

Excise and GST/HST News

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New name for the *GST/HST News*

The *GST/HST News* has been re-named the *Excise and GST/HST News*. This new title more accurately reflects the name and activities of the Excise and GST/HST Rulings Directorate and the services we provide.

First Nations Advisory Committee

On February 1, 2005 the Minister of National Revenue and the Assembly of First Nations (AFN) National Chief announced the creation of a First Nations Advisory Committee (FNAC) to provide the CRA with advice on new and existing CRA initiatives and to provide a forum to identify and address tax and benefit administration issues affecting First Nations peoples.



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This committee will help the CRA ensure its procedures and services effectively support First Nations peoples in accessing benefits such as the Canada Child Tax Benefit and the GST/HST credit while recognizing their rights to certain tax exemptions. The FNAC will be a useful and constructive forum to discuss issues of mutual concern.

The AFN has worked in partnership with the CRA in developing the mandate of the Committee as well as defining the roles and responsibilities of Committee members. The Committee will be co-chaired by a representative of the CRA and a First Nations representative who will be selected by and from the First Nations representatives on the Committee. A majority of the Committee will be First Nations peoples selected from all regions of the country.

The CRA news release of this announcement can be found on the CRA Web site in the media room menu.

Bill C-43 – Budget 2005

The *Federal Budget* tabled by the Minister of Finance on February 23, 2005 included several proposed measures relating to GST/HST, excise tax and the air travellers security charge. The following is a brief synopsis of these proposed measures. These measures were subsequently included in Bill C-43 which received first reading in the House of Commons on March 24, 2005. For more detailed information please refer to the Department of Finance Web site dedicated to the Budget 2005 at this address: www.fin.gc.ca

GST/HST health care rebate

Some services formerly provided by hospitals are now being carried out by other non-profit health care institutions. These other non-profit institutions currently are only entitled to a 50% GST/HST rebate rather than the 83% rebate available to hospitals.

The February 23, 2005 budget proposes, effective January 1, 2005, to extend the application of the 83% rebate to eligible non-profit health care organizations that provide health care services similar to those traditionally performed in hospitals. The 83% rebate applies to the GST and the federal component of the HST.

Eligible organizations include licensed, provincially recognized and funded non-profit facilities such as day hospitals and community health centres. As well, charities and provincially funded non-profit organizations that provide support services to hospitals and to certain health care facilities will be eligible for the 83% rebate.

Activities such as medical care to individuals in their homes will be eligible for the 83% rebate when provided by the organizations described above. As well, certain support activities such as centralized laundry and in-patient meals provided to hospitals and to certain health care facilities will be eligible for the 83% rebate when provided by the organizations described above.

Each HST participating province will be responsible for determining the rate of rebate for the provincial component of the HST with respect to eligible non-profit entities affected by this proposal.

New remittance rates

The budget also proposes new remittance rates under the *Streamlined Accounting (GST/HST) Regulations* for affected eligible non-profit entities. These rates would be the same as the current remittance rates for hospital authorities. The new rates apply to reporting periods that end after 2004. However, they will not apply to reporting periods that include January 1, 2005, in respect of a supply for which consideration was paid or became payable before that date.

Directors' liability for GST/HST net tax refunds

Currently, the GST/HST directors' liability provisions only apply in respect of a corporation's unremitted net tax. A director's liability only arises where the director has not exercised due diligence and the amounts are otherwise unrecoverable from the corporation. The budget proposes to extend this liability to overpaid net tax refunds paid on or after Royal Assent.

GST/HST Web registry

For the purposes of claiming input tax credits (ITCs), a GST/HST registrant must obtain the GST/HST registration number of the supplier from whom they are purchasing goods or services. To help the registrant verify a supplier's GST/HST registration status, the budget proposes that the CRA create a publicly accessible Web-based GST/HST registry.

In the future, a user of the database should be able to enter information about the supplier such as their business number and business name and the system will either confirm or deny that the supplier is registered for GST/HST under that business number. The registry will not display private registrant information. It is intended that the registry will be operational within 12 months after this measure receives Royal Assent.

Tobacco taxation compliance and enforcement

The budget announced new funding over the next five years to enhance federal tobacco tax compliance and enforcement. These funds will be used to implement the following three strategies:

- enhancements to the stamping and marking regime for manufactured tobacco products using new identifiers;
- additional excise officers to ensure more frequent inspection of tobacco manufacturers; and
- increased monitoring of raw leaf tobacco and new tobacco tracking mechanisms.

Air travellers security charge (ATSC)

The budget proposes that for airline tickets purchased after February 2005, the following rates of the ATSC will apply:

For domestic air travel acquired in Canada, where the GST/HST applies at the rate of 7% or 15% for the air transportation service, the ATSC is \$4.67 for each chargeable emplanement to a maximum of \$9.35. Where the GST/HST does not apply, the ATSC is \$5 for each chargeable emplanement to a maximum of \$10.

For air travel to a destination outside Canada but within the continental zone (i.e., Canada, the United States except Hawaii and the Islands of St. Pierre and Miquelon), where the GST/HST applies at the rate of 7% or 15%, the ATSC is \$7.94 for each chargeable emplanement to a maximum of \$15.89. Where the GST/HST does not apply, the ATSC is \$8.50 for each chargeable emplanement to a maximum of \$17.

For air travel to destinations outside the continental zone, the ATSC is \$17 where there is a chargeable emplanement.

These reduced ATSC rates apply to air travel purchased on or after March 1, 2005, that includes a chargeable emplanement on or after March 1, 2005. Please note that there will be no refund of amounts paid before March 1, 2005.

Please refer to ET/SL Notice #54, *Notice to all Air Carriers: Rate Reductions for the Air Travellers Security Charge* for more information.

Excise tax on jewellery

The budget proposes to phase out the current 10% excise tax that applies to the following jewellery items:

- clocks and watches;
- articles of all kinds made in whole or in part of natural shells and semi-precious stones;
- jewellery, including diamonds and other precious and semi-precious stones for personal use or for adornment of the person; and
- goldsmiths' and silversmiths' products.

The rate of excise tax on taxable importations of the above-mentioned goods, and charged on deliveries of such goods to purchasers by all licensed manufacturers and wholesalers of jewellery, (including licensed retail jewellers), will decrease in accordance with the following graduated schedule:

Effective Date	Reduced To
February 24, 2005	8 %
March 1, 2006	6 %
March 1, 2007	4 %
March 1, 2008	2 %
March 1, 2009	0 %

These rates will apply to deliveries or importations on or after the above effective dates.

All licensed manufacturers and wholesalers of jewellery will be provided with further information regarding the cancellation of their excise tax licences early in 2009.

Please refer to ET/SL Notice #0053, *Notice to all Importers and Licensed Jewellery Manufacturers and Wholesalers under the Excise Tax Act, Phase out of the Excise Tax on Jewellery Products* for more information.

Denatured and Specially Denatured Alcohol Regulations

The *Denatured and Specially Denatured Alcohol Regulations* have been approved and were published in Part II of the *Canada Gazette* on February 23, 2005. The Regulations are available on the CRA Web site at: www.cra-arc.gc.ca/tax/technical/act2001list-e.html

Information on proposed amendments to the definitions of “gasoline”, “diesel fuel”, and “petroleum derivative” in these regulations has been published in Excise Duty Notice EDN6, *Proposed Amendments to the Denatured and Specially Denatured Alcohol Regulations*. This Notice is available on the CRA Web site at: www.cra-arc.gc.ca/menu/EXAN-e.html

Notice to excise duty licensees

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 a 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*.

Forms Distribution Centre – Reminder

For more timely service, clients who need copies of forms should call the Forms Distribution Centre directly instead of calling the general Business Enquiries line.

Clients in Canada may call the Forms Distribution Centre at 1-800-959-2221 for service in English. For service in French, please call 1-800-959-3376. Clients outside of Canada may call (613) 946-0623.

Clients with access to the Internet can print their own copies of most forms by finding them on the CRA Web site at: www.cra.gc.ca/forms

Real property transactions

Spring is a popular time of year for people to sell or purchase real property, whether to expand their business operations or for personal use.

Before purchasing or selling real property, inform yourself about how the GST/HST might apply to your particular situation. The factors to consider will differ depending on whether you are contemplating the construction of a new home on vacant land that you own, the purchase of a new home from a residential homebuilder, the purchase of vacant land, the purchase of an existing building that is used entirely in commercial activity, or perhaps one that has mixed use. It also matters if you are a GST/HST registrant and whether or not you are using the real property in your commercial activity.

As a purchaser of real property, you will also need to know other important factors before you can determine whether the GST/HST applies to the transaction. For example:

- What is the status of the vendor? For instance, is the vendor an individual, a partnership, a corporation, or another entity such as a charity or non-profit organization?
- What is the current use of the real property by the vendor, or the vendor's purposes in selling it to you?
- What is your intended use of the property after the transaction is complete?

A GST/HST rulings centre can address your concerns about the GST/HST before you make a decision to purchase or sell real property. If you have a technical enquiry with respect to the GST/HST, please phone this toll-free service at 1-800-959-8287. A GST/HST rulings officer can help you with your transaction by reviewing the factors that are key to the GST/HST status of the real property transaction and provide you with information and guidance on our publications.

To research how the GST/HST may apply to your real property transaction please refer to GST/HST Memoranda Series, Chapter 19, *Special Sectors – Real Property* on the CRA Web site. GST/HST info sheets also discuss real property issues such as sales of farmland and vacant land as well as sales of homes by individuals.

Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2005 to June 30, 2005, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 2.4066% . Interest and penalty compound daily. To calculate interest, divide that annualized rate by 365 (366 in a leap year) and apply it 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 April 1, 2005 to June 30, 2005. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC (per annum)		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
2005						
April 1 – June 30	2.4066 %	6.0 %	5.0 %	7.0 %	5.0%	6.0 %
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.

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. It is possible to make the whole transaction a paperless one by signing up for GST/HST direct deposit using Form GST469, *Direct Deposit Request*. Your refund will be deposited directly into your account at your financial institution.

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. These 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 Canadian 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

What's new in publications***GST/HST Guides***

- RC4247 The Special Quick Method of Accounting for Public Service Bodies
- Includes Form GST287
- RC4405 GST/HST Rulings – Experts in GST/HST Legislation

GST/HST Memoranda Series

- 8.1 General Eligibility Rules

GST/HST Policy Statements

- P-051R2 Carrying on business in Canada
- P-056R2 Insurance adjustment services (formerly “Licensing of insurance adjusters”)
- P-208R Meaning of permanent establishment in subsection 123(1) of the Excise Tax Act

Excise Duty Memoranda

- EDM4.1.2 Small Producers of Wine (revised)
- EDM5.1.1 Denatured Alcohol and Specially Denatured Alcohol
- EDM10.1.6 Completing an Excise Duty Return - Wine Licensee (revised)

Excise Taxes and Special Levies Notices

- ETSL52 Notice to All Air Carriers: Changes to the List of Airports Where the Air Travellers Security Charge is Levied
- ETSL53 Notice to All Importers and Licensed Jewellery Manufacturers and Wholesalers Under the Excise Tax Act - Phase Out of the Excise Tax on Jewellery Products
- ETSL54 Notice to all Air Carriers: Rate Reductions for the Air Travellers Security Charge

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 Quebec 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, *Excise and GST/HST News*, Policy and Planning Branch, CRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X