

GST/HST Memoranda Series

17.1.1 Products and Services of Investment Dealers

October 2001

Overview

This memorandum provides an overview of the treatment of taxable and exempt supplies of financial services by investment dealers. The products and services list is divided into two parts:

- I. Exempt Products and Services
- II. Taxable Products and Services

In each part, the products and services are briefly described. A number (e.g., E-1) has been provided for each item solely for ease of reference.

The classification of each product or service listed in this bulletin, as an exempt or taxable supply, is based on the Canada Customs and Revenue Agency's (CCRA's) understanding of the description of the products and services, and on the assumption each product and service for which a separate fee is charged constitutes a separate supply.

Disclaimer

The information in this memorandum does not replace the law found in the *Excise Tax Act* and its Regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate Regulation, or contact a Canada Revenue Agency (CRA) GST/HST Rulings Centre for more information. These centres are listed in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres*. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287.

If you are located in the Province of Quebec, please contact Revenu Québec by calling the toll-free number 1-800-567-4692 for additional information.

Note

This memorandum supersedes Technical Information Bulletin B-063, *GST Treatment of Products and Services of Investment Dealers*, dated February 14, 1992.

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*Traitement des produits et services fournis par des courtiers en
valeurs mobilières*



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

ME-17-01-01-0001-E

Canada

I. Exempt Products and Services

Number	Item	Description
E-1	Buying and Selling of Debt Security	Buys and sells debt securities on the secondary market as a principal (for the broker's own account). Interest is earned by holding these securities. A fee is not charged.
E-2	Buying and Selling of Equity Security	Buys and sells equity securities on the secondary market as a principal (for the broker's own account). Dividends are received from holding these securities. A fee is not charged.
E-4	Coupon Interest	Long-term interest earned or short-term interest expense on debt securities.
E-5	Securities Borrow-Lending Service	Broker lends or borrows a financial instrument primarily to cover short deliveries. A fee is charged for the service.
E-6	Commission Revenue	Broker buys or sells securities on behalf of a client. A fee is charged for the service.
E-7	Cash/Broker Account (Free Credits)	Maintenance of a client's account to which interest is credited at a prescribed rate in relation to any cash on deposit by a client. The funds on deposit are payable on demand and may be used in the conduct of the brokerage business.
E-8	Margin Account	Interest charged at prescribed rates for the lending of money to a client to finance a security purchase against acceptable collateral.
E-9	Option Account	Broker buys/sells put or call options traded on stock or option exchanges. A fee is charged for the service.
E-10	Commodity Account	Broker buys/sells futures. A fee is charged for the service.
E-11	Returned Cheques	Client's cheque returned NSF (i.e., drawn on an account with insufficient funds). A fee is charged for the service.
E-12	Stop Payment	Client issues a cheque drawn on an account and subsequently gives instruction to stop payment on the cheque. A fee is charged for the service.
E-13	Wire Transfers	Client asks broker to transfer an amount held by the brokerage firm to a

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		bank account. A fee is charged for the service.
E-14	Transactions in a Year	Maintenance of a client account (as described in E-7) that has seen no activity during a year. A fee is charged for the service.
E-15	Account Termination Fee (Transfer of cash position to another Financial Institution)	Client transfers cash position, in a cash/broker account, a margin account, an option account or a commodity account, to another financial institution. A fee is charged for the administration of the transfer.

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Number	Item	Description
E-16	Redemption of Mutual Fund Units	Client redeems mutual fund units with a financial institution. A fee is charged for the service.
E-17	Purchase "No-Load" Fund	Fee for processing the trade to buy a no-load (no commission) mutual fund.
E-18	Options/Futures/Foreign Exchange	Broker/Dealer acts as a principal (for own account) in acquiring options/futures that give the broker the right to buy or sell at a specified price a future supply of a commodity/security within a specified time (including future supply of currency). A fee is not charged.
E-19	Physical Certification	Broker issues physical certificates to client in the client's name at the time of a trade. A fee is charged for the service.
E-20	Fees with respect to the underwriting of a Financial Instrument	<p>An underwriting contract is an agreement, made before financial instruments are brought before the public, to the effect that the underwriter will assume all financial instruments that remain unsold after a public offering. The underwriting contract may make provisions for the following:</p> <ul style="list-style-type: none">• Management Group Fees (difference between the price of the security paid by the lead underwriter and the selling price to the Banking Group)• Banking Group Fees (difference between the price of the security paid by the Banking Group and the selling price to "Defined Financial Institutions" and Selling Groups)• Selling Group Fees (difference between the price paid to the Banking Group and the price charged to the retail investor and, a fixed fee based on sales volume of a new issue with the Selling Group member)
E-21	Rush Transfers	Broker transfers or registers a certificate to client's name at the time of a trade. Service is performed on a priority, or rush, basis. A fee is charged for the service.
E-22	Transfers	Broker transfers or registers a certificate to client's name at the time of a trade. A fee is charged for the service.
E-23	Cheques issued on client account	Service fee charge based on number of cheques issued on client's account in any given period.
E-24	Substitution	The service of substituting cash with securities, either in or out of a self-directed RRSP, that involves the transfer of ownership from the individual to the trust or vice versa. A fee is charged for this service.

II. Taxable Products and Services

Number	Item	Description
T-1	Mergers and Acquisition Fees	Clients are provided with professional advice and research in the course of a contemplated merger or acquisition. A fee is charged for the service.
T-2	Advisory Fees	Clients are provided with advice in respect of various contemplated transactions other than for a merger or acquisition. A fee is charged for the service.
T-3	Portfolio Management Fees	Clients receive professional investment portfolio management. A fee is charged for the service.
T-4	Safekeeping charges	Vault space rented to client to hold securities registered in client's name. A fee is charged for the service.
T-5	Replacing a lost certificate	Broker cancels or replaces a lost security certificate. A fee is charged for the service.
T-6	Search for records	Broker provides to client copies of statements or researches transaction for clients. A fee is charged for service.
T-7	Provincial Stock Savings Plan	Fee for administration and maintenance of a Provincial Stock Savings Plan. This includes the preparation of tax receipts, statements, and tax withdrawal reporting. Such a plan is accompanied by a trust in all provinces except Quebec. However, the Quebec Stock Savings Plan involves an account that only holds eligible shares issued under the plan. The account cannot have a cash position.
T-8	Administration and Maintenance Fee	Administration and maintenance provided for a trust that is governed by an RRSP, RESP or RRIF. A fee is charged for the service.
T-9	Transfer of Funds (Administration)	Administration related to the transfer of funds to another financial institution for a trust governed by an RRSP, RESP or RRIF. A fee is charged for the service.
T-10	Transfer of Securities (Administration)	Administration related to the transfer of securities to another financial institution for a trust that is governed by an RRSP, RESP or RRIF. A fee is charged for the service.
T-11	Change beneficiary in an RRSP, RESP or RRIF (Administration)	Administration related to the necessary documentary changes for a trust that is governed by an RRSP, RESP or RRIF. A fee is charged for the service.
T-12	Beneficiary withdrawal from a Trust (Administration)	Administration related to the withdrawal from a trust that is governed by an RRSP, RESP or RRIF. A fee is charged for the service.

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Number	Item	Description
T-13	Holding of one's own mortgage in a self-directed RRSP Trust	Preparation and administration of mortgage and documents for a trust that is governed by an RRSP, RESP or RRIF. A fee is charged for the service.
T-14	DAP (Delivery Agent Payment) settlement in an RRSP, RESP or RRIF	Administration related to a DAP settlement. A fee is charged to a trust that is governed by an RRSP, RESP or RRIF.
T-15	Account Termination Fee (Transfer of securities to another Financial Institution)	Broker transfers a client's security position to another financial institution. A fee is charged for the service.

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Enquiries

If you wish to make a **technical enquiry** on the GST/HST by telephone, please call one of the following toll-free numbers:

1-800-959-8287 (English service)
1-800-959-8296 (French service)

General enquiries about the GST/HST should be directed to Business Enquiries at one of the following toll-free numbers:

1-800-959-5525 (English service)
1-800-959-7775 (French service)

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

All GST/HST memoranda and other Canada Customs and Revenue Agency publications are available on Internet at the CCRA site <http://www.ccradrc.gc.ca/> under the heading "Technical Information" in "Tax".