

GST/HST News

No. 51

Winter 2003-2004

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Changes to the *GST/HST News*

As a result of cost-saving initiatives by the Canada Customs and Revenue Agency (CCRA) and the increasing use of electronic media, we are changing the way we publish the *GST/HST News*. We will no longer publish our annual paper version of the newsletter at the end of each calendar year, but will publish it electronically each calendar quarter (Spring, Summer, Fall and Winter). The newsletter will be available on the CCRA web site at www.ccra.gc.ca/gsthstnews.

You may subscribe free of charge to an online mailing list for this newsletter to be notified electronically every quarter when it is published, and to be provided with a link to the most current edition. To join the mailing list, you must provide your email address and you will be asked to read the CCRA privacy statement before you confirm your request. To find out more about the CCRA mailing list and to subscribe to the *GST/HST News*, please go to this CCRA Internet address: www.ccra.gc.ca/gsthstnews.

More Ways to Serve You!
Pour vous servir encore mieux!

La version française de ce bulletin est intitulée
Nouvelles de la TPS/TVH.

 Canada Customs and Revenue Agency Agence des douanes et du revenu du Canada

Canada

Notice of Ways and Means Motion

A Notice of Ways and Means Motion to amend the *Excise Tax Act* was tabled in the House of Commons on October 3, 2003. The GST/HST measures proposed in this Notice introduce a new exemption, improve the application of the GST/HST and ensure the intended application of existing legislative provisions. The proposed legislation includes changes in the following areas:

Social workers' services: To exempt the services provided by social workers of counselling an individual with a physical or mental disorder and the family members or guardians in coping with the individual's disorder.

Import arrangements for goods supplied outside Canada:

- To set out new rules to ensure that, in circumstances where a person is the recipient of a supply made outside Canada of goods that are imported into Canada for that person's consumption, use or re-supply, but another person effects the physical importation of the goods, the recipient of the imported goods is in a position to claim an input tax credit or rebate that may be available in the circumstances, provided the recipient obtains the necessary documentation to substantiate the claim.
- To give the recipient and the supplier of imported goods an option in certain cases to agree at any time to have the supply to the recipient deemed to have been made in Canada and to enable the supplier to claim an input tax credit for the GST/HST payable on the importation. The supplier would collect tax from the recipient, who would in turn be eligible for a corresponding input tax credit or rebate. The agreement must be in prescribed form and contain prescribed information and the CCRA is developing a form for this purpose. Until this form becomes available, a supplier and a recipient may make an agreement in accordance with this provision by keeping on file a jointly signed and dated document identifying the goods covered by the agreement stating that the parties have agreed to have the provision apply to the supply and importation of these goods.
- To make available a second option where the recipient of the imported goods and the supplier do not agree to treat the supply of the goods as if it had been made available in Canada as described above. In this case, in the circumstances to which one of the specified tax-relieving provisions relating to importations of goods applies, the recipient and the person who was identified, for purposes of the *Customs Act*, as the importer of the goods when the goods were accounted for under the *Customs Act* (and who pays an amount as or account of tax on the imported goods) can agree to have the person claim any tax rebate, abatement or refund instead of the recipient having to do so.

The proposed provision described above applies to goods imported on or after October 3, 2003, and to goods imported before that day that were not accounted for under the *Customs Act* before that day.

Miscellaneous amendments to import provisions: To update the provisions in the *Excise Tax Act* that deal with the GST/HST imposed on imported goods to reflect previous amendments made to related or cross-referenced provisions of the *Customs Act*. These amendments are generally retroactive to January 1, 1998, which is the date the related changes to the *Customs Act* came into force.

Provincial gaming authorities: To refine the special rules set out in the *Games of Chance (GST/HST) Regulations* for determining GST/HST remittances by provincial gaming authorities.

Multi-employer pension plans: To change the definition of "multi-employer plan" in the *Excise Tax Act* to include all registered pension plans that have more than one participating employer. As a result, trusts governed by related-employer pension plans would be eligible for the partial rebate of the GST/HST

incurred by a trust governed by a multi-employer pension plan. The definition of multi-employer plan in subsection 261.01(1) continues to exclude plans in which listed financial institutions made 10% or more of the employer contributions in the preceding calendar year. A special transitional rule is proposed so that trusts for related-employer pension plans can claim the rebate in respect of all GST/HST payable since 1998.

Goods supplied by charities together with real property: To ensure that the exemption for goods that a charity supplies together with exempt supplies of real property under short-term leases and licences applies as it was intended. The amendment extends the exemption to goods that have been acquired, manufactured or produced by the charity for the purpose of being supplied with such real property (e.g., audio-visual equipment rented with a meeting room). This amendment applies retroactively to January 1, 1997. However, the application of the amendment will not apply where the charity has treated the supply of the goods as taxable and charged or collected tax on that supply. To ensure that the enactment of the exemption does not trigger any change-in-use liability for the charity, a special transitional rule is provided.

Ministerial discretion to accept a late-filed accounting election between closely related financial institutions: To give the Minister discretion to accept an election between a selected listed financial institution and a closely related supplier to use a cost-based method for determining the value of certain supplies made between them for purposes of the financial institution's net tax calculation under the HST to be filed on such a later day as the Minister may allow.

A copy of the News Release, the Notice of Ways and Means Motion, the explanatory notes to the Notice and other related technical information can be found on the Department of Finance web site at www.fin.gc.ca under "News Releases and Speeches".

Components of agricultural equipment

The *Agriculture and Fishing Property (GST/HST) Regulations* list agricultural and fishing equipment that is zero-rated when it is supplied by way of sale. Parts, components and accessories for zero-rated agricultural and fishing equipment are taxable at 7% or 15% when supplied separately unless they are specifically listed in the Regulations. For example, both automated and computerized farm livestock or poultry feeding systems, and all of the individual components of such systems when supplied together, are zero-rated.

When an accessory that would be taxable at 7% or 15% if supplied separately is supplied with zero-rated agricultural or fishing equipment, the supply of the accessory will be zero-rated if it is attached to the equipment and forms part of the unit. Any accessory sold must already be installed at the time of sale to be zero-rated as part of the unit.

Where one or more parts or components of zero-rated agricultural or fishing equipment are supplied, **that by themselves are not zero-rated agricultural or fishing equipment**, the supply is taxable at 7% or 15%. Only the complete unit of agricultural and fishing equipment is zero-rated.

For a complete listing of zero-rated agricultural or fishing equipment, please refer to GST/HST Memorandum 4.4, *Agriculture and Fishing*.

Why wait at the border – get a NEXUS card

NEXUS is a joint Canada-US dedicated commuter lane program that will allow low-risk, pre-approved travellers a simplified entry process into both Canada and the United States. For more information on the NEXUS Program, visit the NEXUS [web site](#) or call 1-866 NEXUS26 (1-866-639-8726).

Why wait at the border!



Get a NEXUS card. Find out how at ccra.gc.ca
or call 1-866-NEXUS26 (639-8726)



Government
of Canada



Gouvernement
du Canada



United States
of America

Claiming input tax credits in the correct GST/HST return

A person who is entitled to claim an input tax credit (ITC) for tax that becomes payable or is paid without having become payable during a particular reporting period may claim that ITC in the GST/HST return that is filed for that particular reporting period, or in a return filed for a subsequent period subject to the time limit for claiming ITCs. The ITC cannot be claimed in a return for an earlier reporting period. Furthermore, a return for a particular reporting period cannot be filed before the end of that reporting period.

For example, a registrant with a monthly reporting period pays \$1,000 GST on October 13, 2003, and \$2,000 GST on November 6, 2003, on purchases for which the registrant is entitled to claim ITCs. For both purchases, the tax became payable on those days. At the end of November, in calculating the net tax for the reporting period of October 1 to October 31, 2003, the registrant may claim the ITC of \$1,000 in the GST/HST return filed for that period. The registrant is not entitled to claim the ITC of \$2,000 in the GST/HST return filed at the end of November for the reporting period of October 1 to October 31, 2003. The ITC of \$2,000 may be claimed in the GST/HST return filed for the reporting period of November 1 to November 30, 2003, (and not in the earlier return). The return for the reporting period of November 1 to November 30, 2003, cannot be filed before December 1, 2003.

Update on Yukon First Nations and Yukon Indians

On October 18, 2003, representatives of the Kluane First Nation, the Government of Yukon and the Government of Canada signed the Kluane First Nation Final and Self-Government Agreements. These agreements are expected to come into effect in February 2004 by Order-in-Council.

Once these agreements are in effect, the Kluane First Nation and its Indian members will no longer be able to acquire goods or services relieved of tax unless the Indian members reside outside the Yukon. Information on when members not covered by the agreements qualify for relief is set out in Technical Information Bulletin B-039R, *GST Administrative Policy – Application of GST to Indians*.

The Kluane First Nation is the ninth of fourteen Yukon First Nations to enter into Final and Self-Government Agreements. For information on which Yukon First Nations have finalized their agreements and who has yet to finalize its agreement, refer to Notice 143R, *Application of GST/HST to Yukon First Nations and Yukon First Indians*.

File your GST/HST return electronically!

The CCRA now offers three methods to file GST/HST returns electronically: 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's easy! To determine if you are invited to use GST/HST NETFILE or GST/HST TELEFILE, simply look to see if an access code is printed on your personalized GST/HST return. If so, with the completed working copy of your return at hand, access our GST/HST NETFILE web site at www.ccra.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 Sundays or statutory holidays.

Our third electronic filing option, GST/HST-EDI, allows you to file electronically both your return and remittance (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.ccra.gc.ca/eservices/gsthst-edi/products-e.html.

For more information about filing your return using GST/HST NETFILE, GST/HST TELEFILE or GST/HST-EDI, visit our web site at www.ccra.gc.ca/tax/business/file-gst-hst-e.html.

What's new in publications

GST/HST Guides

RC4103 GST/HST Information for Suppliers of Publications

RC4117 Tax Refund for Business Travel in Canada

GST/HST Forms

GST25 Closely Related Corporations and Canadian Partnerships – Election or Revocation of the Election to Treat Certain Taxable Supplies as Having Been Made for Nil Consideration

GST506 Election and Revocation of an Election Between Agent and Principal

GST510 Application for Business Travel Tax Refund

Excise Duty Memoranda Series

EDM 2.2.3 Surety Bonds – Completion Instructions for the Excise Bond

EDM 3.1.2 Licensed Users

EDM 3.1.4 Alcohol Registrants

EDM 4.1.3 Ferment-on-Premises Registrants

EDM 8.1.2 Special Excise Warehouses

EDM 9.1.1 General Requirements for Books and Records

EDM 10.3.1 Refunds

Current [GST/HST](#) and [Excise Duty](#) publications can be found on the CCRA web site.

Prescribed rates of interest

The prescribed annual rate of interest in effect from January 1, 2004, to March 31, 2004 with respect to the GST/HST and the Air Travellers Security Charge (ATSC) is set at 2.4132% commencing January 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 January 1, 2004. Penalty compounds monthly and interest compounds daily.

Prescribed interest rates are adjusted every calendar quarter. The [rates of interest](#) for previous periods are available on the CCRA web site.

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
2003						
July 1 – September 30	3.5707 %	6.0 %	6.0 %	8.0 %	6.0 %	6.0 %
October 1 – December 31	2.3804 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %
2004						
January 1 – March 31	2.4132 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

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 contact the Ministère du Revenu du Québec by calling the toll-free number 1-800-567-4692.

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 Customs and Revenue Agency (CCRA) 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 Legislation Branch, CCRA, Ottawa, Ontario K1A 0L5. ISSN 1183-689X