

Continuous outbound freight movement

The domestic part of a continuous outbound international freight movement is zero-rated and you do not charge GST/HST if the following conditions are met:

- the shipper provides the carrier with a written declaration stating that the goods are being shipped for export and the domestic freight transportation service the carrier will supply is part of a continuous outbound freight movement of the goods;
- the goods are exported and the domestic freight transportation service is part of a continuous outbound freight movement of the goods; and
- the charge for the domestic freight transportation service is \$5 or more.

The shipper's declaration may be on the bill of lading given to the original carrier, or on a separate document given to the carrier. See GST/HST Memorandum 28.2, *Freight Transportation Services* for an example of a Shipper's Declaration. If the declaration is not made, the carrier has to collect GST/HST on the freight transportation service provided in Canada unless interlining applies.

The goods transported cannot be processed, transformed, or altered after the shipper transfers possession of the goods to a carrier and before they are exported, except to the extent necessary to transport the goods. This might include packing or refrigeration to make sure that the goods arrive at their destination in good condition. Domestic freight transportation services used to move raw materials to a processing plant, such as grain moved to a dockside elevator to be cleaned, dried, and graded before being exported, are subject to GST/HST, unless interlining applies.

The shipper has to keep proof of export to support the declaration given to the carrier. This includes an invoice to the foreign customer, together with proof of payment for the goods, Canada Customs "E15" documents that certify the goods are being exported, and all bills of lading associated with the shipment. For prepaid shipments, we also need billing documents from the carrier or carriers involved in the export movement.

Interline settlements

Several carriers may take part in the supply of a freight transportation service during the course of a continuous freight movement from the shipper to the consignee. This process is called **interlining**.

Interline freight settlements between carriers are treated as payments for freight transportation services supplied to each other and are zero-rated.

Only the "invoicing carrier" who settles the freight bill directly with the customer, who may be the shipper or the consignee, is responsible for charging and collecting any applicable GST/HST. Any payment to other carriers who participate in the transportation of the goods is zero-rated.

If one carrier acts as an agent to collect payment on behalf of all other carriers involved in a shipment, the carrier acting as an agent will collect GST/HST from the shipper or consignee. The payments between the agent and the other carriers are still zero-rated under the interline settlement rules.

When a person, whose business includes the supply of freight transportation services, is shipping his or her own goods and transfers possession of those goods to a carrier, that person is the shipper and the interline settlement rules do not apply. That person must advise the carrier that he or she is the shipper of the goods.

Example

Carrier A contracts with carrier B to have carrier B transport a load of pallets owned by carrier A. Carrier B's charge for the freight transportation service does not qualify as an interline settlement. Therefore, if it is a domestic freight transportation service, carrier B's service is subject to GST/HST.

If an owner-operator provides a freight transportation service on behalf of a carrier and the carrier remains responsible for invoicing the customer, the services provided by the owner-operator to the carrier are zero-rated under the interline settlement rules.

Couriers

The rules for interline settlements also apply to courier services. When a freight company contracts with a courier to pick up or deliver goods to the freight company, the courier bills the freight company for the service and, in turn, the freight company bills either the shipper or the consignee. The courier does not charge GST/HST on its service because it qualifies as an interline settlement.

When a courier company contracts with a person to deliver goods, the courier company issues an invoice to its customer and is responsible for charging and collecting the GST or HST. Persons who are on contract with the courier company to make deliveries and who do not invoice the customer directly can zero-rate their billings to the courier company as part of an interline freight settlement.

Tow-truck operators

The service of towing a vehicle from the site of an accident or breakdown is a freight transportation service and the rules for interline settlements may apply. When a GST/HST registered tow-truck company has self-employed contractors (operators) working for it, the services provided by the tow-truck operators to the tow-truck company are zero-rated and the tow-truck company (as the invoicing carrier) is responsible for charging and collecting the GST/HST from the customers.

However, roadside services (e.g., car boosting, winching, and unlocking doors) do not qualify as freight transportation services since these services do not involve the transportation of goods. As a result, these services are subject to GST/HST.

28.2 Freight Transportation Services (continued)

Reload centre -
outbound freight
movement
Sch. VI, Part VII, s 7

33. Where the reload service is part of a continuous international outbound freight movement, the charge for the service is zero-rated.

Reload centres -
inbound freight
movement
Sch. VI, part VII, s 10

34. Where goods are part of a continuous international inbound freight movement, the reload services are also zero-rated.

Reload centres -
interline settlement
Sch. VI, Part VII, s 11

35. When a carrier is billed for the reload services performed at the reload centre, the billings are zero-rated as part of an interline settlement.

Example

The ABC company operates a lumber reload centre. Lumber is transported to the facility by rail and by truck where it is unloaded and stored for no more than 30 days before finally being shipped to the United States. The lumber is not subject to any processing such as staining or cutting, and is not altered in any way while at the reload centre. In this example, the services provided at the reload centre are zero-rated as part of a continuous outbound freight movement.

Interline freight settlements between freight carriers

Sch. VI, Part VII, s 11,
ss 1(2)

36. Several carriers may participate in the supply of a freight transportation service in the course of a continuous freight movement from the shipper's premises to the customer's premises. This process, called interlining, receives special treatment under the GST/HST. Subsection 1(2) provides a set of rules designed to treat interline freight settlements between carriers as being payments for freight transportation services supplied to each other. It deems such payments to be in respect of supplies between carriers rather than supplies made through an agent by the shipper or consignee of the goods. The effect of this deeming provision is to enable such supplies to be zero-rated under section 11 of Part VII of Schedule VI without having first to determine the actual contractual relationships between carriers.

37. Further, section 11 zero-rates interline settlements between freight carriers whether the settlements are in respect of domestic or international freight movements.

38. Under the interline rules, only the carrier who settles a freight bill directly with the shipper or consignee is required to charge and collect the 7% GST or 15% HST on the bill. Any subsequent disbursements to interlining carriers who participate in the freight movement would be zero-rated.