

BULLETIN BOARD ANNOUNCEMENT

Date: Feb. 11, 2004

NOTICE OF CHANGE: In GST/HST Memorandum 28.2, *Freight Transportation Services*, dated January 1999 (electronic version revised March 13, 2000).

The following change is to be made to the above-mentioned memorandum to clarify the tax status of interline settlements as they relate to freight transportation services provided by dump truck operators to owners of gravel pits. This information has been taken from GST/HST Policy Statement P-157, *Tax Status of Interline Settlements between Gravel Pit Owners and Dump Truck Operators*, which will now be placed on the historical database.

On page 8, after paragraph 40, add the following two new paragraphs:

Gravel pit owners and
dump truck operators

40.1 It is common for a contractor who has been engaged to build a road to own a gravel pit and to supply the gravel needed to build the road from its pit. Given the volume of the gravel required to build the road, the contractor would often subcontract with dump truck operators to transport the gravel to the road construction site.

40.2 The interline provisions do not apply in the case described above. In these circumstances, the gravel pit owner (contractor) would be considered to be the shipper of the goods not the carrier. For the interline provisions to apply, there must be at least two carriers. In this case, the dump truck operator is the only carrier. As such, the zero-rating provisions of section 11 of Part VII of Schedule VI do not apply, and therefore the supply is taxable at 7% or 15%.

Please note that the database version of GST/HST 28.2 is being revised to reflect this change.