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Bill C-26 receives second reading

Bill C-26, an Act to establish the Canada Border Services Agency (CBSA), received second reading in the House of Commons on December 13, 2004. The CBSA brings together the border services of the Canada Customs and Revenue Agency (CCRA), the Canadian Food Inspection Agency and Citizenship and Immigration Canada. This enactment sets out the responsibilities, mandate, powers, duties and functions of the Minister responsible for the CBSA and its President.

This Bill also includes consequential amendments to the *Canada Customs and Revenue Agency Act* and to a number of statutes administered by the CCRA. Among other amendments are those officially changing the name of the CCRA to Canada Revenue Agency (CRA) and the Commissioner's title to that of Commissioner of Revenue.



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Nouvelles de la TPS/TVH.



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Bill C-33 receives first reading

Bill C-33, a second Act to implement certain provisions of the budget tabled in the House of Commons on March 23, 2004, received first reading on December 8, 2004. The proposed amendments to the legislation include reducing the air travellers security charge and amendments to the *First Nations Goods and Services Tax Act* (FNGST) to facilitate the establishment of taxation arrangements between the Government of Quebec and interested Indian bands situated in Quebec.

For a more detailed discussion of these measures please refer to the Explanatory Notes to the Ways and Means Motion published on the Department of Finance Web site at: www.fin.gc.ca/news04/04-075e.html .

Kluane First Nation to replace GST with the First Nations Goods and Services Tax (FNGST)

On January 1, 2005, the Kluane First Nation joins eight other Yukon First Nations that have imposed the FNGST. These First Nations are:

- Champagne and Aishihik First Nation
- Kluane First Nation
- Little Salmon/Carmacks First Nation
- Nacho Nyak Dun First Nation
- Selkirk First Nation
- Ta'an Kwach'an First Nation
- Teslin Tlingit Council
- Tr'ondëk Hwëch'in First Nation
- Vuntut Gwitchin First Nation

The FNGST replaces the GST that applied on the lands of the Kluane First Nation. Everyone, including Indians, but not some provincial and territorial governments, has to pay FNGST on the taxable supplies they buy on First Nations' lands where FNGST applies.

The publication RC4365, *First Nations Goods and Services Tax (FNGST)* provides more details about FNGST.

Auctioneers

This article explains how the GST/HST applies to goods sold by auctioneers and services provided by auctioneers. The information applies only to auctioneers who are registered or required to register for GST/HST purposes. In addition, this information **does not** apply to auctioneers who are selling goods other than as part of their commercial activities, or to auctions of services, precious metals, buildings, land, court-seized property, or leases, licences and other intangible rights and privileges.

Goods sold by auctioneers

An auctioneer who sells goods on behalf of a person who owns the goods (i.e., the “owner”) is considered to have sold the goods to the purchaser. The sale of the goods by the auctioneer is either taxable at a rate of 7% or 15% or zero-rated (subject to tax at 0%), even if the owner would not have been required to charge tax had the owner sold the goods directly to the purchaser. The auctioneer – not the owner – is responsible for charging and accounting for the tax on the sale. Of course, if the sale of the goods is zero-rated, such as a sale of cattle, the auctioneer does not account for any tax.

If GST/HST applies to the sale of the goods, the auctioneer must charge and account for tax on the entire purchase price including the buyer’s premium if one is charged. A buyer’s premium is an advertised percentage or a flat fee that the auctioneer adds to the final bid price of the goods.

Election for owner to account for tax

An owner who is registered for GST/HST purposes and an auctioneer may jointly elect to allow the owner to charge and account for the tax on sales of certain types of taxable goods. In this situation, the auctioneer must charge and account for the GST/HST on all services it provides (including auctioneering services).

Services provided by auctioneers

An auctioneer who has made a sale of goods by auction is **not** considered, except in limited circumstances, to have provided the owner with services related to the sale of the goods. The auctioneer **does not** charge or account for tax on related services, including those for which they charge a commission, such as calling the auction or providing a facility.

Whether a service is related to a sale of goods by auction depends on the circumstances. Generally, a service is considered to be related to the sale of goods if both of the following requirements are met:

1. The service provided to an owner relates directly to the sale of the goods by auction and not simply to the goods themselves. For example, minimal services such as pre-sale cleaning are not taxable since they relate to the sale of the goods by auction, whereas repair and restoration services are generally taxable since they may alter or significantly enhance the goods.
2. The service is of a kind typically provided at that type of auction or at auctions in general. For example, the following services are usually not subject to tax:
 - auctioneering services, such as calling the auction or providing a facility
 - advertising or illustrating services
 - pre-auction price estimates
 - short-term storage services

Goods or services provided to owners as inputs into related services (i.e., those services meeting both of the above requirements) are not subject to the GST/HST even if the owners are separately billed for them. However, an auctioneer must collect tax on all taxable services to owners that do not meet both of the above requirements.

In addition, an auctioneer must collect tax on all amounts charged to owners for taxable goods and services when goods are put up for auction but are not sold, even if they meet the above requirements.

Services provided to persons other than owners are usually taxable. For example, services provided to a purchaser or to another third party, such as collecting the third party's insurance fees, breed association fees, freight fees, or inspection fees, are subject to the GST/HST.

Auctioneers should not charge and account for the tax on taxable services provided by third parties. The third parties are responsible for determining any tax liability for services they provide. However, as agents of the third parties, auctioneers may collect the tax on those amounts and forward the tax to the third parties who must account for the tax. In this case, auctioneers must charge and account for tax on commissions the third parties pay to them for acting as their agent.

If auctioneers are not collecting amounts on the taxable services as agents of the third parties, but instead, are collecting them in their own right, the auctioneers must charge and account for the GST/HST on those amounts.

More information

For more information on auctioneers and elections please refer to the GST/HST Info Sheet G-010, *Auctioneers*. This GST/HST Info Sheet also provides examples of different auction scenarios and transactions.

For more information on agents, refer to GST/HST Policy Statement P-182R, *Agency*. A GST/HST Info Sheet on agents will also be published soon.

Please call a GST/HST Rulings Centre toll free at 1-800-959-8287 if you have specific questions on these or other matters related to auctioneers.

Substantial renovations and the GST/HST new housing rebate

The CRA has recently published a new Technical Information Bulletin (TIB) B-092, *Substantial Renovations and the GST/HST New Housing Rebate*. It sets out the CRA's interpretation of the term "substantial renovation" as it relates to the GST/HST new housing rebate.

TIB B-092 examines the meaning of the terms "substantial renovation" and "major addition" as they relate to the eligibility of individuals to claim the GST/HST new housing rebate. It also reviews how the concept of substantial renovation applies to various types of residential complexes, how the CRA views a building that is converted to a residential complex, how to treat a major addition to a residential complex, and how the creation of self-contained suites such as guest and granny suites are treated. Finally, this publication sets out the time limitations for claiming the GST/HST new housing rebate.

Please refer to the CRA publication RC4028, *GST/HST New Housing Rebate* for a detailed discussion of the eligibility rules for the new housing rebate and the necessary forms.

File your GST/HST return electronically

The CRA now offers three methods to electronically file your GST/HST return: GST/HST TELEFILE, GST/HST-EDI, and our newest filing option, GST/HST NETFILE.

If you are filing a return with a nil balance or a refund of \$10,000 or less, you can do so quickly, easily and securely over the Internet with GST/HST NETFILE, or by using a touch-tone phone with GST/HST TELEFILE.

If an access code is printed on your personalized GST/HST return, you are invited to use GST/HST NETFILE or GST/HST TELEFILE. Have your completed working copy of your return at hand and access our GST/HST NETFILE Web site (www.cra.gc.ca/gsthst-netfile) or call 1-800-959-2038 for GST/HST TELEFILE. At the end of your filing session, you will receive a confirmation number as proof that we have received your return.

GST/HST NETFILE and GST/HST TELEFILE are available Monday to Friday from 8:30 a.m. to 8:00 p.m., and Saturday from 8:30 a.m. to 5:00 p.m., local time. The services are not available on Sunday or on statutory holidays.

Our third electronic filing option, GST/HST-EDI, allows you to electronically file both your return and payment (if applicable) through a participating financial institution. To find out if your financial institution offers this service, contact your local branch or visit our GST/HST-EDI Web site at www.cra-arc.gc.ca/eservices/gsthst-edi/menu-e.html.

For complete details on filing your GST/HST return electronically, visit our Web site at www.cra-arc.gc.ca/eservices/tax/business/menu-e.html.

Voluntary direct deposit for GST/HST registrants

The CRA is encouraging all new GST/HST registrants to choose the direct deposit payment option for GST/HST refunds. GST/HST registrants choosing this payment option will have their refunds deposited into their chosen account at their financial institution on the same day that the cheque would have been mailed out.

In addition to being a more efficient alternative to paper cheques, direct deposit is also a confidential, convenient and dependable way of receiving a refund. You receive the benefit of the direct deposit payment on the payment date of the refund that could result in a one to four day saving in transit time. Receiving your refund by direct deposit reduces the possibility of lost, stolen or destroyed cheques as well as other possible delays that currently exist with the mail distribution process.

To take advantage of GST/HST Direct Deposit, complete Form GST 469, *Direct Deposit Request* which can be obtained at all CRA tax services offices and tax centres.

To apply you must complete Parts A, B and C of the application form. Enter your identification information in Part A. In Part B you must provide either a void blank cheque, or the identification numbers of your financial institution, branch, and account numbers as well as the name(s) of the account holders. In Part C the account holder *must* sign the certification area of the form. For these reasons, applying for direct deposit cannot be done over the telephone.

You may choose to have your refund payment deposited in your account at any bank, credit union or other registered financial institution in Canada provided the identified account holds Canadian funds.

Notice to excise duty licensees

All excise duty licences under the *Excise Act, 2001* are valid for a period of two years. Excise duty licensees are reminded that they must apply for renewal of licences issued pursuant to *Excise Act, 2001* not less than thirty days prior to the expiration of the licence. Licences issued with an effective date of July 1, 2003 will expire on June 30, 2005. Each licensee must apply for a renewal of their licence by May 31, 2005, using the form L63, *Licence and Registration Application Excise Act, 2001*.

For additional information on this topic, refer to Excise Duty Memorandum 2.2.1, *Obtaining and Renewing a Licence*.

Prescribed rates of interest

The prescribed annual rate of interest in effect from January 1, 2005 to March 31, 2005, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 2.4333% . 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% for the period January 1, 2005 to March 31, 2005. 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
2005						
January 1 – March 31	2.4333 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
2004						
October 1 – December 31	2.3870 %	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 %
April 1 – June 30	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
January 1 – March 31	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter.

Rates of interest for previous periods are available on the CRA Web site.

What's new in publications***GST/HST Info Sheets***

GI - 009	Consigned Goods
GI - 010	Auctioneers
GI - 011	Water Haulers

GST/HST Guides

RC4033	General Application for GST/HST Rebates
RC4072	First Nations Tax (FNT)

Technical Information Bulletins

B-092	Substantial Renovations and the GST/HST New Housing Rebate
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GST/HST Forms

GST189	General Application for Rebate of GST/HST
GST17	Election Concerning the Provision of a Residence or Lodging at a Remote Work Site
GST30	Election for Passenger Vehicles or aircraft to be Deemed to be Used Exclusively in Non-Commercial Activities

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

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)

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