

Explanatory Note

Notice of Ways and Means Motion to Amend the Excise Tax Act

This motion gives notice of the government's intention to introduce amendments to the Excise Tax Act to reduce the rates of air transportation tax on tickets purchased after December 31, 1997 for air travel after February 28, 1998.

The air transportation tax applies to the purchase of air transportation services and is payable by the purchaser of those services. Currently, the tax is \$6 plus 7 per cent to a maximum of \$55 for domestic and Canada-U.S. (transborder) air travel, and \$55 for other international air travel purchased in Canada. For tickets purchased outside Canada that include a transborder departure from Canada, the tax is \$6 plus 7 per cent to a maximum \$55. The tax on foreign purchases of transborder air travel is \$4 plus 5 per cent to a maximum of \$27.50 if the U.S. ad valorem air transportation tax also applies. The tax on other tickets purchased outside Canada that include an international departure from Canada is \$27.50.

This motion proposes amendments to the Excise Tax Act to implement reductions in some of the air transportation tax rates. Proposed changes include a reduction in the ad valorem rate on domestic and transborder travel from 7 per cent to 4 per cent; a reduction in the specific taxes on international travel from \$55 to \$30 for tickets purchased in Canada and from \$27.50 to \$15 for tickets purchased outside Canada; and a reduction in the flat tax amount on charter flights from \$3 to \$1.50 per emplanement.

The Air Transportation Tax Order (1995) and the Air Transportation Tax Regulations (1992) will also be amended to implement reductions in the tax rates prescribed in the order and regulations.

The motion also proposes amendments to clarify the repeal of the tax on November 1, 1998. No tax will be imposed on the transportation of a person by air that begins after October 31, 1998, in the case of an amount paid in Canada, or that does not include an emplanement in Canada before November 1, 1998, in the case of an amount paid outside Canada.

The air transportation tax is being reduced and phased out in 1998 as part of the government's program to commercialize the provision of air navigation services in Canada.

NOTICE OF WAYS AND MEANS MOTION TO AMEND THE *EXCISE TAX ACT*

That it is expedient to amend the *Excise Tax Act* as follows:

1990, c.45, s. 2(1)

1. (1) Subparagraph 11(1)(a)(i) of the *Excise Tax Act* is replaced by the following:

(i) the amount that is

(A) 4% of each amount paid or payable, if the amount is paid or payable in Canada after December 31, 1997 for transportation of a person by air that begins after February 28, 1998,

(B) 4% of each amount paid or payable, if the amount is paid or payable outside Canada after December 31, 1997, and the first emplanement by the person, as described in paragraph 10(2)(b), occurs after February 28, 1998, or

(C) 7% of each amount paid or payable, in any other case, and

1990, c.45, s. 2(2); 1994,
c.29, s. 2(2)

(2) Subparagraphs 11(2)(a)(i) and (ii) of the Act are replaced by the following:

(i) the amount that is

(A) 4% of each amount paid or payable, if the amount is paid or payable after December 31, 1997 to a certified air carrier by the charterer for transportation of a person by air that begins after February 28, 1998, or

(B) 7% of each amount paid or payable to a certified air carrier by the charterer, in any other case, and

(ii) the amount that is

(A) \$1.50 in respect of each emplanement, pursuant to the charter agreement of that charterer, on the aircraft by any person, if the amount is paid or payable to a certified air carrier by the charterer after December 31, 1997 for transportation of the person by air that begins after February 28, 1998, or

(B) \$3 in respect of each emplanement, pursuant to the charter agreement of that charterer, on the aircraft by any person, in any other case, and

1995, c. 36, s. 1(1)

2. (1) Subparagraph 13(1)(a)(i) of the Act is replaced by the following:

(i) the amount of

(A) \$30, if the amount paid or payable for transportation of the person by air is paid or payable after December 31, 1997 for transportation of the person by air that begins after February 28, 1998, or

(B) \$55, in any other case, and

1995, c. 36, s. 1(2)

(2) Subparagraph 13(2)(a)(i) of the Act is replaced by the following:

(i) the amount of

(A) \$30, if the amount paid or payable for the transportation of a person by air is paid or payable to a certified air carrier by the charterer after December 31, 1997 for transportation of the person by air that begins after February 28, 1998, or

(B) \$55, in any other case, and

1995, c. 36, s. 1(3)

(3) Clause 13(2.2)(a)(i)(A) of the Act is replaced by the following:

(A) the amount of

(I) \$30, if the amount paid or payable for the transportation is paid or payable after December 31, 1997 and the first emplanement by the person, within the meaning of subsection (2.1), occurs after February 28, 1998, or

(II) \$55, in any other case, and

1995, c. 36, s. 1(4)

(4) Clause 13(2.2)(b)(i)(A) of the Act is replaced by the following:

(A) the amount of

(I) \$15, if the amount paid or payable for the transportation is paid or payable after December 31, 1997 and the first emplanement by the person, within the meaning of subsection (2.1), occurs after February 28, 1998, or

(II) \$27.50, in any other case, and

1994, c. 29, s. 4(1)

3. Subparagraph 13.1(1)(a)(i) of the Act is replaced by the following:

(i) the total of

(A) 4% of the total of all such amounts and \$3, if the amount paid or payable for the transportation is paid or payable after December 31, 1997 for transportation of the person by air that begins after February 28, 1998, or

(B) 7% of the total of all such amounts and \$6, in any other case, and

1996, c. 20, s. 104

4. Section 16.1 of the Act is replaced by the following:

Elimination of air
transportation tax

16.1 No tax shall be imposed, levied or collected on any amount paid or payable for the transportation of a person by air that

(a) in the case of tax imposed under subsection 10(1) or 12(1), begins after October 31, 1998; or

(b) in the case of tax imposed under subsection 10(2) or 12(2), does not include an emplanement of the person, within the meaning of subsection 13(2.1), before November 1, 1998.

1996, c. 20, s. 105

5. Subsection 17(4) of the Act is replaced by the following:

Application

(4) Subsection (1) applies only to a certified air carrier that provides air transportation before November 1, 1998.

1996, c. 20, s. 106

6. Subsection 20(2.1) of the Act is replaced by the following:

Cessation of obligation

(2.1) No return is required under subsection (2) if the last preceding month is a month after October 31, 1998.

7. This Act is deemed to have come into force on December 5, 1997.