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New GST/HST Info Sheets

We are introducing a new series of technical publications called **GST/HST Info Sheets**. They are written in plain language and have been designed to provide clear and brief explanations of specific issues on the GST/HST to the general public. They are available on the CRA Web site under GST/HST - Technical information.

So far, the following titles have been published:

- Products Commonly Described as Dietary Supplements
- Sales of Farmland by Individuals
- Sales of Vacant Land by Individuals
- Sales by Individuals of Owner-Occupied Homes
- Automated Banking Machine (ABM) Services
- Sale of a Residence by a Builder Who Is an Individual
- Operating a Bed and Breakfast in Your Home
- Harbour Authorities
- Consigned Goods

If you wish to receive a notice announcing future **GST/HST Info Sheets** as they become available, please subscribe to the GST/HST Technical Publications Electronic Mailing List.



More Ways to Serve You!
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La version française de ce bulletin est intitulée *Nouvelles de la TPS/TVH*.



Canada Revenue Agency

Agence du revenu du Canada

Canada

Vendor certificates for incorporated band-empowered entities

As more First Nations become involved in commercial activities, it should be noted that not all incorporated First Nation businesses are entitled to tax relief on their purchases. This article will discuss the requirement for incorporated band-empowered entities to include a statement in the documentation they provide to the vendor that they are acquiring property for band management activities.

Incorporated businesses that are not band-empowered entities (as defined under Technical Information Bulletin (TIB) B-039R, *GST Administrative Policy Application of GST to Indians*) must follow the normal GST/HST rules when acquiring goods and services. An incorporated entity may purchase property or services tax relieved only if the entity is owned or controlled by a band and provided the conditions set out under B-039R are met.

GST/HST relief will apply to property acquired by an incorporated band-empowered entity where:

- the property is acquired on a reserve or the property is delivered to a reserve by the vendor or vendor's agent; and
- certification, with the statement to indicate that the property is being acquired for band management activities, is provided.

The following is an example of acceptable certification for incorporated band-empowered entities:

"This is to certify that the property or service being acquired by (*insert name of band or band-empowered entity*) is for band management activities or real property on reserve. This supply will not be subject to the goods and services tax/harmonized sales tax (GST/HST)."

Incorporated band-empowered entities are not required to pay GST/HST provided the vendor is satisfied that the conditions for tax relief have been met and the vendor retains the required documentation as outlined in B-039R.

Note: The tax relief applies only to the GST/HST. Tax relief does not apply to supplies that are subject to First Nations tax (FNT) or First Nations Goods and Services tax (FNGST). These taxes are imposed by First Nations and the tax exemption under the *Indian Act* does not apply. To obtain more information on the FNT and the FNGST, refer to guide RC4365, *First Nations Goods and Services Tax* and guide RC4072, *First Nations Tax*.

Although vendors can generally rely on a certificate provided by a customer, they should ensure that it is reasonable given the situation. For example, if there is obvious evidence that an **incorporated** band-empowered entity is involved in commercial activity to the extent for which it would be required to register for GST/HST, (e.g. the value of the goods supplied clearly exceeds the small supplier threshold) the vendor will be expected to charge and collect the GST/HST on the supply. Similarly, where there are indications the goods are destined for resale, the vendor should charge and collect GST/HST on the supply.

For more information about the GST/HST and Indians, please refer to Technical Information Bulletin (TIB) B-039R, *GST Administrative Policy Application of GST to Indians*. TIB B-039R provides an example of the wording that can be used for the certification which may be used when an Indian band or band-empowered entity (incorporated or unincorporated) acquires services, or if an Indian band or **unincorporated** band-empowered entity acquires property.

GST/HST and consigned goods

A consignment is an arrangement in which an owner delivers its goods to another person (the “consignee”) on the understanding that the consignee will sell the goods. There are two common types of consignment arrangements:

- a sale by agent arrangement where title to the goods is transferred directly from the owner to the purchaser through the consignee as agent; or
- a purchase and resale arrangement where title to the goods passes from the original owner to the consignee and then to the final purchaser.

The type of the consignment, along with whether the owner’s obligation to charge GST/HST (e.g., when the owner is a GST/HST registrant and the goods were used in its commercial activities) are factors in determining whether the owner or the consignee is responsible for charging and accounting for the tax on the supply of the goods.

However, regardless of the type of the consignment, the final purchaser must pay the GST/HST when buying taxable goods (other than zero-rated goods) sold on a consignment basis.

The CRA recently published a GST/HST Info Sheet that explains, in more detail, the application of the GST/HST to consigned goods. The CRA will also be publishing a GST/HST Info Sheet that explains supplies by agents, which will be helpful in understanding sale by agent arrangements. Until that time, for more information on supplies by agents, please refer to GST/HST Policy Statement P-182R, *Agency*. If you want to discuss a specific consignment situation, please call a GST/HST Rulings Centre at 1-800-959-8287.

Moving allowances

Occasionally, registrants pay an amount that is over and above a reimbursement of actual moving expenses to employees who are required to move for work purposes. Subsequently, this amount is included on the employees’ T4 as a taxable benefit.

For GST/HST purposes, the CRA’s policy with respect to moving allowances is consistent with the income tax administrative policy that a moving allowance of up to \$650 is treated as a non-taxable reimbursement to the employee, as long as the employee certifies that the amount was spent on moving expenses. Consequently, this amount is considered a reimbursement for GST/HST purposes. The person paying the amount (the employer) would then be able to claim an input tax credit, or rebate, on the reimbursed amount, subject to any other restrictions in the *Excise Tax Act*.

The amount of moving allowance which is required to be included in an individual's income as a taxable benefit (i.e., any amount over \$650) is considered to be remuneration, or income from employment, of that individual. As employment income, this amount would not be subject to GST/HST, and not eligible for purposes of determining an input tax credit entitlement.

For more information regarding moving allowances please consult these publications:

- GST/HST Policy Statement P-075R, *Allowances and Reimbursements*, and
- Guide T4130 *The Employers’ Guide: Taxable Benefits 2003-2004*.

Privacy and personal information

Maintaining the privacy and confidentiality of personal information is a priority for the CRA. We will not use or share your personal information unless you or the law authorizes us to do so. All personal information, including social insurance numbers, you provide to CRA officials is protected under the tax legislation administered by the CRA such as the *Excise Tax Act*, the *Excise Act, 2001* and the *Income Tax Act*.

Canadians have a number of fundamental rights stated in the laws, and treaties that we administer. Also, the *Canadian Charter of Rights and Freedoms*, *Privacy Act*, *Official Languages Act* and the legislation mentioned above describe general rights that apply in our tax dealings. Some of these rights include:

- to be treated fairly through due process;
- to have your confidential information protected;
- to get service in the official language of your choice; and
- to have access to impartial redress if there is a dispute.

More information on our privacy policy is available on our Web site at:
www.cra-arc.gc.ca/notices/privacy2-e.html.

Electronic payments for business

Internet banking is an easy to use, secure and convenient method for paying your GST/HST through your financial institution. Once you have initiated a payment transaction, your financial institution will provide you with an electronic acknowledgement to confirm that the funds have been drawn from your bank account. A transfer of funds to CRA will be initiated on the date you have established with your financial institution. This funds transfer is both secure and confidential and there is no need to mail in your paper voucher. Your financial institution may also allow you to schedule payments for future dates.

If you are filing a return with a balance owing, many financial institutions offer Internet banking services that allow you to file and make payments to the CRA electronically. For more information regarding electronic services offered by certain financial institutions please visit www.cra-arc.gc.ca/eservices/payments/business or contact your financial institution directly.

For more information regarding the filing of your GST/HST return, please visit our website at www.cra.gc.ca/gsthst-edi.

What's new in publications

GST/HST Info Sheets

GI-001 Products Commonly Described as Dietary Supplements
 GI-002 Sales of Farmland by Individuals
 GI-003 Sales of Vacant Land by Individuals
 GI-004 Sales by Individuals of Owner-Occupied Homes
 GI-005 Sale of a Residence by a Builder Who Is an Individual
 GI-006 Automated Banking Machine (ABM) Services
 GI-007 Operating a Bed and Breakfast in Your Home
 GI-008 Harbour Authorities
 GI-009 Consigned Goods

GST/HST Guides

RC4081E GST/HST Information for Non-Profit Organizations

GST/HST Forms

GST502E Election and Revocation of Election Between Auctioneer and Principal

Current GST/HST, Excise Duty and Excise Taxes and Special Levies publications can be found on the Internet on the CRA web site at: www.cra-arc.gc.ca/tax/technical/menu-e.html

Prescribed rates of interest

The prescribed annual rate of interest in effect from October 1, 2004, to December 31, 2004, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 2.3870% commencing October 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 October 1, 2004. Penalty compounds monthly and interest compounds daily.

| 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 % |
| July 1 – September 30 | 2.3870 % | 6.0 % | 4.0 % | 6.0 % | 4.0 % | 6.0 % |
| October 1 – December 31 | 2.3870 % | 6.0 % | 5.0 % | 7.0 % | 5.0 % | 6.0 % |

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

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 (Revenu 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