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### Ontario and British Columbia harmonized sales tax

The Province of Ontario and the Province of British Columbia (B.C.) have each signed a Memorandum of Agreement (MOA) with the Government of Canada that provides the framework for the introduction of a harmonized sales tax (HST) in Ontario and in B.C. The proposed HST would come into effect in both provinces on July 1, 2010 at a rate of 13% for Ontario and 12% for B.C. Subject to legislative approval, the Ontario and B.C. HST would use the same tax base and structure as the GST. The MOAs also allow Ontario and B.C. to designate a limited number of point-of-sale rebates of the provincial component of the HST and implement for a transitional period (which may be up to eight years) certain restrictions on allowable business input tax credits. The HST in Ontario and in B.C. would be administered by the CRA.

The proposed HST would break down in the following way:

	Ontario	B.C.
Provincial component	8%	7%
Federal component (GST)	5%	5%
Combined HST rate	13%	12%

### General transitional rules

The CRA has published a collection of questions and answers relating to general transitional rules for both provinces in GST/HST Notice247, *Harmonized Sales Tax for Ontario and British Columbia – Questions and Answers on General Transitional Rules for Personal Property and Services*, available on the CRA Web site. These questions and answers are based on the following notices that were published on October 14, 2009 by Ontario and B.C. on their respective Web sites: Information Notice 3, *General Transitional Rules for Ontario HST*, available at

**My Business Account:** View your account balances and transactions, transfer payments, get additional remittance vouchers, calculate a future balance, authorize your employees and representatives, file returns, make online requests for financial transactions, and more. Go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**GST/HST NETFILE:** Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Visit [www.cra.gc.ca/gsthst-netfile](http://www.cra.gc.ca/gsthst-netfile).

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www.rev.gov.on.ca/en/taxchange, under “What’s New”, and HST Notice #1, *General Transitional Rules for British Columbia HST*, available at www.gov.bc.ca/hst, under “Proposed Transition Rules for HST”.

### ***Housing rebates and transitional rules for housing and other real property situated in Ontario***

The CRA has published questions and answers relating to housing rebates and transitional rules for real property situated in Ontario in GST/HST Notice 244, *Harmonized Sales Tax for Ontario – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario*. It is available on the CRA Web site. These questions and answers are based on Information Notice 2, *Helping Homebuyers and the Housing Industry with an Enhanced New Housing Rebate, a New Rental Housing Rebate and Transitional Rules*, and the real property portions of Information Notice 3, *General Transitional Rules for Ontario HST*, both published, respectively, on June 18, 2009 and October 14, 2009 by the Government of Ontario at www.rev.gov.on.ca/en/notices/hst/index.html. Questions regarding housing rebates or the transitional rules for housing in Ontario should be directed to GST/HST Rulings at 1-800-959-8287.

### ***Transitional rules for non-residential real property situated in B.C.***

The CRA has also published questions and answers relating to the transitional rules for real property, other than housing, situated in B.C., in GST/HST Notice 246, *Harmonized Sales Tax – Questions and Answers on Transitional Rules for Non-Residential Real Property Situated in British Columbia*. It is available on the CRA Web site. These questions and answers are based on the real property portions of HST Notice #1, *General Transitional Rules for British Columbia HST*, published on October 14, 2009 by the Government of British Columbia at www.gov.bc.ca/hst, under “Proposed Transition Rules for HST”.

More information will be published on the CRA Web site as it becomes available. For more general information on these proposed harmonized sales taxes please see the Province of Ontario Web site at www.rev.gov.on.ca/en/taxchange and the Province of British Columbia Web site at www.gov.bc.ca/hst.

### **Financial institutions and the GST**

On September 23, 2009, the Minister of Finance released *Legislative Proposals, Draft Regulations and Explanatory Notes Relating to the Excise Tax Act* for several measures aimed at further streamlining the application of the GST/HST to the financial services sector. This draft legislation is linked to and builds on draft legislation that was released in January 2007.

The proposed measures would:

- allow Canadian financial institutions to elect to use a simpler alternative approach to self-assess tax on services provided by their foreign branches to Canadian branches;
- allow financial institutions to exclude certain financial derivative transactions from the self-assessment rules that apply to imported services;
- allow large banks, insurance companies and securities dealers to use their own proposed methods to allocate input tax credits in certain circumstances;
- provide financial institutions and the CRA with more flexibility in the use of the process for pre-approving an input tax credit allocation method; and
- allow financial institutions to challenge allocation methods directed by the CRA in the Tax Court of Canada, with the onus on the CRA to prove that its methods were fair and reasonable.

The new draft legislation would also implement measures that were previously announced in January 2007 to replace the complex system of legislative and administrative rules that currently apply to different employer-sponsored registered pension plan trust structures with a new GST/HST rebate system that will apply equitably to all such structures. The new draft legislation would also provide for a new GST/HST annual

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information return for financial institutions which would replace Form GST111, *Schedule 1 – Financial Institution GST/HST Annual Information Schedule*.

For most listed financial institutions that file Form GST34, *Goods and Services Tax/Harmonized Sales Tax Return for Registrants*, annually or for selected listed financial institutions that file Form GST494, *Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions*, the proposed amendments extend the due date for filing these returns from three months to six months after year-end. The due date for filing these returns will therefore coincide with the due date for filing the financial institution's annual income tax returns.

More information on this draft legislation is available on the Department of Finance Web site at [www.fin.gc.ca](http://www.fin.gc.ca). As well, a summary of the previously released draft measures is in the Spring 2007 edition (No. 64) of the *Excise and GST/HST News*. Detailed information based on the previously released draft measures is provided in these publications:

- B-095, *Import Rules for Financial Institutions under Section 217.1 and Dealings Between Permanent Establishments under Section 220*.
- B-097, *Determining Whether a Financial Institution is a Qualifying Institution for Purposes of Section 141.02*
- B-098, *Application of Section 141.02 to Financial Institutions That Are Qualifying Institutions*
- B-099, *Application of Section 141.02 to Financial Institutions That Are Not Qualifying Institutions*
- Notice236, *Draft GST/HST Technical Information Bulletin, Input Tax Credit Allocation Methods for Financial Institutions for Purposes of Section 141.02 of the Excise Tax Act*

The CRA will revise these publications in the months to come.

### **Enhanced stamping regime for tobacco products**

On September 14, 2009, the Honourable Jean-Pierre Blackburn, Minister of National Revenue and Minister of State (Agriculture and Agri-Food), announced that the CRA has made significant progress toward the introduction of a proposed new tobacco excise stamp in 2010. This follows the release of the proposed legislative amendments to the *Excise Act, 2001* by the Department of Finance on August 6, 2009. See the Finance News Release 2009-075, on the Finance Web site at [www.fin.gc.ca](http://www.fin.gc.ca)

The cornerstone of the proposed enhanced stamping regime is a new state-of-the-art tobacco excise stamp that would contain both overt and covert security features, much like those found on Canadian currency. The specific details of these security features will not be made public, but the proposed new tobacco excise stamps would allow the CRA and its enforcement partners, among them the Royal Canadian Mounted Police, the Canada Border Services Agency, and the provinces, to more easily detect and respond to counterfeit and illicit tobacco products.

The proposed legislative amendments would control the design, manufacture, and issuance of new tobacco excise stamps, limit the quantities of stamps issued to the manufacturers of tobacco products, designate who may receive and possess the stamps, and require anyone who has been issued tobacco stamps to account for them. The CRA is currently drafting regulations, policies, directives and guidelines to provide for the administrative framework for the new tobacco stamping regime.

For more information about the proposed new excise duty stamping regime for tobacco products, see the CRA News Release of September 14, 2009 and Fact sheet, on the CRA Web site.

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## **Extension – GST/HST rebate/refund holds and outstanding corporate income tax returns (T2s) for corporations exempt from paying tax under the *Income Tax Act***

On July 16, 2009, the CRA published a Fact sheet, *Compliance refund hold impact on tax-exempt corporations*, which announced an extension through to the 2010 taxation year of its administrative position to not automatically withhold refunds or rebates of incorporated MUSH entities (municipalities, universities, schools, and hospitals), non-profit organizations, federal Crown corporations, and Indian band councils that are exempt from federal income tax under the *Income Tax Act*.

Without this extension to the 2010 taxation year, the entities covered by the CRA administrative position would initially have had to file T2 returns by their due dates for taxation years ending on or after April 1, 2008, to prevent automated holds applying to their refunds or rebates.

The Winter 2008 edition of the *Excise and GST/HST News (No. 67)* published information on the administrative position for the initial extension period.

## **Excise and other levies PDF fillable forms**

The CRA has published a revised version of Form B256, Excise Act, 2001, *Application for Refund/Deduction*. The PDF fillable format of this form allows those who need to apply for a refund of excise duty paid to complete the form online, print it and send it to the Summerside Tax Centre for processing.

The benefit of using this online form is that all amounts entered on page 3 in the “Amount Claimed” column, the result shown in the “Total Amount Claimed box” (box 8) on page 3, and the “Total Amount Claimed” box (box 5) on page 1, are automatically totalled. This means fewer errors and less time spent completing the form.

There are ten other PDF fillable forms for excise duty, excise taxes, the softwood lumber charges and the air travellers security charge. They are all available on the CRA Web site at this address: [www.cra-arc.gc.ca/menu/FIL-e.html](http://www.cra-arc.gc.ca/menu/FIL-e.html)

- B268, *Notification of Fiscal Months*
- B269, *Application or Revocation of the Authorization to File Separate Excise Duty Returns and Refund Applications for Branches or Divisions*
- B270, *Excise duty return - Non-Licensee*
- B278, *Softwood Lumber Products Export Charge - Application for Refund*
- B278-1, *Softwood Lumber Products Export Charge - Supplementary Information - Third Country Adjustment*
- E664, *Direct Deposit Request / Electronic Transfer Request (Payments > \$25 Million) for Excise Refunds and Rebates*
- E681, *Refund Claim on Exported Tobacco Products Under the Excise Act, 2001*
- E696, *Waiver*
- E697, *Notice of Revocation of Waiver*
- N10, *Refund – Credit Claim*

The toll-free telephone numbers for enquiries are provided on each form.

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## **Changes to GST/HST electronic filing options**

If you currently use commercial accounting software to prepare your GST/HST returns, the CRA now provides a new way to file electronically.

On October 5, 2009, the CRA launched the GST/HST Internet File Transfer (GIFT), a new electronic option for filing GST/HST returns. GIFT is an Internet-based filing option that allows eligible registrants to file their own GST/HST returns directly with the CRA over the Internet using a CRA-approved third-party accounting software package.

To take advantage of GIFT, complete your return using approved software and save the (.tax) file on your computer. Next, access our Web site where you will be prompted to attach your (.tax) file. You will then be asked to review the details and enter your four digit access code. After you confirm that you want to submit the file, you will receive a confirmation number as proof that the CRA has received your return.

For more information on GST/HST Internet File Transfer, including a list of approved accounting software, please visit us at [www.cra.gc.ca/gsthst-internetfiletrans](http://www.cra.gc.ca/gsthst-internetfiletrans).

In addition to the implementation of GIFT, CRA is making another enhancement to our electronic filing services. Effective October 5, 2009, the refund limit has been raised from \$10,000 to \$50,000 for GST/HST NETFILE and GST/HST TELEFILE. This refund limit also applies to returns filed using GIFT.

All GST/HST electronic filing options are available seven days a week, Monday to Saturday, 7:00 a.m. to 11:00 p.m. (local time) and Sunday 1:30 p.m. to 11:00 p.m. (local time).

To find out if you are eligible to use any of our electronic filing options, simply look to see if an access code is printed on your personalized GST/HST return. Some restrictions apply.

For additional information on all of CRA's electronic filing options for GST/ST returns, please visit us at [www.cra.gc.ca/gsthst-filing](http://www.cra.gc.ca/gsthst-filing).

## **My Payment – a new service for businesses and individuals**

My Payment is an electronic payment service accessed through the CRA Web site. It allows individuals and businesses to send payments directly to the CRA from an account at a financial institution currently offering INTERAC® Online as a payment option (i.e., BMO Bank of Montreal, Scotiabank, TD Canada Trust, and RBC Royal Bank). (Consult with your financial institution about their online payment options.)

The benefits of using this electronic payment service are:

- immediate payment – no accounting for the time it takes to mail a cheque;
- safety and security – the payment is completed through your existing online banking service;
- privacy – no personal information is exchanged between the CRA and your financial institution; and
- simplicity – payments to several CRA accounts can be made in a single transaction.

### **How do I use My Payment?**

Select the My Payment option from the CRA Web site at [www.cra.gc.ca/mypayment](http://www.cra.gc.ca/mypayment) and follow the instructions.

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## Prescribed rates of interest

The prescribed annual rate of interest in effect from October 1, 2009 to December 31, 2009, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 3%. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST and the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

Period	Income Tax, Excise Tax, Softwood Lumber Products Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
<b>2009</b>			
October 1 – December 31	3%	5%	3%
July 1 – September 30	3%	5%	3%
April 1 – June 30	3%	5%	3%
January 1 – March 31	4%	6%	4%

Prescribed interest rates for previous years are available on the CRA Web site at [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

### ***GST/HST guides***

RC188      *Keeping Records*

### ***GST/HST memoranda***

27-2      *Conventions*

### ***GST/HST notices***

Notice244      *Harmonized Sales Tax for Ontario – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Ontario*

Notice245      *Supreme Court of Canada Decision – United Parcel Service Canada Ltd. v. Her Majesty the Queen [2009]*

Notice246      *Harmonized Sales Tax for British Columbia – Questions and Answers on Transitional Rules for Non-Residential Real Property Situated in British Columbia*

Notice247      *Harmonized Sales Tax for Ontario and British Columbia - Questions and Answers on General Transitional Rules for Personal Property and Services*

### ***GST/HST forms***

GST498      *GST/HST Rebate Application for Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, or Visiting Forces Units*

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## **GST/HST policy statements**

P-254 *Fertilizer and/or Pesticide Supplied Together with an Application Service*

## **Excise duty forms**

B256 *General Application for Refund of Excise Duty Under the Excise Act 2001*  
B261 *Excise Duty Return – Duty Free Shop*  
B262 *Excise Duty Return – Excise Warehouse Licensee*  
N10 *Refund – Credit Claim*

## **Softwood lumber products export charge notices**

SWLN16 *Surge Charge - Alberta Region (September 2009)*

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at [www.cra.gc.ca/gsthsttech](http://www.cra.gc.ca/gsthsttech).

## **Enquiries**

**For online access to account balances, transactions and more** for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, visit [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

**For general information and to make enquiries regarding your account** (except for softwood lumber products export charge accounts), call Business Enquiries at 1-800-959-5525.

**For enquiries regarding your softwood lumber products export charge account**, call 1-800-935-0313.

**To make enquiries regarding the status of specific GST/HST domestic rebate claims**, call 1-800-565-9353.

**For GST/HST technical enquiries** call GST/HST Rulings at 1-800-959-8287.

### **Forms and publications**

To access forms and publications online visit [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms).

To order forms and publications by telephone call 1-800-959-2221.

### **Are you a GST/HST registrant located in Quebec?**

To make an enquiry or obtain information on the GST/HST, contact Revenu Québec at 1-800-567-4692 or visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

The *Excise and 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), First Nations goods and services tax (FNGST) and First Nations tax (FNT), softwood lumber products export charge, air travellers security charge (ATSC) as well as excise taxes and duties. If you would like to receive a link to each new edition of the *Excise and GST/HST News* as it is published, subscribe to the electronic mailing list.

This publication is provided for information purposes only and does not replace the law, either enacted or proposed. Please note that any commentary in this newsletter regarding proposed measures should not be taken as a statement by the CRA that such measures will in fact be enacted into the law in their current form. Comments or suggestions about the newsletter should be sent to the Editor, *Excise and GST/HST News*, Legislative Policy and Regulatory Affairs Branch, CRA, Ottawa, ON K1A 0L5.