



[Home](#) / [Blog](#)

Comprehensive Guide to Setting Up NetSuite for Canadian Sales Taxes

September 17, 2024

NetSuite for Canadian sales taxes can be a bit tricky if you use the out of the box configuration. Some of the sales tax intricacies to watch out for in Canada are that some of the Provinces have their own revenue agency, whereas others have harmonized and use the HST instead. Even then, the HST is not necessarily the same across all Provinces. In addition, the Province of Quebec has its own rules, especially concerning Sales Tax when Purchasing from that Province.

Ever wonder how to properly set up Canadian Sales Taxes in NetSuite? Here is how you do it.

NetSuite for Canadian Sales Taxes

Create your nexuses

As with all Sale Tax setup in NetSuite, the first step is to create your nexuses. Your nexus represents the Provinces you will remit taxes to. Consult a tax specialist to determine which nexuses to create in NetSuite. Generally speaking though, we suggest creating nexuses for all Provinces in Canada and using other ways to either collect taxes or not.

Setup -> Accounting -> Nexuses

Click on “New Nexus” to set up a new Canadian Nexus. Make sure to choose the country “Canada”.

Select the country and the Province applicable.

Creating the nexus should create the appropriate tax codes and vendors for the corresponding revenue agencies.

Review the tax codes

Unfortunately, the out of the box tax codes are not up to date for Canada. You must review them and adjust them to have the correct tax rate.

Edit the tax codes to reflect the most recent tax rates in each respective province.

Review your tax setup

Once that is done, review your tax setup. This can be found under Setup -> Accounting -> Set up Taxes. For Canadian taxes, ensure your setup has the following options checked off:

Enable tax lookup on Sales and Purchases. Print tax code summary on sales forms.

Record PST separately on purchases.

It is important to check off the last option “Record PST separately on Purchases” as there are some provinces in which you can claim back the taxes paid on purchases. Ensure your default tax code is set to non-taxable (0%) and that your tax code for out-of-province sale is correctly setup. You may be leaving it blank here (to collect sales tax in each province) or you may be collecting only GST (for example) on out-of-province sales. Review those options and set them according to what is suggested by your tax expert.

Review your tax accounts

By default, when creating your nexuses, NetSuite creates the appropriate Liability and Expense accounts. However, for Quebec, it is a good idea to create a Liability account for QST on Purchases to track how much tax has been paid on Purchases so that you may claim those taxes paid. You will do this by navigating to the tax accounts via Setup -> Accounting -> Tax Control Accounts.

Create a new tax control account here.

Set up the tax control to look like this:

This account will be created as an Other Current Liability account and will be available when defining tax groups and tax codes.

Assign the new tax control account

Once you've created the new tax control account, go back the tax code screen and change the Purchase Tax account for QST to this new account (QST Paid on Purchases).

QST Paid on Purchases will be a Liability account instead of an Expense account.

Review your tax groups

As with tax codes not having the right tax rates in NetSuite for Canada when creating them, so must you review your tax groups. Review them to make sure they correspond to the correct amount for each province.

This is an example of a tax group setup for Canada.

Setup your tax schedules

Once you've reviewed your tax groups and appropriately configured them, the last part of configuration is the tax schedules. The tax schedules is what dictates how your sales / purchases will be taxed for a particular schedule. Here is an example of a setup for Canadian tax schedules.

This setup works for Canadian Taxes, but each configuration may vary slightly depending on your product, etc.

And there you have it. Once you've completed all these steps, the last is to test and make sure that taxes are working and being put in the right account.

Any questions? Fill out the contact form below and we would be happy to assist.