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New name for the Canada Customs and Revenue Agency

On December 12, 2003, the Prime Minister announced the creation of the Canada Border Services Agency (CBSA) which will be part of the Department of Public Safety and Emergency Preparedness. The creation of the CBSA resulted in the transfer of the Customs Branch and other elements of the Canada Customs and Revenue Agency (CCRA) to this new agency and means that the current name of the CCRA no longer reflects reality. As a result of this change, the name of the CCRA will change to the Canada Revenue Agency to more accurately reflect its current role. Until this name change is modified by an act of Parliament, the name “Canada Customs and Revenue Agency” remains the legal name of the Agency. However, the name and acronym “Canada Revenue Agency (CRA)” will be used in correspondence, forms and publications.



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Canada Revenue Agency

Agence du revenu du Canada



100% GST rebate for municipalities

On February 3, 2004, the Minister of Finance confirmed that municipalities will be eligible for a 100% rebate of the GST and the federal portion of the HST. The 100% rebate will apply to goods and services acquired by municipalities in respect of which tax became payable or is paid without having become payable, after January 31, 2004.

The municipal entities that are eligible to claim the 100% rebate include:

- municipal bodies (e.g., cities, towns or villages);
- entities determined by the Minister of National Revenue to be municipalities; and
- entities designated by the Minister of National Revenue to be municipalities in respect of certain activities that involve the making of supplies of municipal services.

On March 9, 2004, the Minister of Finance tabled a Notice of Ways and Means Motion proposing amendments to the *Excise Tax Act* to implement the 100% rebate as well as consequential amendments to facilitate an equitable transition to the full rebate.

Under the proposed amendments, most supplies made by municipalities will continue to be exempt. However, to ensure that the benefit of the rebate is limited to the municipal entities, it is proposed that certain supplies of property and services by municipal entities become taxable. As a consequence, sales of most real property and capital personal property by municipalities will become taxable. In addition, the exemption for supplies of goods or services made for less than direct cost will not apply to municipal entities.

An amendment is also being proposed to allow for the disclosure of the incremental value of the rebate paid to each municipal entity.

A copy of the Notice of Ways and Means Motion is available on the Department of Finance Canada web site at <http://www.fin.gc.ca/news04/04-018e.html>.

GST/HST rulings and interpretations service

Registrants and other interested parties may request a ruling or interpretation on how the GST/HST applies to their operations or transactions in which they are involved. The purpose of the GST/HST rulings and interpretations service is to give registrants and other interested parties as much certainty as possible about the GST/HST consequences of their transactions or proposed transactions by providing them with guidance in applying the GST/HST provisions of the *Excise Tax Act*. This service is available through the GST/HST rulings centres located across Canada and is available free of charge. The addresses and phone numbers of these rulings centres are contained in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres* (<http://www.ccra-adrc.gc.ca/E/pub/gm/1-2/README.html>). If you are in the Province of Quebec, call the Ministère du Revenu du Québec toll-free at 1-800- 567-4692. For more information on GST/HST rulings and interpretations, refer to GST/HST Memorandum 1.4, *Goods and Services Tax Rulings* (<http://www.ccra-adrc.gc.ca/E/pub/gm/1-4/README.html>).

Auditing for GST net tax – It’s a matter of fairness

The “audit to net tax” principle ensures that the entitlements and obligations of a GST/HST registrant under audit are given proper consideration. After all, it’s a matter of fairness.

Generally, a registrant has a four-year time limit (two years in the case of a specified person) in which to claim an input tax credit (ITC). In reporting the net tax for a reporting period, the registrant may include the ITCs that became available in that period and any unclaimed ITCs from the previous four years (or in the case of a specified person, two years).

A specified person is a listed financial institution as described in subsection 149(1) of the *Excise Tax Act*, or a person, other than a charity, who, together with any associates of the person, has made taxable supplies in excess of \$6 million in both their current and previous fiscal years where these supplies represent less than 90% of all the supplies made by the person and its associates.

In assessing a registrant’s net tax for a reporting period under audit, the CRA is required to take into account any ITCs that the registrant did not claim for that reporting period even if the normal time limit for claiming these ITCs has expired. These unclaimed ITCs must be for tax that became payable during the particular reporting period under audit.

Example

On April 30, 2001, Corporation B, a specified person with a June 30 year-end, reported the following amounts on its GST/HST return for the reporting period March 1, 2001, to March 31, 2001:

GST/HST collectible and collected	\$40,000
ITCs claimed	\$25,000
Net tax	\$15,000

In November 2003, this reporting period is selected for audit. During the course of the audit, the auditor discovers \$10,000 of unclaimed ITCs for GST/HST paid during this particular reporting period. Even though the time limit for claiming these ITCs expired on July 31, 2003, the auditor must take them into account when assessing the net tax for this reporting period. However, unclaimed ITCs for tax that became payable in reporting periods before the particular period under audit will not be taken into account.

If, after the unclaimed ITCs are applied against the net tax of the reporting period under audit, there is an overpayment of net tax on the part of the registrant, the CRA will apply this overpayment against any unpaid or unremitted amounts that arose before or after (up to four years) the reporting period being audited, and that remain outstanding on the day the Notice of Assessment is issued. If there is still an overpayment, the CRA will refund the amount to the registrant with interest, provided that the Notice of Assessment is issued before the time limit for claiming the ITCs has expired and the person has filed all returns that are required to be filed.

Public service bodies and taxable supplies

Public service bodies (i.e., non-profit organizations, charities, municipalities, school authorities, hospital authorities, public colleges and universities) are provided with broad exempting provisions under the GST/HST legislation so that, generally speaking, there is no tax charged on most of their supplies. However, it is important for public service bodies that are registrants to ensure that the GST/HST is being properly charged on those supplies that are taxable at 7% or 15%. For example:

- (a) in the hospital sector, the GST/HST must be charged on certain commercial operations such as fast food outlets, the rental of television sets and vending machine operations;
- (b) in the educational sector, the GST/HST must be accounted for on taxable automobile benefits and charged on single non-credit courses and short-term rentals of real property; and
- (c) in the municipal sector, the GST/HST must be charged on the short-term rental of real property and the resale of recycled material.

In addition, certain transactions require that public service bodies self-assess the GST/HST; for example, when they purchase services originating from non-registered United States vendors.

Although the GST/HST involved in these types of transactions may not be great, it is important for public service bodies to review and identify these taxable transactions to ensure that the tax is being properly charged.

The *Get it in Writing!* consumer awareness campaign is one year old

On February 25, 2003, the CRA in partnership with the Canadian Home Builders' Association (CHBA) launched the *Get it in Writing!* consumer awareness campaign, a two-year, multi-faceted initiative to alert consumers about the risks of hiring a contractor for a home renovation project without getting a written contract. We are happy to report that the campaign has successfully reached the halfway mark and is poised for continued positive results in year two.

To date, the campaign has focused on building consumer awareness through media coverage at popular spring and fall home shows held across the country, many of which included appearances by our high-profile campaign spokespeople (Jon Eakes across Canada and Yves Mondoux in Quebec), and by distributing the *Get it in Writing!* information pamphlet through numerous venues across the country (e.g., most major building materials retail stores, all client services offices of the CRA, Canada Mortgage and Housing Corporation, and municipal building permit offices). This year, in addition to continuing with all of these activities, we plan to expand our media relations efforts and to broaden the distribution network for the campaign information pamphlets.

The *Get it in Writing!* message is prudent consumer advice. It reinforces the value of hiring a professional contractor – someone who works with a contract and protects consumers from unnecessary risks. We look forward to continuing our successful partnership with the CHBA in educating consumers, levelling the playing field for legitimate contractors and promoting the fairness and integrity of the tax system.

For more information or to download a copy of the campaign pamphlet, please go to the official web site www.hiringacontractor.com.

Important reminder for GST/HST annual filers about their return and payment due dates

Most GST/HST annual filers are required to file their return along with any net tax owing within three months after the end of their fiscal year. In the case of sole proprietors who are also reporting business income, if you have a December 31 fiscal year end, your return is due June 15. Any income tax and/or GST/HST you owe is payable by April 30.

Yukon - Kluane First Nation

On February 2, 2004, the Kluane First Nation became the ninth Yukon First Nation to have in force its self-government agreement. As of this date, the Kluane First Nation and its Indian members that are resident in the Yukon are no longer entitled to relief from the GST/HST under section 87 of the *Indian Act*.

There are still five Yukon First Nations that have yet to finalize their self-government agreements. For information on which Yukon First Nations have finalized their agreements and who has yet to finalize its agreement, refer to Notice 143R, *Application of the GST/HST to Yukon First Nations and Yukon First Indians* (www.ccra-adrc.gc.ca/E/pub/gi/notice143/README.html).

Exports of alcohol and tobacco products using form B60

Some Canadian exporters of alcohol and tobacco products continue to use form B60, *Excise Duty Entry*, when exporting alcohol and tobacco products to the United States (US). Truck drivers are presenting this form to the US Customs and Border Protection (CBP) inspectors for signature as validation and proof of export of the alcohol or tobacco products. However, the US CBP inspectors have been instructed by their head office to cease validating form B60 since other documentation is already available to prove that the alcohol or tobacco products have been properly exported.

Alcohol and tobacco licensees are encouraged to continue to use form B60 for convenience purposes (e.g., the keeping of books and records), but should advise their transport companies to inform their drivers not to present this form to US CBP inspectors for signature. Other documentation is readily available that will provide satisfactory evidence of export.

Form B60 should not be confused with form E60, *Tobacco Products Export Form*. Form E60 must be used for all commercial exports (except for prescribed brands) of Canadian manufactured cigarettes, tobacco sticks, and other manufactured tobacco, and must be signed off by Canadian Border Services Agency officials. Neither of these forms is to be presented to US CBP inspectors.

For more information on this topic, contact the nearest regional excise duty office. Information relating to the documents that may be necessary for the export of alcohol and tobacco products will be available in Excise Duty Memorandum 9.3.1, *Export Documentation*, which will be published later this year.

The wine corner

The new *Excise Act, 2001* was implemented on July 1, 2003, and as of that date, Part IV of the *Excise Tax Act* ceased to apply to wine. Instead, wine is now subject to excise duty under the *Excise Act, 2001*.

To facilitate a smooth transition from the rules under the *Excise Tax Act* to the *Excise Act, 2001*, certain transitional measures relating to bulk and packaged wine were implemented. As part of these measures, a refund on excise-tax-paid packaged wine may be available to persons licensed for an excise warehouse if the tax-paid packaged wine was entered into the person's excise warehouse on or before December 31, 2003. A refund may also be available to licensed users who possessed tax-paid bulk wine on July 1, 2003.

To receive this refund, excise warehouse licensees and licensed users must apply for the refund by June 30, 2004, by completing Form B256, *General Application for Refund of Excise Duty Under the Excise Act, 2001*. Refund application forms can be obtained on the CRA web site at <http://www.cca-adrc.gc.ca/tax/technical/act2001-e.html> or from the nearest regional excise duty office.

Transitional measures also apply to wine labels that were ordered and printed prior to July 1, 2003, and received after that date. Wine licensees may continue to apply these labels to containers of wine that are packaged after July 1, 2003, or until supplies of these labels are depleted. However, these wine labels may not be used after June 30, 2004. All wine labels printed after July 1, 2003, must comply with the requirements of the new Act, showing the name and address, or the new licence number of the licensee that packaged the wine.

For more information relating to refunds, labels or any other wine issues, contact the nearest regional excise duty office.

What's new in publications

GST/HST Forms

GST 502	Election between Auctioneer and Principal
GST 521	GST/HST Multi-Employer Pension Plan Trust Rebate Application
RC4365	First Nations Goods and Services Tax (FNGST)

Current [GST/HST](#) and [Excise Duty](#) publications can be found on the Internet on the CRA web site.

Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2004, to June 30, 2004, with respect to the GST/HST and the Air Travellers Security Charge (ATSC) is set at 2.4132% commencing April 1, 2004. Interest and penalty compound daily.

The prescribed annual rate of interest on amounts of income tax, excise tax and excise duty (except excise duty on beer) payable to the Minister (i.e., arrears and instalment payments) is established at 7%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 5%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 5% commencing April 1, 2004. Penalty compounds monthly and interest compounds daily.

Prescribed interest rates are adjusted every calendar quarter. The [rates of interest](#) for previous periods are available on the CRA web site.

Period	GST/HST ATSC		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
2004						
January 1 – March 31	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
April 1 – June 30	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

GST/HST Enquiries

To make enquiries regarding your GST/HST account, call Business Enquiries at 1-800-959-5525

To make enquiries regarding the status of specific GST/HST domestic rebate claims, call
1-800-565-9353

To make enquiries regarding the status of visitor rebate claims, call 1-800-668-4748

To obtain copies of forms and publications, call 1-800-959-2221

If you are in the Province of Québec, please call the following toll-free number:
1-800-567-4692 (Ministère du Revenu du Québec)

The *GST/HST News* is published quarterly and highlights recent developments in the administration of the Goods and Services Tax (GST) and Harmonized Sales Tax (HST) as well as excise taxes and duties. This publication is provided for information purposes only and does not replace the law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Policy and Planning Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X