driver was able to land a paid manager job at Corporate A for \$125,000 annually, plus bonuses, and will start their full-time job as an employee on June 9, 2025. The driver decided to quite operating as a ride sharing driver and their last day of ride sharing service delivery was May 31, 2025. The following are statements of facts for this scenario:

- The vehicle was used 90% of the time in commercial activities.
- The place of supply for car purchase, sale, and ride sharing services was Ontario.
- The vehicle was purchased for \$23,000 on January 1, 2025, and \$2,990 was paid as HST.
- The market value of their vehicle on May 31, 2025, was \$19,000.
- GST/HST returns were to be filed and paid annually on January 31 (i.e. ending period is December 31).

The filed GST/HST return on January 31, 2026, will be as follows:

Taxable sales (including zero-rated supplies) made in Canada	Line 90	\$	16,900.00	
Exempt supplies, zero-rated exports, and other sales and revenue	Line 91		-	
Sales and other revenue	Line 101	\$	16,900.00	
GST/HST collected or collectible	Line 103	\$	4,414.25	= \$2,208.85 HST collected on services and fares + \$2,470 HST collected on sale of vehicle for business closure
Adjustments to be added to the net tax	Line 104		-	
Total GST/HST and adjustments for period	Line 105	\$	4,414.25	
GST/HST paid or payable (ITCs)	Line 106		2,990.00	= \$23,000 X 13%
Adjustments to be deducted when determining the net tax	Line 107		-	
Total ITCs and adjustments	Line 108		2,990.00	
Net tax	Line 109		1,424.25	
Instalments and other annual filer payments	Line 110		-	
Rebates (note: rebate forms must be mailed separately)	Line 111		-	
GST/HST due on purchases of real property or purchases of emission allowances	Line 205		-	
Other GST/HST to be self-assessed	Line 405		-	
Amount owing	Line 115	\$	1,424.25	

– Figure 1. Final GST/HST Return –

Line 101 Is the total amount of revenue from supplies of ride sharing services. This amount does not include GST/HST, provincial sales taxes, or any revenue amount reported in a previous return.

Line 103 Is the GST/HST collected on supplies of ride sharing services discussed in section 3.1 in this article. The \$4,414.25 is calculated as follows:
= \$2,208.85 HST collected on services and fares + \$2,470 HST collected on sale of vehicle for business closure.

$$\$2,208.85 = \frac{\$16,900 \times 13}{113}$$

$$\$2,470.00 = \$19,000 \times 13\%$$

Line 106 Is the eligible ITCs for the GST/HST paid, or payable, on the value of property and services the registrant acquired, imported, or brought for consumption, use, or supply in the course of their commercial activities.

Line 109 Is net tax, or the difference between tax collected and tax paid.

5. Audits and Records Retention

The legislation imposes the responsibility on registrants to file their GST/HST, or QST, returns with the Minister of National Revenue in a specified manner, as well as to pay or remit any amounts owed to the Receiver General. Furthermore, the Minister possesses the discretionary power to register and allocate GST/HST or QST registration numbers to persons who must register for GST/HST, or QST, and are not registered.

Registered individual drivers must maintain adequate books and records, in English or French, to enable the determination of their tax liabilities and obligations. The CRA may demand information upon assessment or audit for the enforcement of the ETA.

6. Further Assistance or Information

For more information or inquiries kindly reach out to us at insights@dominionaudit.com.

CRA Reference Materials

CRA *GST/HST memorandum 8.4* “[Documentary Requirements for Claiming Input Tax Credits](#)” provides more details on the documentary requirements that registrants must satisfy to substantiate claims for ITCs.

CRA *Guide on Input Tax Credits* “[Calculate input tax credits – ITC eligibility percentage](#)”.

CRA *guide RC4125* “[Basic GST/HST Information for Taxi and Limousine Drivers](#)” gives more information on GST/HST for self-employed taxi or limousine drivers in the taxi business.

Department of Finance Canada “[2025 Automobile Limits](#)” provides the 2025 automobile deduction limits and expense benefit rates for businesses.

GST/HST Info Sheet GI-196 “[GST/HST and Commercial Ride-sharing Services](#)” gives more information on the GST/HST requirements for self-employed commercial ride-sharing drivers along with the simplified GST/HST measures available to them based on the amendment to the GST/HST definition of taxi business which received Royal Assent on June 22, 2017.

GST/HST memorandum 15.1 “[General Requirements for Books and Records](#)” explains the requirements under the ETA for registrants to retain and make available books and records, documents and other information.

RC4022(E) Rev. 24 “[General Information for GST/HST Registrants](#)” provides the meaning of “exclusively in commercial activities”.

T4002(E) Rev. 24 “[Self-employed Business, Professional, Commission, Farming, and Fishing Income](#)” gives more information on capital cost allowance.