

---

# **Draft Regulations and Legislation Relating to the HST and GST**

---

Published by  
The Honourable Paul Martin, P.C., M.P.  
Minister of Finance

March 1997



Department of Finance  
Canada

Ministère des Finances  
Canada

For additional copies of this document  
please contact:

Distribution Centre  
Department of Finance  
300 Laurier Avenue West  
Ottawa K1A 0G5

Tel: (613) 995-2855

Fax: (613) 996-0518

Cette publication est également disponible en français.



## TABLE OF CONTENTS

	<b>PAGE</b>
<b>Draft Regulations</b>	
Draft Place of Supply (GST/HST) Regulations . . . . .	7
Draft Specified Motor Vehicle (GST/HST) Regulations . . . . .	11
Draft Automobile Operating Expense Benefit (GST/HST) Regulations . . . . .	13
Draft Regulations Amending the Input Tax Credit Information Regulations . . . . .	14
Draft Regulations Amending the Streamlined Accounting (GST) Regulations . . . . .	16
Draft Selected Listed Financial Institutions Attribution Method (GST/HST) Regulations . . . . .	55
Draft Property Supplied by Auction (GST/HST) Regulations . . .	77
Draft Regulations Amending the Federal Sales Tax New Housing Rebate Regulations . . . . .	79
<b>Draft Amendments to the Excise Tax Act . . . . .</b>	<b>83</b>



---

## **Draft Regulations**

---



## DRAFT PLACE OF SUPPLY (GST/HST) REGULATIONS

*Interpretation*

1. The definitions in this section apply in these Regulations.

"Canadian rights", in respect of intangible personal property, means that part of the property that can be used in Canada. (*droits canadiens*)

"leg" of a flight of an aircraft means a part of the flight that begins where passengers embark or disembark the aircraft, where freight is loaded on the aircraft or unloaded from it or where the aircraft is stopped to allow for its servicing or refuelling and ends where it is next stopped for any of those purposes. (*étape*)

2. For the purposes of these Regulations, property is deemed to be delivered in a particular province by a supplier and is deemed not to be delivered in any other province by the supplier where the supplier

(a) ships the property to a destination in the particular province that is specified in the contract for carriage of the property or transfers possession of the property to a common carrier or consignee that the supplier has retained on behalf of the recipient to ship the property to such a destination; or

(b) sends the property by mail or courier to an address in the particular province.

3. These Regulations apply for the purposes of section 3 of Part IX of Schedule IX to the *Excise Tax Act*.

*PRESCRIBED SUPPLY*

4. Where a person supplies a service of arranging for the release (within the meaning assigned by the *Customs Act*) of imported goods, the supply is made in a province if the goods are situated in the province at the time of their release.

5. (1) A supply of a railway passenger, baggage or freight car otherwise than by way of sale is made in a province if the supplier delivers the car or makes it available to the recipient of the supply in the province.

(2) For the purposes of this section, where continuous possession or use of a railway car is given by a supplier to a recipient throughout a period under two or more successive agreements between the supplier and recipient, the car is deemed to have been delivered or made available to the recipient under each of those agreements at the location at which it is delivered or made available to the recipient under the first of those agreements.

**6.** Where a supply of a membership is made to an individual and the Canadian rights in respect of the membership can be exercised otherwise than exclusively in one province, the supply is made in a province if the mailing address of the individual is in the province.

**7.** Where a supplier receives particular tangible personal property of another person for the purpose of supplying a service of

(a) repairing, maintaining, cleaning, adjusting or altering the property, or

(b) producing a negative, transparency, photographic print or other photographic-related good,

the supply of the service, and of any property supplied in connection with the service, is made in a province if the supplier delivers the particular property or the photographic-related good, as the case may be, in the province to the recipient of the supply after the service is performed.

**8.** A supply of a service in respect of a trust governed by a registered retirement savings plan (RRSP), a registered retirement income fund (RRIF) or a registered education savings plan (RESP) (within the meanings assigned to those expressions by subsection 248(1) of the *Income Tax Act*) provided by a trustee of the trust is made in a province if the mailing address of the annuitant of the RRSP or RRIF or of the subscriber of the RESP is in the province.

**9.** A supply of a service provided by telephone and accessed by calling a number beginning with the digits 1900 or 1976 is made in a province if the telephone call originates in the province.

**10.** Where a particular supplier makes a supply of



(a) a technical support service, provided by means of telecommunications, that relates to the operation or use of computer hardware or software,

(b) a service involving the electronic storage of information and computer-to-computer transfer of information, or

(c) access to the Internet,

the supply is made,

(d) if

(i) there is only one user who acquires the service or access (under an agreement either with the particular supplier or another supplier) otherwise than for the purpose of making a supply of that service,

(ii) the ordinary location of the user when receiving the service, or accessing the Internet, is in a province, and

(iii) the particular supplier either maintains information sufficient to determine that location or it is the normal business practice of the particular supplier to obtain information sufficient to determine that location,

in the province,

(e) if

(i) there is more than one user who acquires the service or access (under an agreement either with the particular supplier or another supplier) otherwise than for the purpose of making a supply of that service, and

(ii) the particular supplier satisfies the condition described in subparagraph (d)(iii) with respect to each of those users,

in the province, if any, that would be determined under Part III or V of Schedule IX to the *Excise Tax Act* to be the province in which the supply is made if the service were performed, or the right of access to the Internet were exercisable, as the case may be, in each province

in which, and to the same extent to which, the service or access, as the case may be, is received by those users, and

(f) in any other case, in a province if the mailing address of the recipient of the supply is in the province.

**11.** A supply of air navigation services (within the meaning assigned by subsection 2(1) of the *Civil Air Navigation Services Commercialization Act*) is made in a province if the flight or leg of the flight in respect of which the services are performed originates in the province.

*COMING INTO FORCE*

**12. These Regulations are deemed to have come into force on April 1, 1997.**

## DRAFT SPECIFIED MOTOR VEHICLE (GST/HST) REGULATIONS

*Interpretation*

1. The definitions in this section apply in these Regulations.

"Act" means the *Excise Tax Act*. (loi)

"provincial authority" means any department or agency of a province that is empowered under the laws of that province to collect, at the time when a specified motor vehicle is registered in the province, any specified provincial tax imposed in respect of the vehicle. (autorité provinciale)

"specified provincial tax" means

(a) in the case of a vehicle registered in the province of Nova Scotia, the tax imposed under Part IIA of the *Revenue Act*, R.S.N.S. 1995-96, c. 17, as amended;

(b) in the case of a vehicle registered in the province of New Brunswick, the tax imposed under Part V of the *Harmonized Sales Tax Act*, S.N.B. 1997, c. H-1.01; and

(c) in the case of a vehicle registered in the province of Newfoundland, the tax imposed under the *Retail Sales Tax Act*, R.S.N. 1990, c. R-15, as amended. (taxe provinciale déterminée)

## PRESCRIBED VALUE

2. For purposes of paragraph (a) of the description of B in subsection 220.05(1) of the Act, and paragraph 220.07(3)(a) of the Act, the prescribed value of a specified motor vehicle that a person is required to register under the laws of a province relating to the registration of motor vehicles is the value that would be attributed to the vehicle by the provincial authority for that province for the purpose of calculating the specified provincial tax payable if, at the time of registration, that tax were payable in respect of the vehicle.

PRESCRIBED MANNER OF PAYMENT

3. Every person who is required under subsection 220.09(2) of the Act to pay an amount of tax to the Receiver General shall pay the amount to the provincial authority in its capacity as agent of Her Majesty in right of Canada.

*COMING INTO FORCE*

**4. These Regulations are deemed to have come into force on April 1, 1997.**

DRAFT AUTOMOBILE OPERATING EXPENSE BENEFIT  
(GST/HST) REGULATIONS

PRESCRIBED PERCENTAGE

1. For the purposes of subparagraph 173(1)(e)(vii) of the *Excise Tax Act*, the prescribed percentage is 5%.

2. For the purposes of clause 173(1)(d)(vi)(A) of the *Excise Tax Act*, where a registrant supplies property or a service and an amount in respect thereof is required to be included in computing an individual's income for the purposes of the *Income Tax Act* for a taxation year, the prescribed percentage of the total consideration that includes that amount is

(a) 11% where

(i) the individual is an employee of the registrant and is required under subsection 6(1) of the *Income Tax Act* to so include the amount and the last establishment of the registrant at which the individual ordinarily worked or to which the individual ordinarily reported in the year in relation to that office or employment is located in a participating province, or

(ii) the individual is a shareholder of the registrant, is required under subsection 15(1) of the *Income Tax Act* to so include the amount and the individual is resident in a participating province at the end of the year; and

(b) in any other case, 5%.

*Application*

3. Section 1 applies to amounts that are required to be included in computing an individual's income for the purposes of the *Income Tax Act* for the 1993 to 1996 taxation years except that, in respect of the 1996 taxation year, the reference in that section to "subparagraph 173(1)(e)(vii)" shall be read as a reference to "clause 173(1)(d)(vi)(A)".

4. Section 2 applies to amounts that are required to be included in computing an individual's income for the purposes of the *Income Tax Act* for the 1997 and subsequent taxation years except that, in respect of the 1997 taxation year, the reference in that section to "11%" shall be read as a reference to "9.5%".

DRAFT REGULATIONS AMENDING THE INPUT TAX CREDIT  
INFORMATION REGULATIONS

*Amendments*

**1. Section 1 of the *Input Tax Credit Information Regulations* is replaced by the following:**

1. These regulations may be cited as the *Input Tax Credit Information (GST/HST) Regulations*.

**2. Section 2 of the Regulations is amended by adding the following in alphabetical order:**

"intermediary" of a person, in respect of a supply, means a registrant who causes or facilitates the making of the supply by the person;  
(*intermédiaire*)

**3. (1) Subparagraph 3(a)(i) of the Regulations is replaced by the following:**

(i) the supplier's name or the name under which the supplier does business or, where there is an intermediary in respect of the supply, the name of the intermediary or the name under which the intermediary carries on business,

**(2) Subparagraph 3(b)(ii) of the Regulations is replaced by the following:**

(ii) the registration number assigned under section 241 of the Act to the supplier or, where there is an intermediary in respect of the supply, to the intermediary,

**(3) Subparagraph 3(b)(iv) of the Regulations is replaced by the following:**

(iv) where the amount paid or payable for the supply or the supplies includes the amount of tax paid or payable in respect thereof and one or more supplies are taxable supplies that are not zero-rated supplies, a statement to the effect that tax is included in the amount paid or payable for each supply in respect of which

there is tax paid or payable and the rate or rates at which that tax is paid or payable in respect of each of those supplies, and

*Application*

**4. Section 1 and subsection 3(3) are deemed to have come into force on April 1, 1997.**

**5. Section 2 and subsections 3(1) and (2) apply to supplies made after April 23, 1996.**

DRAFT REGULATIONS AMENDING THE STREAMLINED  
ACCOUNTING (GST) REGULATIONS

*Amendments*

**1. Section 1 of the *Streamlined Accounting (GST) Regulations* is replaced by the following:**

1. These Regulations may be cited as the *Streamlined Accounting (GST/HST) Regulations*.

**2. (1) The definitions "basic groceries", "improvement", "medical device", "prescription drug" and "retail establishment" in subsection 2(1) of the Act are repealed.**

**(2) The definitions "Division II", "Division III" and "Division V" in subsection 2(1) of the Regulations are replaced by the following:**

"Division II", "Division III", "Division IV", "Division IV.1" and "Division V" means Division II, III, IV, IV.1 and V, respectively, of Part IX of the Act; (*section II, section III, section IV, section IV.1 et section V*)

**(3) The definitions "bien immobilisé" and "immobilisation admissible" in the French version of subsection 2(1) of the Regulations are replaced by the following:**

« bien immobilisé » Bien qui est l'immobilisation d'une personne au sens de la *Loi de l'impôt sur le revenu*, ou qui le serait si la personne était un contribuable aux termes de cette loi. (*capital asset*)

« immobilisation admissible » Bien qui est l'immobilisation admissible d'une personne au sens de la *Loi de l'impôt sur le revenu*, ou qui le serait si la personne était un contribuable aux termes de cette loi. (*eligible capital property*)

**(4) Subsection 2(1) of the Regulations is amended by adding the following in alphabetical order:**

"consideration" in respect of a supply includes the amount credited to the recipient of the supply in respect of a trade-in (within the meaning of subsection 153(4) of the Act) accepted in full or partial



consideration for the supply or, where the supplier and the recipient are not dealing with each other at arm's length at the time the supply is made and the amount credited to the recipient in respect of the trade-in exceeds the fair market value of the trade-in at the time ownership thereof is transferred to the supplier, that fair market value. (*contrepartie*)

**(5) The description of A in subsection 2(2) of the Regulations is replaced by the following:**

A is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property, capital assets or eligible capital property of the registrant) made in Canada by the registrant that became due, or was paid without having become due, to the registrant in the threshold period for the reporting period;

**(6) The description of A in paragraph 2(3)(a) of the Regulations is replaced by the following:**

A is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property, capital assets or eligible capital property of the registrant) made by the registrant that became due, or was paid without having become due, to the registrant in the threshold period for the reporting period,

**(7) The description of D in paragraph 2(3)(b) of the Regulations is replaced by the following:**

D is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property, capital assets or eligible capital property of the associate) made by the associate that became due, or was paid without having become due, to the associate in the particular fiscal year,

**3. Parts I to III of the Regulations are repealed.**

**4. (1) The description of C in the definition "cost" in subsection 15(1) of the Regulations is replaced by the following:**

C is the total of all tax under any of Divisions II to IV.1 that became payable by the registrant in the threshold period in respect of tangible personal property of that class or kind acquired, imported or brought into a participating province by the registrant for that purpose, and

**(2) Paragraph (b) of the definition "specified registrant" in subsection 15(1) of the Regulations is replaced by the following:**

(b) at that time, is not a charity, public institution or selected public service body within the meaning of section 259 of the Act, and

**(3) The definition "specified supply" in subsection 15(1) of the Regulations is amended by striking out the word "and" at the end of paragraph (b) and by replacing paragraph (c) with the following:**

(c) a supply that is deemed under sections 172 or 175.1 of the Act to have been made or to which section 173 of the Act applies,

(d) a zero-rated supply,

(e) a supply made outside Canada,

(f) a supply in respect of which the recipient is not required to pay tax because of an Act of Parliament unless, in the case of a supply to Her Majesty in right of a province, Her Majesty in right of that province has agreed, under an agreement with Her Majesty in right of Canada, to pay the tax under Part IX of the Act in respect of the supply, and

(g) a supply made by a registrant acting as agent for another person and in respect of which the registrant has made an election under subsection 177(1.1) of the Act. (*fourniture déterminée*)

**(4) Subsection 15(1) of the Regulations is amended by adding the following in alphabetical order:**

"basic groceries" of a registrant means property acquired or imported by the registrant for the purpose of making a supply of the property that is included in Part III of Schedule VI to the Act; (*produit alimentaire de base*)

**(5) Subsection 15(2) of the Regulations is replaced by the following:**

(2) For the purposes of this Part, where a registrant acquires, imports or brings into a participating province tangible personal property that is to be incorporated into or to form a constituent or component part of tangible personal property manufactured or produced in Canada by the registrant, the registrant is deemed to have acquired or imported the property, or brought it into a participating province, as the case may be, for the purpose of supply by way of sale.

**(6) Subsection 15(5) of the Regulations is replaced by the following:**

(5) The quick-method rate of a registrant for a particular reporting period of the registrant is

(a) 2.5% where the cost to the registrant, in the threshold period for the particular reporting period, of all tangible personal property (other than basic groceries of the registrant) acquired by the registrant for the purpose of supply by way of sale by the registrant, is equal to at least 40% of the basic threshold amount for the particular reporting period, determined without reference to supplies included in Part III of Schedule VI to the Act, and

(b) 5% in any other case.

(5.1) The net specified supplies of a registrant for a reporting period of the registrant is the amount determined by the formula

$$A - B$$

where

A is the total of

(a) all consideration for specified supplies made by the registrant that became due, or was paid without having become due, to the registrant in the reporting period, and

(b) all amounts that became collectible, and all other amounts collected, by the registrant in the reporting period as or on account of tax under Division II in respect of specified supplies made by the registrant; and

B is the total of all amounts each of which is an amount that the registrant has, in the reporting period, paid or credited to a person as or on account of

(a) a reduction in, or a rebate or refund of, all or part of the consideration for a specified supply made by the registrant to the person; or

(b) a refund of, or a credit for, tax under Division II charged to or collected from the person in respect of a specified supply made by the registrant.

**(7) Subsection 15(5) of the Regulations, as amended by subsection (6), is replaced by the following:**

(5) The quick-method rate of a registrant for a particular reporting period that applies in respect of a supply made by the registrant is

(a) where the cost to the registrant, in the threshold period for the particular reporting period, of all tangible personal property (other than basic groceries of the registrant and property in respect of the acquisition of which the registrant was not required to pay tax) acquired by the registrant for the purpose of supply by way of sale by the registrant, is equal to at least 40% of the basic threshold amount for the particular reporting period, determined without reference to supplies included in Part III of Schedule VI to the Act,

(i) if the registrant makes the supply in a non-participating province through a permanent establishment of the registrant in a non-participating province, 2.5%,

(ii) if the registrant makes the supply in a participating province through a permanent establishment of the registrant in a non-participating province, 10.5%,

(iii) if the registrant makes the supply in a non-participating province through a permanent establishment of the registrant in a participating province, 0%, and

(iv) if the registrant makes the supply in a participating province through a permanent establishment of the registrant in a participating province, 5.4%;

(b) notwithstanding paragraph (a), where the supply is a supply in respect of which the registrant is entitled to a deduction under subsection 234(3) of the Act, 2.5%; and

(c) in any other case,

(i) if the registrant makes the supply in a non-participating province through a permanent establishment of the registrant in a non-participating province, 5%,

(ii) if the registrant makes the supply in a participating province through a permanent establishment of the registrant in a non-participating province, 13%,

(iii) if the registrant makes the supply in a non-participating province through a permanent establishment of the registrant in a participating province, 2.7%, and

(iv) if the registrant makes the supply in a participating province through a permanent establishment of the registrant in a participating province, 10.7%.

(5.01) A registrant may, for the purpose of determining the quick-method rate applicable under subsection (5),

(a) where all or substantially all of the specified supplies made by the registrant in a reporting period through a permanent establishment of the registrant in a participating province are made in participating provinces, treat all of the supplies made by the

registrant in the reporting period through that establishment as having been made in a participating province;

(b) where all or substantially all of the specified supplies made by the registrant in a reporting period through a permanent establishment of the registrant in a non-participating province are made in participating provinces, treat all of the supplies made by the registrant in the reporting period through that establishment as having been made in a participating province;

(c) where all or substantially all of the specified supplies made by the registrant in a reporting period through a permanent establishment of the registrant in a participating province are made in non-participating provinces, treat all of the supplies made by the registrant in the reporting period through that establishment as having been made in a non-participating province; and

(d) where all or substantially all of the specified supplies made by the registrant in a reporting period through a permanent establishment of the registrant in a non-participating province are made in non-participating provinces, treat all of the supplies made by the registrant in the reporting period through that establishment as having been made in a non-participating province.

**(8) Subsections 15(7) and (8) of the Regulations are repealed.**

**5. (1) Paragraphs 16(1)(b) and (c) of the Regulations are replaced by the following:**

(b) the total threshold amount for the reporting period does not exceed \$200,000, and

(c) the registrant was engaged in commercial activities throughout the 365-day period ending immediately before the beginning of the reporting period and an election of the registrant did not cease to have effect in that 365-day period because of a revocation of the election,

**(2) Paragraphs 16(2)(a) to (d) of the Regulations are replaced by the following:**

(a) the first fiscal year of the registrant that is a reporting period of the registrant in which the registrant ceases to be a specified registrant,

(b) the fiscal year of the registrant immediately preceding the first fiscal year of the registrant that is a reporting period of the registrant for which the total threshold amount exceeds \$200,000,

(c) the first fiscal quarter of the registrant that includes a reporting period of the registrant for which the total threshold amount exceeds \$200,000, and

(d) the fiscal quarter of the registrant immediately preceding the first fiscal quarter of the registrant that includes a reporting period of the registrant in which the registrant ceases to be a specified registrant.

**6. (1) The portion of section 17 of the Regulations before the formula is replaced by the following:**

**17.** Subject to subsection 21.3(1), where an election by a registrant to determine the net tax of the registrant in accordance with this Part is in effect during a particular reporting period of the registrant, the net tax of the registrant for the particular reporting period is equal to the positive or negative amount determined by the formula

**(2) Section 17 of the Regulations, as amended by subsection (1), is renumbered as subsection 17(1) and the formula in that section and the portion of that section following the formula are replaced by the following:**

$$(A \times B) + C - D - (1\% \times E)$$

where

A is the quick-method rate of the registrant for the particular reporting period;

B is the net specified supplies of the registrant for the particular reporting period;

C is the total of

(a) all amounts that became collectible and all other amounts collected by the registrant in the particular reporting period as or on account of tax under Division II in respect of supplies (other than specified supplies) made by the registrant,

(b) all amounts in respect of supplies (other than specified supplies) made by the registrant that are required under Division V to be added in determining the net tax for the particular reporting period, and

(c) the amount that is required under subsection 238.1(4) of the Act to be added in determining the net tax for the particular reporting period;

D is the total of all amounts each of which is

(a) an input tax credit

(i) for the particular reporting period or a preceding reporting period of the registrant in respect of property (other than specified property) acquired or imported by the registrant or an improvement thereto,

(ii) for a reporting period of the registrant ending before the election became effective in respect of specified property or services (other than an improvement to property that is not specified property) acquired or imported by the registrant, or

(iii) for the particular reporting period or a preceding reporting period of the registrant in respect of property described in paragraph 120(3)(b) of the Act,

that is claimed in the return filed under Division V by the registrant for the particular reporting period, or

(b) an amount in respect of a supply (other than a specified supply) made by the registrant that may be deducted by the registrant under Division V in determining the net tax for the particular reporting period and that is claimed in the return filed under Division V by the registrant for the particular reporting period; and

E is



(a) where the election was not in effect on the first day of the registrant's fiscal year that includes the particular reporting period or, where the registrant became a registrant on a day in that fiscal year, on that day, nil;

(b) where the total net specified supplies of the registrant for all reporting periods of the registrant in that fiscal year that end before the particular reporting period is equal to or greater than \$30,000, nil; and

(c) in any other case,

(i) where the particular reporting period is the first reporting period in that fiscal year, the lesser of the net specified supplies of the registrant for the particular reporting period and \$30,000; and

(ii) where the particular reporting period is not the first reporting period in that fiscal year, the lesser of

(A) the net specified supplies of the registrant for the particular reporting period, and

(B) the amount by which \$30,000 exceeds the total net specified supplies of the registrant for all reporting periods of the registrant in that fiscal year that end before the particular reporting period.

(2) For the purposes of paragraphs (b) and (c) of the description of E in subsection (1), the first reporting period of a registrant beginning after 1993 in a fiscal year of the registrant beginning before 1994 is deemed to be the first reporting period of the registrant in that fiscal year.

**(3) The formula in subsection 17(1) of the Regulations, as amended by subsection (2), and the portion of that subsection following the formula are replaced by the following:**

$$A + B - C - (1\% \times D)$$

where

A is the total of all amounts each of which is determined, in respect of all the particular supplies to which the same quick-method rate applies, by the formula

$$E \times F$$

where

E is the quick-method rate of the registrant for the particular reporting period that applies to the particular supplies, and

F is the portion of the net specified supplies of the registrant for the particular reporting period attributable to the particular supplies;

B is the total of

(a) all amounts that became collectible and all other amounts collected by the registrant in the particular reporting period as or on account of tax under Division II in respect of supplies (other than specified supplies) made by the registrant,

(b) all amounts in respect of supplies (other than specified supplies) made by the registrant that are required under Division V to be added in determining the net tax for the particular reporting period, and

(c) the amount that is required under subsection 238.1(4) of the Act to be added in determining the net tax for the particular reporting period;

C is the total of all amounts each of which is

(a) an input tax credit

(i) for the particular reporting period or a preceding reporting period of the registrant in respect of property (other than specified property) acquired, imported or brought into a participating province by the registrant or an improvement thereto,

(ii) for a reporting period of the registrant ending before the election became effective in respect of specified property or

services (other than an improvement to property that is not specified property) acquired, imported or brought into a participating province by the registrant, or

(iii) for the particular reporting period or a preceding reporting period of the registrant in respect of property described in paragraph 120(3)(b) of the Act,

that is claimed in the return filed under Division V by the registrant for the particular reporting period,

(b) an amount in respect of a supply (other than a specified supply) made by the registrant that may be deducted by the registrant under Division V in determining the net tax for the particular reporting period and that is claimed in the return filed under Division V by the registrant for the particular reporting period, or

(c) an amount equal to 2.6% of the portion of the registrant's net specified supplies for the particular reporting period that is attributable to supplies made by the registrant in a non-participating province through a permanent establishment of the registrant in a participating province; and

D is

(a) where the election was not in effect on the first day of the registrant's fiscal year that includes the particular reporting period or, where the registrant became a registrant on a day in that fiscal year, on that day, nil,

(b) where the total net specified supplies of the registrant for all reporting periods of the registrant in that fiscal year that end before the particular reporting period is equal to or greater than \$30,000, nil, and

(c) in any other case,

(i) where the particular reporting period is the first reporting period in that fiscal year, the lesser of the net specified supplies of the registrant for the particular reporting period and \$30,000, and

(ii) where the particular reporting period is not the first reporting period in that fiscal year, the lesser of

(A) the net specified supplies of the registrant for the particular reporting period, and

(B) the amount by which \$30,000 exceeds the total net specified supplies of the registrant for all reporting periods of the registrant in that fiscal year that end before the particular reporting period.

**7. The heading before section 18 of the Regulations is replaced by the following:**

Rules for New Registrants

**8. (1) Subsection 18(1) of the Regulations is amended by adding the word "and" at the end of paragraph (a) and by repealing paragraphs (c) and (d).**

**(2) Subsections 18(2) to (4) of the Regulations are repealed.**

**9. (1) The definition "specified supply" in subsection 19(1) of the Regulations is amended by striking out the word "and" at the end of paragraph (c) and by replacing paragraph (d) with the following:**

(d) a supply deemed under subsection 172(2), section 175.1 or subsections 183(5) or (6) of the Act to have been made by the registrant or a supply by the registrant to which subsection 173(1) of the Act applies,

(e) a zero-rated supply,

(f) a supply made outside Canada,

(g) a supply in respect of which the recipient is not required to pay tax because of an Act of Parliament unless, in the case of a supply to Her Majesty in right of a province, Her Majesty in right of that province has agreed, under an agreement with Her Majesty in right of Canada, to pay the tax under Part IX of the Act in respect of the supply, and

(h) a supply made by a registrant acting as agent for another person and in respect of which the registrant has made an election under subsection 177(1.1) of the Act. (*fourniture déterminée*)

**(2) Subsection 19(1) of the Regulations is amended by adding the following in alphabetical order:**

"health care facility" means a non-profit organization that operates, otherwise than for profit, a health care facility within the meaning of paragraph (c) of the definition of that expression in section 1 of Part II of Schedule V to the Act; (*établissement de santé*)

"retail establishment" of a registrant means a shop or store of the registrant at which the registrant primarily carries on the business of making supplies of property or services to consumers attending at the shop or store; (*établissement de détail*)

**(3) Subsection 19(2) of the Regulations is replaced by the following:**

(2) For the purposes of this Part, the expressions "municipality", "qualifying non-profit organization" and "selected public service body" have the meanings assigned by section 259 of the Act.

**(4) Paragraphs 19(3)(a) and (b) of the Regulations are replaced by the following:**

(a) in the case of a registrant that engages in the particular activity acting in the registrant's capacity as a health care facility or qualifying non-profit organization and not as a selected public service body,

(i) where the registrant makes a supply through a permanent establishment in Nova Scotia, New Brunswick or Newfoundland,

(A) 10.7 % in respect of the supply if made in a participating province in the course of the particular activity, and

(B) 2.7% in respect of the supply if made in a non-participating province in the course of the particular activity, and

(ii) in any other case,

(A) 13% in respect of any supply made in a participating province in the course of the particular activity, and

(B) 5% in respect of any supply made in a non-participating province in the course of the particular activity;

(b) in the case of a registrant that engages in the particular activity acting in the registrant's capacity as a school authority,

(i) where the registrant makes a supply through a permanent establishment of the registrant in Nova Scotia,

(A) 12.9% in respect of the supply if made in a participating province in the course of the particular activity, and

(B) 4.9% in respect of the supply if made in a non-participating province in the course of the particular activity,

(ii) where the registrant makes the supply through a permanent establishment of the registrant in New Brunswick or Newfoundland,

(A) 10.4% in respect of the supply if made in a participating province in the course of the particular activity, and

(B) 2.4% in respect of the supply if made in a non-participating province in the course of the particular activity, and

(iii) in any other case,

(A) 14% in respect of any supply made in a participating province in the course of the particular activity, and

(B) 6% in respect of any supply made in a non-participating province in the course of the particular activity;

**(5) The portion of subparagraph 19(3)(c)(i) of the Regulations before the formula is replaced by the following:**

(i) where supplies made in the ordinary course of business through vending machines operated by the registrant and retail establishments of the registrant (other than a restaurant, cafeteria, pub or similar establishment) at which the registrant primarily makes supplies of tangible personal property account for at least 25% of the amount determined by the formula

**(6) The description of B in subparagraph 19(3)(c)(i) of the Regulations is replaced by the following:**

B is the total of all tax under Division II that became collectible in the fiscal year of the registrant immediately preceding the particular fiscal year in respect of taxable supplies (other than supplies by way of sale of real property or specified property of the registrant) made by the registrant, and

**(7) Subparagraph 19(3)(c)(ii) of the Regulations is replaced by the following:**

(A) where the registrant is in Nova Scotia,

(I) 12% in respect of any supply made in a participating province in the course of the particular activity, and

(II) 4% in respect of any supply made in a non-participating province in the course of the particular activity,

(B) where the registrant is in New Brunswick or Newfoundland,

(I) 8.8% in respect of any supply made in a participating province in the course of the particular activity, and

(II) 0.8% in respect of any supply made in a non-participating province in the course of the particular activity,

(C) where the registrant is in a non-participating province,

(I) 13.6% in respect of any supply made in a participating province in the course of the particular activity, and

(II) 5.6% in respect of any supply made in a non-participating province in the course of the particular activity, and

(ii) in any other case,

(A) where the registrant is in Nova Scotia,

(I) 12.9% in respect of any supply made in a participating province in the course of the particular activity, and

(II) 4.9% in respect of any supply made in a non-participating province in the course of the particular activity,

(B) where the registrant is in New Brunswick or Newfoundland,

(I) 10.5% in respect of any supply made in a participating province in the course of the particular activity, and

(II) 2.5% in respect of any supply made in a non-participating province in the course of the particular activity, and

(C) where the registrant is in a non-participating province,

(I) 14% in respect of any supply made in a participating province in the course of the particular activity, and

(II) 6% in respect of any supply made in a non-participating province in the course of the particular activity;

**(8) Paragraphs 19(3)(d) and (e) of the Regulations are replaced by the following:**

(d) in the case of a registrant that engages in the particular activity acting in the registrant's capacity as a hospital authority,



- (i) where the registrant is in Nova Scotia,
    - (A) 13.3% in respect of any supply made in a participating province in the course of the particular activity, and
    - (B) 5.3% in respect of any supply made in a non-participating province in the course of the particular activity,
  - (ii) where the registrant is in New Brunswick or Newfoundland,
    - (A) 8.8% in respect of any supply made in a participating province in the course of the particular activity, and
    - (B) 0.8% in respect of any supply made in a non-participating province in the course of the particular activity, and
  - (iii) in any other case,
    - (A) 14.2% in respect of any supply made in a participating province in the course of the particular activity, and
    - (B) 6.2% in respect of any supply made in a non-participating province in the course of the particular activity; and
- (e) in the case of a registrant that engages in the particular activity acting in the registrant's capacity as a municipality,
- (i) where the registrant is in Nova Scotia or New Brunswick,
    - (A) 12.4% in respect of any supply made in a participating province in the course of the particular activity, and
    - (B) 4.4% in respect of any supply made in a non-participating province in the course of the particular activity,
  - (ii) where the registrant is in Newfoundland,
    - (A) 10.6% in respect of any supply made in a participating province in the course of the particular activity, and
    - (B) 2.6% in respect of any supply made in a non-participating province in the course of the particular activity, and

(iii) in any other case,

(A) 13.8% in respect of any supply made in a participating province in the course of the particular activity, and

(B) 5.8% in respect of any supply made in a non-participating province in the course of the particular activity.

(4) Notwithstanding subsection (3), the special quick-method rate applicable in respect of a supply made by a registrant acting in a particular capacity is, where the supply is a supply in respect of which the registrant is entitled to a deduction under subsection 234(3) of the Act and is made through a permanent establishment of the registrant in a participating province, the rate that would be applicable to the supply if it were made by the registrant acting in the same capacity in a non-participating province through a permanent establishment in a non-participating province.

(5) A registrant may, for the purpose of determining the special quick-method rate applicable under subsection (3) to particular supplies (other than designated supplies, specified supplies, supplies of financial services and supplies deemed under subsection 200(8) of the Act to have been made),

(a) where all or substantially all of the particular supplies made by the registrant in a reporting period through a permanent establishment of the registrant in a participating province are made in participating provinces, treat all of the supplies made by the registrant in the reporting period as having been made in a participating province through that establishment;

(b) where all or substantially all of the particular supplies made by the registrant in a reporting period through a permanent establishment of the registrant in a non-participating province are made in participating provinces, treat all of the supplies made by the registrant in the reporting period as having been made in a participating province through that establishment;

(c) where all or substantially all of the particular supplies made by the registrant in a reporting period through a permanent establishment of the registrant in a participating province are made in non-participating provinces, treat all of the supplies made by the

registrant in the reporting period as having been made in a non-participating province through that establishment; and

(d) where all or substantially all of the particular supplies made by the registrant in a reporting period through a permanent establishment of the registrant in a non-participating province are made in non-participating provinces, treat all of the supplies made by the registrant in the reporting period as having been made in a non-participating province through that establishment.

**10. Subsection 20(1) of the Regulations is replaced by the following:**

**20.** (1) Subject to section 23, a registrant (other than a listed financial institution and a prescribed registrant for the purposes of subsection 188(5) of the Act) that is, on the first day of a reporting period of the registrant, a health care facility, qualifying non-profit organization or selected public service body is a registrant who may file an election, to take effect on that day, to determine the net tax of the registrant in accordance with this Part where an election by the registrant did not cease to have effect in the 365-day period ending immediately before that day because of a revocation of the election.

**11. (1) The portion of subsection 21(1) of the Regulations before the first formula is replaced by the following:**

**21.** (1) Subject to subsections (2) and 21.3(1), where an election by a registrant to determine the net tax of the registrant in accordance with this Part is in effect during a particular reporting period of the registrant, the net tax of the registrant for the particular reporting period is equal to the positive or negative amount determined by the formula

**(2) The description A in subsection 21(1) of the Regulations, as amended by subsection (1), is replaced by the following:**

A is the total of all amounts each of which is determined, for a particular activity engaged in by the registrant and in respect of all the particular supplies to which the same special quick-method rate applies, by the formula

**(3) The descriptions of D and E in subsection 21(1) of the Regulations, as amended by subsection (1), are replaced by the following:**

D is the special quick-method rate for the particular activity, in respect of the particular supplies and for the particular reporting period,

E is the total of,

(a) all consideration for particular supplies that are taxable supplies (other than designated supplies, supplies of financial services, specified supplies and supplies deemed under paragraph 181(2)(b) or subsection 200(2) of the Act to have been made) made in Canada by the registrant in the course of the particular activity that became due, or was paid without becoming due, to the registrant in the particular reporting period, and

(b) all amounts that became collectible, and all other amounts collected, by the registrant in the particular reporting period as or on account of tax under Division II in respect of particular supplies that are taxable supplies (other than specified supplies and supplies deemed under paragraph 181(2)(d) or subsection 200(2) of the Act to have been made) made by the registrant in the course of the particular activity, and

F is the total of all amounts each of which is an amount that the registrant has, in the particular reporting period, paid or credited to a person as or on account of

(a) a reduction in, or a rebate or refund of, all or part of the consideration for a particular supply (other than a designated supply or a specified supply) made in Canada by the registrant to the person in the course of the particular activity, or

(b) a refund of, or a credit for, tax under Division II charged to or collected from the person in respect of a particular supply (other than a specified supply) made in the course of the particular activity;

**(4) Paragraphs (a) and (b) of the description of E in subsection 21(1) of the Regulations are replaced by the following:**

(a) all consideration for taxable supplies (other than designated supplies, supplies of financial services, specified supplies and supplies deemed under section 181.1 or subsection 200(2) of the Act to have been made) made in Canada by the registrant in the course of the particular activity that became due, or was paid without having become due, to the registrant in the particular reporting period, and

(b) all amounts that became collectible, and all other amounts collected, by the registrant in the particular reporting period as or on account of tax under Division II in respect of taxable supplies (other than specified supplies and supplies deemed under section 181.1 or subsection 200(2) of the Act to have been made) made by the registrant in the course of the particular activity, and

**(5) The description of B in subsection 21(1) of the Regulations is amended by adding the following after paragraph (b) and by adding the word "and" at the end of paragraph (c):**

(b.1) the amount required under subsection 238.1(4) of the Act to be added in determining the net tax for the particular reporting period,

**(6) Subparagraphs (a)(i) to (iii) of the description of C in subsection 21(1) of the Regulations are replaced by the following:**

(i) for the particular reporting period or a preceding reporting period of the registrant during which the election was in effect in respect of real property acquired by way of purchase by the registrant or an improvement thereto,

(ii) for the particular reporting period or a preceding reporting period of the registrant during which the election was in effect in respect of a supply by way of sale to, importation by or bringing into a participating province by the registrant of personal property that was acquired, imported or brought by the registrant for use as specified property and the fair market value of which at the time of the supply or bringing into the province, or the value of which determined under section 215 of the Act at the time of the importation, as the case may be, is at least \$10,000,

(iii) for the particular reporting period or a preceding reporting period of the registrant during which the election was in effect in

respect of an improvement to a specified property (other than real property) of the registrant, where the registrant has claimed, or is entitled to claim, an input tax credit in respect of the last supply to, or importation by, the registrant of the specified property,

**(7) The portion of subsection 21(2) of the Regulations before the formula is replaced by the following:**

(2) Subject to subsection 21.3(1), where a registrant carries on the business of supplying telephone services, electricity or natural gas in a separate division or department of the registrant and an election by the registrant to determine the net tax of the registrant in accordance with this Part is in effect during a particular reporting period of the registrant, the net tax of the registrant for the particular reporting period is equal to the positive or negative amount determined by the formula

**(8) The descriptions of A and B in subsection 21(2) of the Regulations are replaced by the following:**

A is the amount that would be the net tax of the registrant for the particular reporting period determined under subsection (1) if the registrant did not carry on the business and all property and services acquired, imported or brought into a participating province by the registrant otherwise than primarily for consumption, use or supply in the course of carrying on the business were the only property and services acquired, imported or brought by the registrant; and

B is the amount that would be the net tax of the registrant for the particular reporting period determined in accordance with section 225 of the Act if the business were the only activity engaged in by the registrant and the property and services acquired, imported or brought into a participating province by the registrant primarily for consumption, use or supply in the course of the business were the only property and services acquired, imported or brought by the registrant.

**12. The Regulations are amended by adding the following after Part V:**

## PART V.1

## STREAMLINED INPUT TAX CREDIT METHOD

*Interpretation*

**21.1** (1) For the purposes of this Part, the threshold amount for a fiscal year of a registrant is equal to the total of

(a) the amount determined by the formula

$$A \times 365/B$$

where

A is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the registrant) made by the registrant that became due, or was paid without having become due, to the registrant in the immediately preceding fiscal year (in this subsection referred to as the "base year") of the registrant, and

B is the number of days in the base year; and

(b) the total of all amounts each of which is an amount in respect of a person (in this paragraph referred to as the "associate") who was associated with the registrant at the end of the particular fiscal year of the associate that is the last fiscal year of the associate ending in the base year determined by the formula

$$C \times 365/D$$

where

C is the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the associate) made by the associate that

became due, or was paid without having become due, to the associate in the particular fiscal year, and

D is the number of days in the particular fiscal year.

(2) For the purposes of this Part, the threshold amount for a particular fiscal quarter in a particular fiscal year of a registrant is equal to the total of

(a) the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the registrant) made by the registrant that became due, or was paid without having become due, to the registrant in the preceding fiscal quarters in the particular fiscal year; and

(b) the total of all amounts each of which is an amount in respect of a person (in this paragraph referred to as the "associate") who was associated with the registrant at the beginning of the particular fiscal quarter equal to the total of all consideration (other than consideration referred to in section 167.1 of the Act that is attributable to goodwill of a business) for taxable supplies (other than supplies of financial services and supplies by way of sale of real property that is capital property of the associate) made by the associate that became due, or was paid without having become due, to the associate in the fiscal quarters of the associate that end in the particular fiscal year of the registrant before the beginning of the particular fiscal quarter of the registrant.

(3) For the purposes of this Part, the purchase threshold for a fiscal year of a registrant is equal to the total of all amounts each of which

(a) is an amount that became due, or was paid without having become due, by the registrant in the immediately preceding fiscal year for a taxable supply, other than a zero-rated supply, of property or a service that was acquired in Canada by the registrant, acquired outside Canada by the registrant and imported by the registrant or was brought into a participating province by the registrant; and

(b) is either



(i) included in determining the cost to the registrant of the property or service for the purposes of the *Income Tax Act*, or

(ii) tax payable by the registrant in respect of the acquisition, importation or the bringing in of the property or service.

(4) For the purposes of this Part, the purchase threshold of a registrant for a particular day is equal to the total of all amounts each of which

(a) is an amount that became due, or was paid without having become due, by the registrant

(i) on or before the particular day, and

(ii) in the fiscal year of the registrant that includes the particular day,

for a taxable supply, other than a zero-rated supply, of property or a service that was acquired in Canada by the registrant, was acquired outside Canada by the registrant and imported by the registrant or was brought into a participating province by the registrant; and

(b) is either

(i) included in determining the cost to the registrant of the property or service for the purposes of the *Income Tax Act*, or

(ii) tax payable by the registrant in respect of the acquisition, importation or the bringing in of the property or service.

(5) For the purposes of this Part, where consideration for a supply of property or a service is deemed by section 152 of the Act to become due on any day and an amount of a tax, duty or fee that

(a) is prescribed by paragraph 3(b) or (c) of the *Taxes, Duties and Fees (GST) Regulations*,

(b) is imposed in respect of the property or service, and

(c) is calculated on that consideration,

has not become due on or before that day, that amount of the tax, duty or fee is deemed to have become due on that day.

*Prescribed Registrants*

**21.2** (1) Subject to section 23, a registrant is a prescribed registrant, for the purposes of subsection 227(1) of the Act, on the first day of a reporting period of the registrant where

(a) the threshold amount for the fiscal year of the registrant that includes the reporting period does not exceed \$500,000,

(b) if the fiscal quarter of the registrant that includes the reporting period is not the first fiscal quarter in the fiscal year, the threshold amount for the fiscal quarter does not exceed \$500,000,

(c) the purchase threshold for the fiscal year does not exceed \$2,000,000, and

(d) if the registrant is a public service body, it is reasonable to expect at the beginning of the reporting period that the purchase threshold for the next fiscal year will not exceed \$2,000,000, and

(e) the registrant is not a person described in paragraph 149(1)(a) of the Act at the beginning of the reporting period.

(2) A registrant ceases to be a prescribed registrant for the purposes of subsection 227(1) of the Act at the earliest of

(a) where the threshold amount of the registrant for the second or third fiscal quarter of the registrant in a fiscal year of the registrant exceeds \$500,000, the end of the first fiscal quarter of the registrant for which the threshold amount exceeds \$500,000;

(b) where the threshold amount of the registrant for a fiscal year of the registrant exceeds \$500,000, the end of the first fiscal quarter in that fiscal year;

(c) where the registrant is not a public service body and the purchase threshold of the registrant for a particular day exceeds \$2,000,000, the end of the immediately preceding day;

(d) where the registrant is a public service body and the purchase threshold of the registrant for a fiscal year exceeds \$2,000,000, the end of the first fiscal quarter in that fiscal year; and

(e) where the registrant becomes a person described in paragraph 149(1)(a) of the Act during a fiscal quarter of the registrant, the end of that fiscal quarter.

*Calculation of Net Tax*

**21.3** (1) Where an election by a registrant to determine the net tax of the registrant in accordance with this Part is in effect during a reporting period of the registrant, the net tax of the registrant for the reporting period is, subject to this Part, the positive or negative amount of net tax for the reporting period determined in accordance with

(a) where the registrant has filed an election to determine the net tax of the registrant in accordance with Part IV that is in effect during the reporting period, Part IV;

(b) where the registrant has filed an election to determine the net tax of the registrant in accordance with Part V that is in effect during the reporting period, Part V; and

(c) in any other case, subsection 225(1) of the Act.

(2) Where personal property or a service is supplied in Canada to a registrant by another person, or tangible personal property is supplied outside Canada to a registrant by another person and imported by the registrant, and the registrant is entitled to claim an input tax credit in respect of the property or service for any reporting period of the registrant, for the purposes of determining

(a) an input tax credit of the registrant in respect of the property or service for a particular reporting period of the registrant, and

(b) an amount that is required by subsection 235(1) of the Act to be added in determining the net tax of the registrant for any reporting period,

for the purposes of this Part, the amount of tax that became payable, or was paid without having become payable, by the registrant during the

particular reporting period in respect of the supply or importation of the property or service is deemed to be equal to the amount determined by the formula

$$A \times B$$

where

A is the amount determined by the formula

$$C/D$$

where

C is

(i) where tax under subsection 165(2), section 212, 212.1 or 218.1 of the Act or Division IV.1 was payable in respect of the acquisition or importation, the total of 7% and the tax rate of the participating province that applied in respect of the acquisition or importation, and

(ii) in any other case, 7%, and

D is the total of 100% and the percentage determined for C; and

B is the total of all amounts each of which is

(a) the consideration that became due, or was paid without having become due, by the registrant during the period in respect of the supply of the property or service to the registrant,

(b) the tax under Division II or III that became payable, or was paid without having become payable, by the registrant during the period in respect of the supply or importation of the property or service,

(c) in the case of tangible personal property that was imported by the registrant, the amount of a tax or duty imposed in respect of the property under the Act (other than Part IX thereof), the *Customs Act*, the *Special Import Measures Act*, or any other law relating to customs that became due, or was paid without having become due, by the registrant during the period,

(d) the amount of a tax, duty or fee prescribed by paragraph 3(b) or (c) of the *Taxes, Duties and Fees (GST) Regulations* that became due, or was paid without having become due, by the registrant during the period in respect of the property or service, other than tax imposed under an Act of a legislature of a province to the extent that the tax is recoverable by the registrant under that Act,

(e) a reasonable gratuity paid by the registrant during the period in connection with the supply, or

(f) interest, a penalty or other amount paid by the registrant during the period where the amount was charged to the registrant by the supplier because an amount of consideration, or an amount of a tax, duty or fee referred to in paragraph (c) or (d), that was payable in respect of the supply or importation was overdue.

(3) Subsection (2) does not apply to a passenger vehicle or aircraft acquired or imported by a registrant who is an individual or a partnership for use as capital property of the registrant otherwise than exclusively in commercial activities of the registrant.

(4) For the purposes of this Part, where paragraph 13(7)(g) or (h) of the *Income Tax Act* deems an amount to be the capital cost to a registrant of a passenger vehicle for the purposes of section 13 of that Act, the amount, if any, by which

(a) the total of all amounts each of which is an amount of tax that is deemed by subsection (2) to have become payable, or to have been paid without having become payable, by the registrant in respect of the acquisition or importation of the vehicle or the acquisition or importation of an improvement thereto,

exceeds

(b) the amount determined by the formula

$$A \times B$$

where

A is the amount determined by the formula

C/D

where

C is

(i) where tax under subsection 165(2), section 212, 212.1 or 218.1 of the Act or Division IV.1 was payable in respect of the acquisition or importation, the total of 7% and the tax rate of the participating province that applied in respect of the acquisition or importation, and

(ii) in any other case, 7%, and

D is the total of 100% and the percentage determined for C, and

B is the amount deemed by paragraph 13(7)(g) or (h) of the *Income Tax Act* to be the capital cost to the registrant of the vehicle for the purposes of section 13 of that Act,

shall not be included in determining an input tax credit of the registrant for any reporting period of the registrant.

(5) For the purpose of determining, in accordance with this Part, the net tax of a partnership, employer or public institution that pays an amount as a reimbursement in respect of property or a service acquired or imported by a member of the partnership, an employee of the employer or a volunteer who has given services to the public institution and in respect of which the member, employee or volunteer was liable to pay tax, the amount of that tax is deemed, for the purpose of applying section 175 of the Act, to be equal to the amount that would be determined under subsection (2) if that subsection applied to the acquisition or importation by the member, employee or volunteer.

**21.4** (1) An amount shall not be included in determining the value of "B" in the formula set out in subsection 21.3(2) in respect of a reporting period of a registrant during which an election to determine the net tax of the registrant in accordance with this Part is in effect where the amount became payable, or was paid without having become payable, by the registrant while the election was not in effect.

(2) Where an election to determine the net tax of a registrant in accordance with this Part ceases to have effect during a reporting period of the registrant and tax under Division II or III becomes payable or is paid without having become payable by the registrant, after the election ceases to have effect but during the period, in respect of a supply or importation of property or a service, for the purposes referred to in paragraphs 21.3(2)(a) or (b), the amount of tax that became payable or was paid without having become payable by the registrant during the period in respect of that supply or importation is, notwithstanding subsection 21.3(2), deemed to be equal to the total of

(a) the amount that would, but for this subsection, be determined under subsection 21.3(2) in respect of that supply or importation, and

(b) the tax under Division II or III that became payable or was paid without having become payable by the registrant, after the election ceased to have effect but during the period, in respect of that supply or importation.

*Prescribed Part*

**21.5** This Part is a prescribed Part for the purposes of subsection 227(4.2) of the Act.

**13. (1) Subsection 23(1) of the Regulations is replaced by the following:**

**23. (1)** Subject to subsection (2),

(a) where at any time an election by a registrant to determine the net tax for reporting periods of the registrant in accordance with any of Parts I to III is in effect, the registrant is not at that time a registrant who may elect to determine the net tax of the registrant in accordance with any other Part of these Regulations;

(b) where at any time an election by a registrant to determine the net tax for reporting periods of the registrant in accordance with Part IV or V is in effect, the registrant is not at that time a registrant who may elect to determine the net tax of the registrant in accordance with any other Part of these Regulations other than Part V.1; and

(c) where at any time an election by a registrant to determine the net tax for reporting periods of the registrant in accordance with Part V.I is in effect, the registrant is not at that time a registrant who may elect to determine the net tax of the registrant in accordance with any of Parts I to III.

**(2) Section 23 of the Regulations, as amended by subsection (1), is repealed.**

**14. (1) Subsections 24(1) and (2) of the Regulations are replaced by the following:**

**24.** (1) Subsections 225(2) and (3) of the Act apply, with such modifications as the circumstances require, for the purpose of determining the net tax for a reporting period of a registrant in accordance with any Part of these Regulations.

(2) For the purposes of these Regulations, where, under subsection 168(3), (6) or (7) of the Act, tax under Division II in respect of a supply of property or a service becomes payable by a registrant on a particular day,

(a) the consideration on which that tax is calculated, and

(b) any tax, duty or fee prescribed by paragraph 3(b) or (c) of the *Taxes, Duties and Fees (GST) Regulations* that is payable by the registrant in respect of the property or service and has not become due on or before that day,

is deemed to have become due on that day.

**(2) Paragraph 24(3)(c) of the Regulations is replaced by the following:**

(c) where consideration, or a part thereof, for a taxable supply (other than a supply by way of sale of real property) made by a supplier in the course of activities engaged in by the supplier in a branch or division of the supplier becomes due, or is paid without having become due, to the supplier at a time when the branch or division is a small supplier division (within the meaning of subsection 129(1) of the Act), that consideration or part thereof, as the case may be, is deemed not to be consideration for a taxable supply.



**(3) Subsection 24(3) of the Regulations is amended by striking out the word "and" at the end of paragraph (b), by adding the word "and" at the end of paragraph (c) and by adding the following:**

(d) where property or a service is acquired by a person for consumption, use or supply in the course of activities engaged in by the person in a branch or division of the person and, at a time when the branch or division is a small supplier division (within the meaning of subsection 129(1) of the Act), an amount becomes due, or is paid without having become due, by the person for the supply of the property or service to the person, the amount shall not be included in determining the purchase threshold under subsection 21.1(3) for any fiscal year of the person.

**(4) Subsection 24(4) of the Regulations is replaced by the following:**

(4) For the purpose of determining any amount in accordance with Part IV of these Regulations, other than an amount of net tax that is required by these Regulations to be determined in accordance with subsection 225(1) of the Act, where at any time a registrant, who has filed an election that is in effect at that time, makes a taxable supply of property or a service to a person with whom the registrant is not dealing at arm's length for no consideration or for consideration less than the fair market value of the property or service at that time, the supply is deemed to have been made for consideration, paid at that time, equal to that fair market value and tax calculated on that consideration is deemed to have become collectible, and to have been collected, at that time.

#### *Application*

**15. (1) Section 1 and subsection 2(2) are deemed to have come into force on April 1, 1997.**

**(2) The repeal of the definitions "basic groceries", "medical device", "prescription drug" and "retail establishment" in subsection 2(1) of the Regulations, as enacted by subsection 2(1), section 3, subsection 4(4), the definition "retail establishment" in subsection 19(1) of the Regulations, as enacted by subsection 9(2), and subsections 13(2) and 14(4) apply for the purpose of determining the net tax of a registrant for reporting periods**

**(a) beginning after 1994 where the registrant's election to determine net tax in accordance with any of Parts I to III of the Regulations was in effect on June 1, 1993; and**

**(b) beginning after that day in any other case.**

**(3) The repeal of the definition "improvement" in subsection 2(1) of the Regulations, as enacted by subsection 2(1), comes into force on April 24, 1996.**

**(4) Subsection 2(3) is deemed to have come into force on March 1, 1994.**

**(5) Subsection 2(4) applies to consideration that becomes due after June 30, 1997 or is paid after that day without having become due.**

**(6) Subsections 2(5) to (7), 6(1) and 11(1) and (7), sections 21.1 to 21.4 of the Regulations, as enacted by section 12, and subsections 13(1) and 14(1) and (3) apply for the purpose of determining the net tax of a registrant for reporting periods that are fiscal years ending after 1992 or fiscal months or fiscal quarters ending after February 1993 except that**

**(a) section 12 does not apply in respect of property brought into a participating province before April 1, 1997;**

**(b) paragraphs 21.2(1)(c) and (d), (2)(c) and (d) of the Regulations, as enacted by section 12, do not apply to fiscal years beginning before July 1993;**

**(c) the description of A in subsections 21.3 (2) and (4) of the Regulations, as enacted by section 12, shall be read before April 1997 as "A is the tax fraction"; and**

**(d) in applying subsection 24(1) of the Regulations, as enacted by subsection 14(1), to reporting periods beginning before April 24 1996, the reference to "Subsection 225(2) of the Act applies" shall be read as a reference to "Subsections 225(2) and (3) of the Act apply".**

(7) Subsections 4(1) and (5) and subparagraph (a)(ii) of the description of C in subsection 21(1) of the Regulations, as enacted by subsection 11(6), and subsection 11(8) apply to property brought into a participating province on or after April 1, 1997.

(8) Subsection 4(2) and the definition "health care facility" in subsection 19(1) of the Regulations, as enacted by subsection 9(2), and subsection 9(3) apply for the purpose of determining the net tax of a registrant for reporting periods beginning after 1996.

(9) Paragraph (c) of the definition "specified supply" in subsection 15(1) of the Regulations, as enacted by subsection 4(3), paragraph (d) of the definition "specified supply" in subsection 19(1) of the Regulations, as enacted by subsection 9(1), and subsections 11(4) and 14(2) are deemed to have come into force on December 31, 1990 except that in their application to supplies made before April 23, 1996, paragraph (c) of the definition "specified supply" in subsection 15(1) of the Regulations, as enacted by subsection 4(3) and paragraph (d) of the definition "specified supply" in subsection 19(1) of the Regulations, as enacted by subsection 9(1), shall be read without reference to supplies deemed to have been made under section 175.1.

(10) Paragraphs (d) to (f) of the definition "specified supply" in subsection 15(1) of the Regulations, as amended by subsection 4(3), subsections 4(6) and (8), paragraph 16(1)(b) of the Regulations, as enacted by subsection 5(1), subsections 5(2), 6(2) and 8(1) and the repeal of subsections 18(2) and (4) of the Regulations, as enacted by subsection 8(2), apply for the purpose of determining the net tax of a registrant for any reporting period beginning after

(a) June 1993 where the reporting period is a fiscal year of the registrant, and

(b) 1993 in any other case,

except that

(c) subsections 4(8) and 5(2) do not apply for the purpose of determining the net tax of a registrant

(i) for the first reporting period of the registrant beginning after June 1993 where the reporting period was a fiscal year of the registrant and the registrant's election to determine net tax in accordance with Part IV of the Regulations was in effect on June 1, 1993, and

(ii) for any reporting period beginning before 1995 where the reporting period of the registrant was not a fiscal year of the registrant and the registrant's election to determine net tax in accordance with Part IV of the Regulations was in effect in the last reporting period of the registrant beginning before 1994; and

(d) paragraph (c) of the description of C in subsection 17(1) of the Regulations, as enacted by subsection 6(2), applies for the purpose of determining the net tax of a registrant for reporting periods beginning after March 1994.

(11) Paragraph (g) of the definition "specified supply", in subsection 15(1) of the Regulations, as amended by subsection 4(3), and paragraph (h) of the definition "specified supply" in subsection 19(1) of the Regulations, as amended by subsection 9(1), apply in respect of supplies made after March 1997.

(12) Subsections 4(7), 6(3), 9(4), (5), (7) and (8) and 11(2) and (3) apply for the purpose of determining the net tax of a registrant for reporting periods ending on or after April 1, 1997 except that

(a) the quick-method rate of a registrant for the reporting period of the registrant that includes that day and applies in respect of a supply is, in respect of consideration for the supply that is paid or becomes due before that day, the rate that would be the quick-method rate of the registrant for that period if those subsections did not come into force;

(b) the special quick-method rate of a registrant for the reporting period of the registrant that includes that day and applies in respect of a supply is, in respect of consideration for the supply that is paid or becomes due before that day, the rate that would apply in respect of the supply if those subsections did not come into force;

**(c) the quick method rate of a registrant for a reporting period of the registrant that ends before or includes July 1, 1997 and applies in respect of a supply is, in respect of consideration for the supply that is paid or becomes due on or after April 1, 1997 and before July 1, 1997, the rate that would apply if subparagraph 15(5)(a) of the Regulations, as enacted by subsection 4(7), were read without reference to the words "and property in respect of the acquisition of which the registrant was not required to pay tax"; and**

**(d) for the purpose of determining the net tax of a charity for reporting periods beginning before 1997, the portion of paragraph 19(3)(a) of the Regulations before subparagraph (i), as amended by subsection 9(4), shall be read as follows:**

**(a) in the case of a registrant that engages in the particular activity acting in the registrant capacity as a charity or qualifying non-profit organization and not as a selected public, service body,**

**(13) Paragraph 16(1)(c) of the Regulations, as enacted by subsection 5(1), section 10 and section 21.5 of the Regulations, as enacted by section 12, are deemed to have come into force on March 1, 1993 except that, for reporting periods beginning before 1997, the words "a qualifying non-profit organization" in subsection 20(1) of the Regulations, as enacted by section 10, shall be read as "a charity, qualifying non-profit organization".**

**(14) Section 7 applies after 1993.**

**(15) The repeal of subsection 18(3) of the Regulations, as enacted by subsection 8(2), applies to fiscal quarters of a registrant**

**(a) in fiscal years of the registrant beginning after June 1993 where the reporting period of the registrant is a fiscal year; and**

**(b) beginning after 1993 in any other case.**

**(16) Paragraphs (e) to (g) of the definition "specified supply" in subsection 19(1) of the Regulations, as enacted by subsection 9(1), apply to reporting periods beginning after May 1993.**

**(17) Subsection 9(6) and subparagraphs (a)(i) and (iii) of the description of C in subsection 21(1) of the Regulations, as enacted by subsection 11(6), apply for the purpose of determining the net tax of a registrant for reporting periods ending after March 1997.**

**(18) Subsection 11(5) applies for the purpose of determining the net tax of a registrant for reporting periods beginning after March 1994.**

DRAFT SELECTED LISTED FINANCIAL INSTITUTIONS  
ATTRIBUTION METHOD (GST/HST) REGULATIONS

*INTERPRETATION*

1. In these Regulations, "Act" means the *Excise Tax Act*.

PART I

PRESCRIBED FINANCIAL INSTITUTIONS

2. For the purposes of paragraph 225.2(1)(d) of the Act, a financial institution is a prescribed financial institution throughout a reporting period in a fiscal year that ends in a particular taxation year of the financial institution if the financial institution is a corporation that

(a) during the particular year and the preceding taxation year, is named in Schedule III of the *Financial Administration Act*; and

(b) under the rules prescribed in any of sections 402 to 405 of the *Income Tax Regulations*, would, if subsection 124(3) or paragraph 149(1)(d) of the *Income Tax Act* did not apply and the financial institution had taxable income for the particular year and the preceding taxation year, have taxable income earned in the particular year and the preceding taxation year in any of the participating provinces and taxable income earned in the particular year and the preceding taxation year in any of the non-participating provinces.

PART II

PERCENTAGE FOR A PARTICIPATING PROVINCE

*INTERPRETATION*

3. The definitions in this section apply in this Part.

"gross revenue" of a selected listed financial institution for a particular period means the amount that would be the gross revenue of the financial institution for the particular period for the purposes of the *Income Tax Act* if the financial institution were a taxpayer under that

Act and if every reference in that Act to a "taxation year" of the financial institution were read as a reference to a "particular period" of the financial institution. (*recettes brutes*)

"individual" includes the estate of a deceased individual or a trust. (*particulier*)

"particular period" means

(a) in applying this Part for the purposes of the description of C in subsection 225.2(2), paragraph 228(2.1)(a), the description of D in subparagraph 363(2)(a)(ii), the description of D in paragraph 363(2)(b), the description of F in subparagraph 363(2)(c)(ii) and the description of F in paragraph 363(2)(d) of the Act, a taxation year;

(b) in applying this Part for the purposes of subsection 228(2.2) of the Act, a reporting period; and

(c) in applying this Part for the purposes of the description of D in subparagraph 237(5)(b)(ii) of the Act, a fiscal quarter. (*période donnée*)

"permanent establishment"

(a) in respect of a corporation, has the meaning assigned by subsection 400(2) of the *Income Tax Regulations*;

(b) in respect of an individual, has the meaning assigned by subsection 2600(2) of the *Income Tax Regulations*;

(c) in respect of a specified partnership all members of which are individuals, means a permanent establishment that would be the permanent establishment of the specified partnership under subsection 2600(2) of the *Income Tax Regulations* if the specified partnership were an individual; and

(d) in respect of a specified partnership to which paragraph (c) does not apply, means a permanent establishment that would be the permanent establishment of the specified partnership under subsection 400(2) of the *Income Tax Regulations* if the specified partnership were a corporation. (*établissement stable*)



"specified partnership" has the meaning assigned by subsection 225.2(8) of the Act. (*société de personnes déterminée*)

"total gross revenue" of a selected listed financial institution for a particular period means the portion of the gross revenue of the financial institutions reasonably attributable to permanent establishments of the financial institution in Canada for the particular period. (*recettes brutes totales*)

4. Unless a contrary intention appears, words and expressions contained in this Part have the same meanings as in Parts IV and XXVI of the *Income Tax Regulations*.

#### *DETERMINATION OF THE PERCENTAGE*

5. For the purposes of the description of C in subsection 225.2(2), paragraph 228(2.1)(a), subsection 228(2.2), the description of D in subparagraph 237(5)(b)(ii), the description of D in subparagraph 363(2)(a)(ii), the description of D in paragraph 363(2)(b), the description of F in subparagraph 363(2)(c)(ii) and the description of F in paragraph 363(2)(d) of the Act, a financial institution's percentage for any participating province for a particular period is determined in accordance with the provisions of this Part.

6. For the purposes of this Part, where part of the operations of a selected listed financial institution that is a member of a partnership were conducted in partnership with one or more other persons during a particular period, the following rules apply:

(a) the financial institution's gross revenue for the particular period shall not include any portion of the total gross revenue of the partnership; and

(b) the salaries and wages paid in the particular period by the financial institution shall not include any portion of the salaries and wages paid to employees of the partnership.

#### *RULES FOR INDIVIDUALS*

7. (1) Where, in a particular period, a selected listed financial institution that is an individual does not have a permanent establishment

in a participating province, the financial institution's percentage for the participating province for the particular period is nil.

(2) Except as otherwise provided, where, in a particular period, a selected listed financial institution that is an individual has a permanent establishment in a participating province, the financial institution's percentage for the participating province for the particular period is 1/2 the total of

(a) the percentage that its gross revenue for the particular period reasonably attributable to the permanent establishment in the participating province is of its total gross revenue for the particular period; and

(b) the percentage that the total of the salaries and wages paid by the financial institution in the particular period to employees of the permanent establishment in the participating province is of the total of the salaries and wages paid by the financial institution in the particular period to employees of all permanent establishments of the financial institution in Canada.

(3) For the purposes of determining the gross revenue for a particular period reasonably attributable to a particular permanent establishment in a particular province, the following rules apply:

(a) where the destination of a shipment of merchandise to a customer to whom the merchandise is sold is in the particular province, the gross revenue derived therefrom is attributable to the particular permanent establishment;

(b) except as provided in paragraph (c), where the destination of a shipment of merchandise to a customer to whom the merchandise is sold is in a province or country other than Canada in which the financial institution does not have a permanent establishment, if the person negotiating the sale may reasonably be regarded as being attached to the particular permanent establishment, the gross revenue derived therefrom is attributable to that permanent establishment;

(c) where the destination of a shipment of merchandise to a customer to whom the merchandise is sold is in a country other than Canada in which the financial institution does not have a permanent establishment,

(i) if the merchandise was produced or manufactured, or produced and manufactured, entirely in the particular province by the financial institution, the gross revenue derived therefrom is attributable to the particular permanent establishment, or

(ii) if the merchandise was produced or manufactured, or produced and manufactured, partly in the particular province and partly in another place by the financial institution, the gross revenue derived therefrom attributable to the particular permanent establishment is that proportion thereof that the salaries and wages paid in the particular period to employees of that permanent establishment is of the total of the salaries and wages paid in the particular period to employees of all permanent establishments of the financial institution where the merchandise was produced or manufactured, or produced and manufactured;

(d) where a customer to whom merchandise is sold instructs that shipment be made to some other person and the customer's office with which the sale was negotiated is located in the particular province, the gross revenue derived therefrom is attributable to the particular permanent establishment;

(e) except as provided in paragraph (f), where a customer to whom merchandise is sold instructs that shipment be made to some other person and the customer's office with which the sale was negotiated is located in a province or country other than Canada in which the financial institution does not have a permanent establishment, if the person negotiating the sale may reasonably be regarded as being attached to the particular permanent establishment, the gross revenue derived therefrom is attributable to that permanent establishment;

(f) where a customer to whom merchandise is sold instructs that shipment be made to some other person and the customer's office with which the sale was negotiated is located in a country other than Canada in which the financial institution does not have a permanent establishment,

(i) if the merchandise was produced or manufactured, or produced and manufactured, entirely in the particular province by the financial institution, the gross revenue derived therefrom is attributable to the particular permanent establishment, or

(ii) if the merchandise was produced or manufactured, or produced and manufactured, partly in the particular province and partly outside the particular province by the financial institution, the gross revenue derived therefrom attributable to the particular permanent establishment is that proportion thereof that the salaries and wages paid in the particular period to employees of that permanent establishment is of the total of the salaries and wages paid in the particular period to employees of all permanent establishments of the financial institution where the merchandise was produced or manufactured, or produced and manufactured;

(g) where the gross revenue is derived from services rendered in the particular province, the gross revenue is attributable to the particular permanent establishment;

(h) where gross revenue is derived from services rendered in a province or country other than Canada in which the financial institution does not have a permanent establishment, if the person negotiating the contract may reasonably be regarded as being attached to the particular permanent establishment, the gross revenue is attributable to that permanent establishment;

(i) where standing timber or the right to cut standing timber is sold and the timber limit on which the timber is standing is in the particular province, the gross revenue from such sale is attributable to the particular permanent establishment, and

(j) where the particular permanent establishment is land, the gross revenue which arises from leasing the land is attributable to that permanent establishment.

(4) Where a selected listed financial institution that is an individual pays a fee to another person under an agreement pursuant to which that other person or employees of that other person perform services for the financial institution that would normally be performed by employees of the financial institution, the fee so paid is deemed to be salary paid by the financial institution and that part of the fee that may reasonably be regarded as payment in respect of services rendered at a particular establishment of the financial institution is deemed to be salary paid to an employee of that permanent establishment.

(5) For the purposes of subsection (4), a fee does not include a commission paid to a person who is not an employee of the selected listed financial institution.

#### *GENERAL RULES FOR CORPORATIONS*

**8.** (1) Where, in a particular period, a selected listed financial institution that is a corporation does not have a permanent establishment in a participating province, the financial institution's percentage for the participating province for the particular period is nil.

(2) Except as otherwise provided, where, in a particular period, a selected listed financial institution that is a corporation has a permanent establishment in a participating province, the financial institution's percentage for the participating province for the particular period is

(a) in any case other than a case specified in paragraph (b) or (c), 1/2 the total of

(i) the percentage that its gross revenue for the particular period reasonably attributable to the permanent establishment in the participating province is of its total gross revenue for the particular period, and

(ii) that percentage that the total of the salaries and wages paid in the particular period by the financial institution to employees of the permanent establishment in the participating province is of the total of the salaries and wages paid in the particular period by the financial institution to employees of all permanent establishments of the financial institution in Canada;

(b) in any case where the total gross revenue for the particular period of the financial institution is nil, the percentage that the total of the salaries and wages paid in the particular period by the financial institution to employees of the permanent establishment in the participating province is of the total of the salaries and wages paid in the particular period by the financial institution to employees of all permanent establishments of the financial institution in Canada; and

(c) in any case where the total of the salaries and wages paid in the particular period by the financial institution to employees of

permanent establishments of the financial institution in Canada is nil, the percentage that its gross revenue for the particular period reasonably attributable to the permanent establishment in the participating province is of its total gross revenue for the particular period.

(3) For the purpose of determining the gross revenue for a particular period reasonably attributable to a particular permanent establishment in a particular province, the following rules apply:

(a) where the destination of a shipment of merchandise to a customer to whom the merchandise is sold is in the particular province, the gross revenue derived therefrom is attributable to the particular permanent establishment;

(b) except as provided in paragraph (c), where the destination of a shipment of merchandise to a customer to whom the merchandise is sold is in a province or country other than Canada in which the financial institution does not have a permanent establishment, if the person negotiating the sale may reasonably be regarded as being attached to the particular permanent establishment, the gross revenue derived therefrom is attributable to that permanent establishment;

(c) where the destination of a shipment of merchandise to a customer to whom the merchandise is sold is in a country other than Canada in which the financial institution does not have a permanent establishment,

(i) if the merchandise was produced or manufactured or produced and manufactured, entirely in the particular province by the financial institution, the gross revenue derived therefrom is attributable to the particular permanent establishment, or

(ii) if the merchandise was produced or manufactured, or produced and manufactured, partly in the particular province and partly in another place by the financial institution, the gross revenue derived therefrom attributable to the particular permanent establishment is that proportion thereof that the salaries and wages paid in the particular period to employees of that permanent establishment is of the total of the salaries and wages paid in the particular period to employees of all permanent

establishments of the financial institution where the merchandise was produced or manufactured, or produced and manufactured;

(d) where a customer to whom merchandise is sold instructs that shipment be made to some other person and the customer's office with which the sale was negotiated is located in the particular province, the gross revenue derived therefrom is attributable to the particular permanent establishment;

(e) except as provided in paragraph (f), where a customer to whom merchandise is sold instructs that shipment be made to some other person and the customer's office with which the sale was negotiated is located in a province or country other than Canada in which the financial institution does not have a permanent establishment, if the person negotiating the sale may reasonably be regarded as being attached to the particular permanent establishment, the gross revenue derived therefrom is attributable to that permanent establishment;

(f) where a customer to whom merchandise is sold instructs that shipment be made to some other person and the customer's office with which the sale was negotiated is located in a country other than Canada in which the financial institution does not have a permanent establishment,

(i) if the merchandise was produced or manufactured, or produced and manufactured, entirely in the particular province by the financial institution, the gross revenue derived therefrom is attributable to the particular establishment, or

(ii) if the merchandise was produced or manufactured, or produced and manufactured, partly in the particular province and partly in another place by the financial institution, the gross revenue derived therefrom attributable to the particular permanent establishment is that proportion thereof that the salaries and wages paid in the particular period to employees of that permanent establishment is of the total of the salaries and wages paid in the particular period to employees of all permanent establishments of the financial institution where the merchandise was produced or manufactured, or produced and manufactured;

(g) where gross revenue is derived from services rendered in the particular province, the gross revenue is attributable to the particular permanent establishment;

(h) where gross revenue is derived from services rendered in a province or country other than Canada in which the financial institution does not have a permanent establishment, if the person negotiating the contract may reasonably be regarded as being attached to the particular permanent establishment, the gross revenue is attributable to that permanent establishment;

(i) where standing timber or the right to cut standing timber is sold and the timber limit on which the timber is standing is in the particular province, the gross revenue from such sale is attributable to the particular permanent establishment; and

(j) gross revenue which arises from leasing land owned by the financial institution in a province and which is included in computing its income under Part I of the *Income Tax Act* is attributable to the permanent establishment, if any, of the financial institution in the province where the land is situated.

(4) For the purposes of subsection (3), where, in a particular period,

(a) the destination of a shipment of merchandise to a customer to whom the merchandise is sold by a selected listed financial institution is in a country other than Canada or the customer to whom merchandise is sold by a selected listed financial institution instructs that the shipment of merchandise be made by the financial institution to another person and the customer's office with which the sale is negotiated is located in a country other than Canada,

(b) the financial institution has a permanent establishment in the other country, and

(c) the financial institution is not subject to taxation on its income under the laws of the other country, or its gross revenue derived from the sale is not included in computing the income or profit or other base for income or profits taxation by the other country, because of

(i) the provisions of any taxing statute of the other country, or



(ii) the operation of any tax treaty or convention between Canada and the other country,

the following rules apply with respect to the gross revenue derived from the sale:

(d) the portion of paragraph (3)(c) before subparagraph (i) shall be read as follows:

"(c) where the destination of a shipment of merchandise to a customer to whom the merchandise is sold is in a country other than Canada,"; and

(e) the portion of paragraph (3)(f) before subparagraph (i) shall be read as follows:

"(f) where a customer to whom the merchandise is sold instructs that shipment be made to some other person and the customer's office with which the sale was negotiated is located in a country other than Canada,".

(5) For the purposes of subsection (2), "gross revenue" does not include interest on bonds, debentures or mortgages, dividends on shares of capital stock, or rentals or royalties from property that is not used in connection with the principal business operations of the selected listed financial institution.

(6) Where a selected listed financial institution that is a corporation pays a fee to another person under an agreement pursuant to which that other person or employees of that other person perform services for the financial institution that would normally be performed by employees of the financial institution, the fee so paid is deemed to be salary paid in the particular period by the financial institution and that part of the fee that may reasonably be regarded as payment in respect of services rendered at a particular permanent establishment of the financial institution is deemed to be salary paid to an employee of that permanent establishment.

(7) For the purposes of subsection (6), a fee does not include a commission paid to a person who is not an employee of the selected listed financial institution.

*INSURANCE CORPORATIONS*

9. (1) Where a selected listed financial institution is an insurance corporation, the financial institution's percentage for a participating province for a particular period is, notwithstanding subsections 8(2) and (3), the percentage that the total of

(a) its net premiums for the particular period in respect of insurance on property situated in the participating province, and

(b) its net premiums for the particular period in respect of insurance, other than on property, from contracts with persons resident in the participating province

is of the total of its net premiums for the particular period in respect of insurance on property situated in Canada and its net premiums for the particular period in respect of insurance, other than on property, from contracts with persons resident in Canada that are included in computing its income for the purposes of Part I of the *Income Tax Act*.

(2) In this section, "net premiums" of a selected listed financial institution for a particular period means the total of the gross premiums received by the financial institution in the particular period (other than consideration received for annuities), minus the total for the particular period of

(a) premiums paid by the financial institution for reinsurance;

(b) dividends or rebates paid or credited by financial institution to policy-holders; and

(c) rebates or returned premiums paid by the financial institution in respect of the cancellation of policies.

(3) For the purposes of subsection (1), where a selected listed financial institution does not have a permanent establishment in a particular period in a participating province,

(a) each net premium for that particular period in respect of insurance on property situated in the participating province is deemed to be a net premium in respect of insurance on property situated in the province in which the permanent establishment of the financial

institution to which the net premium is reasonably attributable is situated; and

(b) each net premium for that particular period in respect of insurance, other than on property, from contracts with persons resident in the participating province is deemed to be a net premium in respect of insurance, other than on property, from contracts with persons resident in the province in which the permanent establishment of the financial institution to which the net premium is reasonably attributable is situated.

### *BANKS*

**10.** (1) Where a selected listed financial institution is a bank, the financial institution's percentage for a particular period for a participating province in which the financial institution has a permanent establishment is, notwithstanding subsections 8(2) and (3), 1/3 of the total of

(a) the percentage that the total of the salaries and wages paid in the particular period by the financial institution to employees of its permanent establishment in the participating province is of the total of all salaries and wages paid in the particular period by the financial institution to employees of its permanent establishments in Canada; and

(b) twice the percentage that the total amount of loans and deposits of its permanent establishment in the participating province for the particular period is of the total amount of all loans and deposits of its permanent establishments in Canada for the particular period.

(2) For the purposes of subsection (1), the amount of loans for a particular period is the amount determined by the formula

$$(1/A) \times B$$

where

A is the number of months that ends in the particular period; and

B is the total of the amounts outstanding, on the loans made by the selected listed financial institution, at the close of business on the last day of each month that ends in the particular period.

(3) For the purposes of subsection (1), the amounts of deposits for a particular period is the amount determined by the formula

$$(1/A) \times B$$

where

A is the number of months that ends in the particular period; and

B is the total of the amounts on deposit with the selected listed financial institution at the close of business on the last day of each month that ends in the particular period.

(4) For the purposes of subsections (2) and (3), loans and deposits do not include bonds, stocks, debentures, items in transit or deposits in favour of Her Majesty in right of Canada.

#### *TRUST AND LOAN CORPORATIONS*

**11.** (1) Where a selected listed financial institution is a trust and loan corporation, a trust corporation or a loan corporation, the financial institution's percentage for a particular period for a participating province in which the financial institution has a permanent establishment is, notwithstanding subsections 8(2) and (3), the percentage that the gross revenue for the particular period of its permanent establishment in the participating province is of the total gross revenue for the particular period of its permanent establishments in Canada.

(2) In subsection (1), "gross revenue for the particular period of its permanent establishment in the participating province" means, in relation to a financial institution, the total of the gross revenue of the financial institution for the particular period arising from

(a) loans secured by lands situated in the participating province;

(b) loans, not secured by land, to persons residing in the participating province;

(c) loans

(i) to persons residing in a province or country other than Canada in which the financial institution does not have a permanent establishment, and

(ii) administered by a permanent establishment in the participating province,

except loans secured by land situated in a province or country other than Canada in which the financial institution has a permanent establishment; and

(d) business conducted at the permanent establishment in the participating province, other than revenue in respect of loans.

#### *SPECIFIED PARTNERSHIPS*

**12.** Where a selected listed financial institution is a specified partnership, the financial institution's percentage for a participating province for a particular period is

(a) where all the members of the specified partnership are individuals, the percentage that would be determined under section 7 for the participating province for the particular period if the specified partnership were an individual; and

(b) in any other case, the percentage that would be determined under section 8 for the participating province for the particular period if the specified partnership were a corporation.

#### *DIVIDED BUSINESSES*

**13.** Where a selected listed financial institution is a corporation other than a selected listed financial institution described in any of sections 9 to 11 and part of its business for a particular period consisted of operations normally conducted by a selected listed financial institution described in one of those sections, the financial institution and the Minister may agree that the financial institution's percentage for a participating province for the particular period is the weighted average of the percentages determined

(a) by applying the provisions of such of those sections as would have been applicable if the institution had been a selected listed financial institution described therein to that part of the business; and

(b) by applying the provisions of section 8 to the remaining part of the business.

### PART III

#### PRESCRIBED AMOUNTS OF TAX

**14.** For the purposes of paragraph (a) of the description of A, and paragraph (a) of the description of F, in subsection 225.2(2) of the Act, the following amounts are prescribed amounts of tax:

(a) any amount of tax that became payable by an insurer or that was paid by the insurer without having become payable in respect of property or services acquired, imported or brought into a participating province exclusively and directly for consumption, use or supply in the course of investigating, settling or defending a claim arising under an insurance policy that is not in the nature of accident and sickness or life insurance; and

(b) any amount of tax that became payable by a selected listed financial institution or that was paid by the financial institution without having become payable in respect of a supply or importation of property referred to in subsection 259.1(2) of the Act.

### PART IV

#### PRESCRIBED AMOUNTS

**15.** For the purposes of the description of G in subsection 225.2(2) of the Act, the following are prescribed amounts in respect of a particular reporting period in a fiscal year that ends in a taxation year of a selected listed financial institution:

(a) the positive or negative amount determined, for a participating province, by the formula

$$H - [(J - K) \times L \times (M/N)]$$

where

H is the total of

(i) all amounts each of which is an amount that was paid or that became payable by the financial institution as or on account of tax under subsection 165(2) of the Act and that was adjusted, refunded or credited under section 232 of the Act in the particular period, to the extent that the amount was included in the total for F in subsection 225.2(2) of the Act for any reporting period of the financial institution,

(ii) where a person pays to the financial institution during the particular period a rebate to which section 181.1 of the Act applies and the financial institution is deemed under paragraph 181.1(f) of the Act to have collected tax equal to the amount determined under that paragraph, all amounts each of which is an amount so determined to the extent that the amount is in respect of tax paid under subsection 165(2) of the Act,

(iii) where, under section 252.4 or 252.41 of the Act, a person during the particular period pays to, or credits in favour of, the financial institution an amount as or on account of a rebate, all amounts each of which is an amount so paid or credited to the financial institution to the extent that the amount is in respect of tax under subsection 165(2) or 212.1 of the Act and that the amount was included in the total for F in subsection 225.2(2) of the Act for any reporting period of the financial institution,

(iv) all amounts each of which is an amount that, during the particular period, was rebated, refunded or remitted to the financial institution under any Act of Parliament (other than the Act), to the extent that the amount is in respect of tax under subsection 165(2) or section 212.1 of the Act and that the amount was included in the total for F in subsection 225.2(2) of the Act for any reporting period of the financial institution, and

(v) all amounts each of which is an amount of tax that was paid or that became payable by the financial institution under subsection 165(2) in respect of a supply of property or a service included in subdivision c of Division X of Part IX of the Act and in respect of which the financial institution is not entitled to claim an input tax credit because of section 351 or paragraph 356(5)(b) of the Act, to the extent that the amount was included in the total for F in subsection 225.2(2) of the Act for the particular reporting period,

J is the total of

(i) all amounts each of which is an amount that was paid or that became payable by the financial institution as or on account of tax under subsection 165(1) of the Act and that was adjusted, refunded or credited under section 232 of the Act in the particular period, to the extent that the amount was included in the total for A in subsection 225.2(2) of the Act for any reporting period of the financial institution,

(ii) where a person pays to the financial institution during the particular period a rebate to which section 181.1 of the Act applies and the financial institution is deemed under paragraph 181.1(f) of the Act to have collected tax equal to the amount determined under that paragraph, all amounts each of which is an amount so determined to the extent that the amount is in respect of tax paid under subsection 165(1) of the Act,

(iii) where, under section 252.4 or 252.41 of the Act, a person during the particular period pays to, or credits in favour of, the financial institution an amount as or on account of a rebate, all amounts each of which is an amount so paid or credited to the financial institution, to the extent that the amount is in respect of tax under any of subsection 165(1) and sections 212 and 218 of the Act and was included in the total for A in subsection 225.2(2) of the Act for any reporting period of the financial institution,

(iv) all amounts each of which is an amount (other than an amount included under subparagraph (i)) that, during the particular period, was rebated, refunded or remitted to the financial institution under any Act of Parliament, to the extent that the amount is in respect of tax under any of



subsection 165(1) and sections 212 and 218 of the Act and that the amount was included in the total for A in subsection 225.2(2) of the Act for any reporting period of the financial institution, and

(v) all amounts each of which is an amount of tax that was paid or that became payable by the financial institution under any of subsection 165(1) and sections 212 and 218 of the Act in respect of a supply or importation of property or a service in respect of which

(A) notwithstanding subsection 218.1(2) and section 220.04, no tax under any of subsection 165(2), sections 212.1 and 218.1 and Division IV.1 of Part IX of the Act would have been payable by the financial institution if the property or service had been supplied in a participating province because of subdivision c of Division X of Part IX of the Act, or

(B) if tax had been payable under any of subsection 165(2), and sections 212.1 and 218.1 and Division IV.1 of Part IX of the Act by the financial institution, the financial institution would not have been entitled to claim an input tax credit in respect of that tax because of section 351 or paragraph 356(5)(b) of the Act,

to the extent that the amount was included in the total for A in the formula in subsection 225.2(2) of the Act for the particular period,

K is the total of

(i) all input tax credits of the financial institution claimed by the financial institution in the return under Division V of Part IX of the Act filed by the financial institution for any reporting period of the financial institution in respect of an amount included under any of subparagraphs (i) to (iv) of the description of J for the particular period, and

(ii) all amounts included for any reporting period of the financial institution in the total for B in subsection 225.2(2) of the Act in respect of an amount included under subparagraph (v) of the description of J for the particular period,

L is

(i) for the purposes of calculating under paragraph 228(2.1)(a) of the Act the interim net tax of the financial institution for the particular period, the lesser of the financial institution's percentage for the participating province for the taxation year and the financial institution's percentage for the participating province for the immediately preceding taxation year, each determined in accordance with the rules in Part II that apply to that financial institution,

(ii) notwithstanding subparagraph (i), for the purposes of calculating under paragraph 228(2.1)(a) of the Act the interim net tax of the financial institution for the particular period in cases where the financial institution is a selected listed financial institution to which subsection 228(2.2) of the Act applies, the financial institution's percentage for the participating province for the reporting period immediately preceding the particular period, determined in accordance with the rules in Part II that apply to that financial institution, and

(iii) in any other case, the financial institution's percentage for the participating province for the taxation year, determined in accordance with the rules in Part II that apply to that financial institution,

M is the tax rate for the participating province, and

N is 7%, and

(b) the positive or negative amount determined, for a participating province, by the formula

$$[(P - Q) \times R \times (S/T)] - U$$

where

P is the total of

(i) all amounts each of which is an amount of tax deemed to have been collected during the particular period by the financial institution under paragraph 129(6)(b) or subsection 129.1(4) of the Act,

(ii) all amounts each of which is an amount of tax deemed to have been paid by the financial institution under paragraph 180(d) of the Act during the particular reporting period to the extent that the amount is in respect of tax paid by another person under subsection 165(1) or section 212 of the Act and has not been included in the total of A in subsection 225.2(2) of the Act for any reporting period of the financial institution,

(iii) all amounts each of which is an amount that is required to be added under subsection 235(1) or 236(1) of the Act in determining the net tax of the financial institution for the particular period, and

(iv) all amounts each of which is an amount of tax that was paid or became payable by the financial institution before April 1997 under any of subsection 165(1) and sections 212 and 218 of the Act

(A) in respect of a supply of property or a service included in subdivision b of Division X of Part IX of the Act, or that would be so included if the property or service were supplied, imported or brought into a participating province, and in respect of which tax is payable under any of subsection 165(2) and sections 212.1 and 218.1 and Division IV.1 of Part IX of the Act, to the extent that the amount has not been included in the total of A in subsection 225.2(2) of the Act for any reporting period of the financial institution, or

(B) in respect of which the financial institution has claimed an input tax credit in a return under Division V of Part IX of the Act filed by the financial institution after March 1997, to the extent that the amount has not been included in the total of A in subsection 225.2(2) of the Act and was included in the total for B in that subsection for any reporting period of the financial institution, and

Q is the total of all input tax credits of the financial institution that the financial institution is entitled to claim in the return under Division V of Part IX of the Act filed by the financial institution for the particular period in respect of an amount included under subparagraph (ii) or clause (iv)(A) of the description of P for the particular period, to the extent that the amount has not been

included in the total for B in subsection 225.2(2) of the Act for any reporting period of the financial institution,

R is

(i) for the purposes of calculating under paragraph 228(2.1)(a) of the Act the interim net tax of the financial institution for the particular period, the lesser of the financial institution's percentage for the participating province for the taxation year and the financial institution's percentage for the participating province for the immediately preceding taxation year, each determined in accordance with the rules in Part II that apply to that financial institution,

(ii) notwithstanding subparagraph (i), for the purposes of calculating under paragraph 228(2.1)(a) of the Act the interim net tax of the financial institution for the particular period in cases where the financial institution is a selected listed financial institution to which subsection 228(2.2) of the Act applies, the financial institution's percentage for the participating province for the reporting period immediately preceding the particular period, determined in accordance with the rules in Part II that apply to that financial institution, and

(iii) in any other case, the financial institution's percentage for the participating province for the taxation year, determined in accordance with the rules in Part II that apply to that financial institution,

S is the tax rate for the participating province,

T is 7%, and

U is the total of all amounts each of which is an amount of tax deemed to have been paid by the financial institution under paragraph 180(d) of the Act during the particular reporting period to the extent that the amount is in respect of tax paid by another person under subsection 165(2) or section 212.1 of the Act and has not been included in the total for F in the formula in subsection 225.2(2) of the Act for any reporting period of the financial institution.

#### COMING INTO FORCE

**16. These Regulations are deemed to have come into force on April 1, 1997.**

DRAFT PROPERTY SUPPLIED BY AUCTION (GST/HST)  
REGULATIONS

1. The following property is prescribed property for the purposes of subsection 177(1.3) of the *Excise Tax Act*:

(a) cut flowers and foliage, bedding plants, nursery stock, potted plants and plant bulbs and tubers;

(b) horses;

(c) motor vehicles designed for highway use;

(d) machinery and equipment (other than office equipment) designed for use in

(i) the exploration for, or the development or production of, petroleum, natural gas, minerals or water,

(ii) mining, quarrying or logging,

(iii) the construction or demolition of capital works, buildings, structures, roads, bridges, tunnels or other projects,

(iv) the manufacture or production of tangible personal property, the development of manufacturing or production processes or the development of tangible personal property for manufacture or production,

(v) the treatment or processing of toxic waste or the detection, measurement, prevention, treatment, reduction or removal of pollutants,

(vi) carrying refuse or waste from, or exhausting dust and noxious fumes produced by, manufacturing or producing operations, or

(vii) the prevention or mitigation of the effects of accidents in the workplace;

(e) attachments for tangible personal property included in paragraph (d); and

(f) repair and replacement parts for tangible personal property included in paragraph (d) or (e).

*Coming into Force*

**2. These Regulations are deemed to have come into force on April 1, 1997.**

DRAFT REGULATIONS AMENDING THE FEDERAL SALES TAX  
NEW HOUSING REBATE REGULATIONS

**1. (1) The portion of subparagraph 3(a) of the *Federal Sales Tax New Housing Rebate Regulations* before the formula is replaced by the following:**

(a) where, in an application filed for a rebate under section 121 of the Act in respect of the complex, the amount applied for is not based on the fair market value of the complex, the consideration for the supply of the complex or the subscription price (within the meaning assigned by subsection 336(5) of the Act) for an interest in a limited partnership that may reasonably be regarded as relating to that complex, the amount determined by the formula

**(2) Subparagraph (iii) of the description of A in paragraph 3(b) of the *Federal Sales Tax New Housing Rebate Regulations* is replaced by the following:**

(iii) where a builder of the complex was deemed under section 191 of the Act to have collected, at any time, tax in respect of the complex and a rebate under section 121 of the Act is payable to the builder in respect of the complex,

(A) if the builder is a limited partnership, the complex is a residential condominium unit and subsection 336(5) of the Act applies to the builder in respect of the complex, 80% of the subscription price (within the meaning assigned by subsection 336(5) of the Act) for the interest in the limited partnership that may reasonably be regarded as relating to that complex, and

(B) in any other case, the fair market value of the complex at that time,

**2. Section 1 is deemed to have come into force on January 1, 1991.**





---

**Draft Amendments  
to the Excise Tax Act**

---



**1. (1) Section 136.1 of the *Excise Tax Act* is amended by adding the following after subsection (1):**

Delivery upon exercise  
of option contained in  
lease

(1.1) For the purposes of this Part, where a recipient of a supply by way of lease, licence or similar arrangement of tangible personal property exercises an option to purchase the property that is provided for under the arrangement and the recipient begins to have possession of the property under the agreement of purchase and sale of the property at the same time and place as the recipient ceases to have possession of the property as lessee or licensee under the lease, licence or similar arrangement, that time and place is, for greater certainty, deemed to be the time and place at which the property is delivered or made available to the recipient in respect of the supply by way of sale of the property to the recipient.

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**2. (1) Subsection 218.1(2) of the Act is replaced by the following:**

**Selected listed  
financial institutions**

(2) Tax under subsection (1) that would, but for this provision, become payable by a person when the person is a selected listed financial institution is not payable except where it is an amount of tax

(a) that is prescribed for the purposes of paragraph (a) of the description of F in subsection 225.2(2); or

(b) that is tax on an imported taxable supply of property or a service acquired otherwise than for consumption, use or supply in the course of an endeavour (within the meaning assigned by subsection 141.01(1)) of the financial institution.

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**3. (1) Section 220.04 of the Act is replaced by the following:**

**Selected listed  
financial institutions**

**220.04** Where tax under this Division would, but for this section, become payable by a person when the person is a selected listed financial institution, that tax is not payable except where it is an amount of tax

(a) that is prescribed for the purposes of paragraph (a) of the description of F in subsection 225.2(2); or

(b) that is in respect of property or services brought into a participating province or acquired otherwise than for consumption, use or supply in the course of an endeavour (within the meaning assigned by subsection 141.01(1)) of the financial institution.

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**4. (1) Subsection 225.2(3) of the Act is amended by deleting the word "and" at the end of paragraph (a), by adding the word "and" at the end of paragraph (b) and by adding the following after that paragraph:**

(c) no amount of tax paid or payable by the financial institution in respect of property or services acquired, imported or brought into a participating province otherwise than for consumption, use or supply in the course of an endeavour (within the meaning assigned by subsection 141.01(1)) of the financial institution shall be included.

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**5. (1) The Act is amended by adding the following after section 232:**

Promotional Allowances

**232.1** For the purposes of this Part, where

(a) a particular registrant makes taxable supplies by way of sale of particular tangible personal property,

(b) the particular registrant pays to or credits in favour of another registrant, or allows as a discount on or a credit against the price of any property or service (in this section referred to as the "discounted property or service") supplied by the particular registrant to the other

registrant, an amount in return for the promotion of the particular property by the other registrant, and

(c) all or substantially all of the particular property is acquired by the other registrant, either from the particular registrant or another person, for supply by way of sale for a price in money in the course of commercial activities of the other registrant,

the following rules apply:

(d) the amount is deemed not to be consideration for any supply by the other registrant to the particular registrant,

(e) where the amount is allowed as a discount on, or credit against, the price of the discounted property or service, the value of the consideration for the supply of the discounted property or service is deemed to be the amount, if any, by which the value of the consideration as otherwise determined for the purposes of this Part exceeds the amount of the discount or credit and, for the purposes of subsection 232(2), the amount of the discount or credit is deemed to be a reduction in the consideration for that supply, and

(f) where the amount is paid to, or credited in favour of, the other registrant in respect of the particular property and is not credited against the price of any discounted property or service supplied to the other registrant, the amount is deemed to be a rebate in respect of the particular property for the purposes of section 181.1.

**(2) Subsection (1) applies to supplies for which consideration becomes due after March 31, 1997 or is paid after that day without having become due.**

**6. (1) Subsection 248(3) of the Act is replaced by the following:**

New reporting period

(3) For the purposes of this Part, where a person ceases to have reporting periods that are fiscal years of the person with effect from the beginning of a particular fiscal month in a particular fiscal year of the person and the particular fiscal month is not the first fiscal month in the particular fiscal year, the period beginning on the first day of the particular fiscal year and ending immediately before the beginning of the particular fiscal month is deemed to be a reporting period of the person.

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**7. (1) Subsection 254.1(2.1) of the Act is replaced by the following:**

Rebate in  
Nova Scotia

(2.1) Where

(a) an individual is entitled to a rebate under subsection (2), or to be paid or credited the amount of such a rebate under subsection (4), in respect of a residential complex situated in Nova Scotia or would be so entitled if the fair market value of the complex, at the time possession of the complex is given to the individual under the agreement for the supply of the complex to the individual, were less than \$481,500, and

(b) possession of the complex is given to the individual under the agreement after March 1997 and the agreement is not an agreement in writing entered into on or before October 23, 1997,

the Minister shall, subject to subsection (3), pay a rebate to the individual, in addition to the rebate, if any, payable under subsection (2) to the individual, equal to the lesser of \$2,250 and 1.39% of the total consideration (within the meaning of paragraph (2)(h)) in respect of the complex.

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**8. (1) Subsection 255(2.1) of the Act is replaced by the following:**

Rebate in  
Nova Scotia

(2.1) Where an individual has acquired a share of the capital stock of a cooperative housing corporation for the purpose of using a residential unit in a residential complex of the corporation that is situated in Nova Scotia as the primary place of residence of the individual or a relation of the individual, the corporation has paid tax under subsection 165(2) in respect of a taxable supply to the corporation of the complex and the individual is entitled to a rebate under subsection (2) in respect of the share or would be so entitled if the total (in this subsection referred to as the "total consideration") of all amounts, each of which is the consideration payable for the supply to the individual of the share or an interest in the corporation, complex or unit, were less than \$481,500, the Minister shall, subject to subsection (3), pay a rebate to the individual, in addition to the rebate, if any, payable under subsection (2) to the

individual, equal to the lesser of \$2,250 and 1.39% of the total consideration.

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**9. (1) The *Excise Tax Act* is amended by adding the following after section 263:**

**Restriction on rebate, etc.**

**263.01** (1) A rebate of an amount under any provision of this Act (other than sections 252.4 and 252.41) or a refund of an amount that, because of subsection 215.1(3) or 216(7), is payable under section 69, 73, 74 or 76 of the *Customs Act* shall not be paid to a person to the extent that it can reasonably be regarded that the amount is in respect of tax under subsection 165(2) or section 212.1 that became payable by the person at a time when the person was a selected listed financial institution, or that was paid by the person at that time without having become payable, in respect of property or a service acquired or imported by the person for consumption, use or supply in the course of a business of the person or an adventure or concern in the nature of trade of the person.

**Exception – Insurers**

(2) Subsection (1) does not apply to an amount of tax that became payable by an insurer or that was paid by the insurer without having become payable in respect of property or a service acquired or imported exclusively and directly for consumption, use or supply in the course of investigating, settling or defending a claim under an insurance policy that is not in the nature of accident and sickness or life insurance.

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**10. (1) Paragraphs 351(1)(a) and (b) of the Act are replaced by the following:**

(a) a supply by way of sale of a single unit residential complex, or of a building or part thereof in which a residential unit forming part of such a complex is located, is made in a participating province to an individual under an agreement in writing between the supplier and the individual entered into on or before the announcement date for that province, and

(b) in the case of a sale of the complex, ownership thereof is not transferred to the individual under the agreement before the implementation date for that province and, in any case, possession of the complex is transferred to the individual under the agreement on or after that implementation date,

**(2) Paragraph 351(1)(c) of the Act is replaced by the following:**

(c) no tax is payable under subsection 165(2) in respect of the supply made under that agreement or in respect of any supply of the complex deemed under subsection 191(1) to have been made before or as a consequence of possession of the complex being transferred to the individual under that agreement, and

**(3) The portion of subsection 351(2) of the Act before paragraph (a) is replaced by the following:**

**Resupply of a single  
unit residential  
complex**

(2) Where a supply referred to in paragraph (1)(a) is made to a recipient who is a builder of the complex only because of paragraph (d) of the definition "builder" in subsection 123(1),

**(1) Subsections (1) to (3) are deemed to have come into force on April 1, 1997.**

**11. (1) The portion of subsection 352(1) of the Act before paragraph (a) is replaced by the following:**

**Transfer of personal  
property before  
implementation**

**352.** (1) Where a taxable supply by way of sale of tangible personal property is made in a participating province to a person under an agreement in writing entered into before the implementation date for that province, to the extent that

**(2) Section 352 is amended by adding the following after subsection (1):**



**Exercise of option to purchase contained in lease**

(1.1) Where a recipient of a supply of tangible personal property by way of lease, licence or similar arrangement exercises an option to purchase the property provided for under the arrangement and the supply by way of sale of the property is made in a participating province, no tax under subsection 165(2) is payable in respect of the sale where sales tax in respect of that sale became payable before the implementation date for the province under an Act of the legislature of the province or would have become payable under that Act if the property or the recipient, as the case may be, were not exempt from that tax.

**(3) The portion of subsection 352(2) of the Act before paragraph (a) is replaced by the following:**

Imported taxable supply  
under pre-implementation  
date agreement

(2) Where an imported taxable supply (within the meaning assigned by section 217) of tangible personal property is made, under an agreement in writing entered into before the implementation date for a participating province, to a person who is

**(4) Subsections (1) to (3) are deemed to have come into force on April 1, 1997.**

**12. (1) Section 354 of the Act is amended by adding the following after subsection (4):**

Exception

(4.1) Subsection (4) does not apply in respect of consideration for a supply of property that is rent, royalty or a similar payment attributable to a period where the supplier supplies services in respect of that property for the same period and the consideration for the supply of the property and the consideration for the supply of the services is included in a single invoice.

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**13. (1) Section 363 of the *Excise Tax Act* is amended by adding the following after subsection (3):**

**Exclusions**

(4) No amount of tax paid or payable by a selected listed financial institution in respect of property or services acquired, imported or brought into a participating province otherwise than for consumption, use or supply in the course of an endeavour (within the meaning assigned by subsection 141.01(1)) of the financial institution shall be included in determining the instalment to be paid by the institution under subsection (2).

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**14. (1) The Act is amended by adding the following after section 363:**

Election for shorter reporting period

**363.1** Any person who, immediately before the implementation date for a participating province, is resident in that province and registered under Subdivision d of Division V may, subject to section 250,

(a) where the reporting period of the person immediately before that implementation date is a fiscal quarter, make an election under section 246 to have reporting periods that are fiscal months of the person to take effect, notwithstanding paragraph 246(1)(a), on the first day of any fiscal quarter of the person that begins within one year after that implementation date; and

(b) where the reporting period of the person immediately before that implementation date is a fiscal year,

(i) make an election under section 246 to have reporting periods that are fiscal months of the person to take effect, notwithstanding paragraph 246(1)(a), on the first day of any fiscal quarter of the person that begins within one year after that implementation date, or

(ii) make an election under section 247 to have reporting periods that are fiscal quarters of the person to take effect, notwithstanding paragraph 247(1)(a), on the first day of any fiscal quarter of the person that begins within one year after that implementation date.

#### Revocation of election for streamlined accounting

**363.2** (1) Where a registrant who has made an election under subsection 227(1) that is in effect on the implementation date for a participating province is resident in that participating province immediately before that implementation date or made supplies in that participating province in the one-year period ending immediately before that implementation date, the registrant may, notwithstanding paragraph 227(4.1)(a) but subject to paragraph 227(4.1)(b), revoke that election under subsection 227(4) with effect from

(a) where the reporting period of the registrant that includes that implementation date is a fiscal year of the registrant, the first day of any fiscal month of the registrant that begins within one year after that implementation date; and

(b) in any other case, the first day of any reporting period of the registrant that begins within one year after that implementation date.

#### New reporting period where election

(2) For the purposes of this Part, where a registrant whose reporting period is a fiscal year revokes an election under subsection 227(4) in accordance with subsection (1) with effect from the first day of a particular fiscal month of the registrant that is not the first fiscal month in a particular fiscal year of the registrant,

(a) the period beginning on the first day of the particular fiscal year and ending immediately before the first day of the particular fiscal month and the period beginning on the first day of the particular fiscal month and ending on the last day of the particular fiscal year are each deemed to be a separate reporting period of the person; and

(b) for the purposes of subsections 237(1) and (2), each of the reporting periods deemed by paragraph (a) is deemed to be a reporting period determined under subsection 248(3).

**(2) Subsection (1) is deemed to have come into force on April 1, 1997.**

**15. (1) Part V of Schedule VI to the Act is amended by adding the following after section 2.1:**

**2.2** A supply of an air navigation service (within the meaning assigned by subsection 2(1) of the *Civil Air Navigation Services Commercialization Act*) made to a person who is registered under Subdivision d of Division V of Part IX of the Act at the time the supply is made, where

(a) the person carries on a business of transporting passengers or property to or from Canada, or between places outside Canada, by aircraft; and

(b) the service is acquired by the person for use in the course of so transporting passengers or property.

**(2) Subsection (1) applies to services performed after March 1997.**