

Excise and GST/HST News

No. 61

Summer 2006

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Bill C-13 receives Royal Assent

Bill C-13, the *Budget Implementation Act, 2006*, received Royal Assent on June 22, 2006.

This Act implements certain provisions of the budget tabled in Parliament on May 2, 2006 including the rate reduction of the goods and services tax and the harmonized sales tax (GST/HST), and several other measures relating to GST/HST, excise tax, excise duty and the air travellers security charge. These measures are now law.

Ordinary location of mobile phones

There are special rules for determining whether a particular call is subject to GST/HST in the situation where a cellular service provider charges a subscriber for calls made on his or her cell phone on a pay-per-use basis.

A call is considered to be made in Canada, and therefore subject to GST/HST, where the call is:

- emitted and received in Canada; or
- emitted **or** received in Canada and the **billing location** for the call is in Canada.

The billing location is considered to be in Canada if the fee for the call is charged or applied by a cellular service provider to an account of the subscriber that relates to a cell phone ordinarily located in Canada. The CRA considers a cell phone to be ordinarily located in Canada if the phone has a telephone number with an area code assigned to a geographic area in Canada.

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La version française de ce bulletin est intitulée
Nouvelles sur l'accise et la TPS/TVH.



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Examples

A person subscribes to a cellular service plan and receives a cell phone which has a telephone number with the area code assigned to Manitoba. Since Manitoba is in Canada, the cell phone is considered to be ordinarily located in Canada.

A person rents a cell phone from a Canadian service provider to use during her trip to England. The cell phone has a telephone number with an area code assigned to the city of London, England. Although the cell phone is rented from a Canadian supplier, the phone is not considered to be ordinarily located in Canada because it does not have a telephone number with an area code assigned to a geographic area in Canada.

If a call is made in Canada, the service provider must also determine whether the call is made in a province. If the call is made in a participating province (i.e., Nova Scotia, New Brunswick or Newfoundland and Labrador) then the call is subject to HST.

A call is considered to be made in a province where the call is:

- emitted and received in the province;
- emitted **or** received in the province and the **billing location** for the call is in the province; or
- emitted in the province and is received outside the province and the **billing location** for the service is not in a province in which the call is emitted or received.

The billing location is considered to be in a province if the fee for the call is charged or applied by a cellular service provider to an account of the subscriber that relates to a cell phone ordinarily located in the province. The CRA considers a cell phone to be ordinarily located in a province if the phone has a telephone number with an area code assigned to the province or a geographic area in the province. In the situation where an area code is assigned to more than one province, such as area code 902 which serves both Nova Scotia and Prince Edward Island, the next three digits in the telephone number (i.e., the central office code or “exchange”) determine the ordinary location of the cell phone.

Examples

A person subscribes to a cellular service plan and receives a cell phone which has a telephone number with the area code assigned to Saskatchewan. As a result, the cell phone is considered to be ordinarily located in the province of Saskatchewan.

A person subscribes to a cellular service plan and receives a cell phone which has a telephone number with the area code assigned to Nova Scotia and Prince Edward Island. The telephone number has an exchange assigned to Halifax, Nova Scotia. As a result, the cell phone is considered to be ordinarily located in the province of Nova Scotia.

A non-resident rents a cell phone from a Canadian service provider to use during his trip to Canada. The cell phone has a telephone number with an area code assigned to southern Alberta. As a result, the cell phone is considered to be ordinarily located in the province of Alberta.

Satellite phones

The rules for determining whether a particular call is made in Canada or a province using a cell phone also apply to calls made using satellite phones. However, satellite phones differ from cell phones in that satellite phones generally do not have telephone numbers with area codes assigned to geographic areas in Canada. As a result, for the purposes of determining the billing location for the call, the CRA considers a satellite phone to be ordinarily located in Canada if the permanent address of the purchaser/subscriber of the satellite service is in Canada. Similarly, a satellite phone is considered to be ordinarily located in a province if the permanent address of the purchaser/subscriber of the satellite service is in a province.

Example

A person subscribes to a satellite service plan. The subscriber's permanent address is in Montreal, Quebec. As a result, the satellite phone is considered to be ordinarily located in Canada, and specifically, in the province of Quebec.

Reminder –Tobacco Products Inventory Tax

The federal budget proposed to apply a tax on tobacco products held in inventory at the beginning of July 1, 2006. Bill C-13, the *Budget Implementation Act, 2006*, received Royal Assent and as a result, the Tobacco Products Inventory Tax is now law.

Certain persons who own tobacco products to be offered for sale may be required to complete and file form B273, *Excise Return - Tobacco Products Inventory Tax* and pay the tax on or before August 31, 2006.

The CRA mailed an information package in June and will mail the excise return and remittance form at the end of July. If you had tobacco products in inventory at the beginning of July 1, 2006 and if you have not received this information package or the form, you should contact your regional excise duty office to obtain a copy. A list of regional excise duty offices is available in Excise Duty Memorandum 1.1.2, *Regional Excise Duty Offices*.

Please see Excise Duty Notice EDN 10, *Tobacco Products Inventory Tax* for more information. Both forms B273, *Excise Return - Tobacco Products Inventory Tax* and B274, *Record of Inventory – Tobacco Products Inventory Tax* are available on the CRA Web site.

Fuel surcharge

In the transportation industry a fuel surcharge may be added to invoices for the supply of transportation services to recover some or all of the increased cost of fuel instead of adjusting the price for the transportation service.

The CRA considers the additional charge to be part of the consideration for the supply of the transportation service. As a result, the GST/HST is charged on the surcharge at the same rate as for the rest of the consideration for the transportation service.

In other words, where the supply of a transportation service is taxable at 6% or 14%, the entire charge for that service, including the fuel surcharge, is subject to GST/HST at the same rate. Similarly, where the supply of a transportation service is zero-rated (i.e., subject to tax at 0%), the entire charge for that supply of a transportation service, including the fuel surcharge, is zero-rated.

Please call GST/HST Rulings at 1-800-959-8287 to ask about fuel surcharges in your particular circumstances.

Trucking – driver services

In the trucking industry, the services of truckers usually fall into one of three categories. The trucker is either an owner-operator, a self-employed driver or an employee of a carrier. The following explains the application of the GST/HST to each of these situations.

Owner-operators

Where an owner-operator contracts with a carrier to supply freight transportation services using its own truck, those freight transportation services will be zero-rated (i.e., subject to tax at 0%) if the owner-operator meets the definition of a carrier. A carrier is the person who assumes liability to supply a freight transportation service.

Where an owner-operator does not assume liability to supply a freight transportation service, that owner-operator is not a carrier for purposes of the GST/HST. Instead, the owner-operator is providing a driving service. The supply of driving services is subject to GST/HST at 6% or 14% when supplied by a GST/HST registrant. The driver's services are a business input of the carrier.

Self-employed drivers

Where a self-employed driver does not use its own truck and does not assume liability for the supply of a freight transportation service, the driver is not supplying a freight transportation service for GST/HST purposes, it is providing a driving service. The supply of a driving service is taxable at 6% or 14% when supplied by a GST/HST registrant. The driver's services are a business input of the carrier.

Employee drivers

Where a carrier uses its employees to drive its trucks, the wages paid to these employees are not subject to the GST/HST.

For a more detailed discussion of freight transportation services please see Guide RC4080, *GST/HST Information for Freight Carriers* or GST/HST Memorandum 28.2, *Freight Transportation Services*. Please call GST/HST Rulings at 1-800-959-8287 to find out if you need to collect GST/HST in your particular circumstances.

What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications including those affected by the GST/HST rate reduction.

The CRA will make available to retailers, on request, information about the reduced rates for GST/HST and new stickers that show the new rate for each tax. The stickers can be displayed in places of business. Retailers will be able to order these items online at www.cra.gc.ca or by calling 1-800-959-2221.

GST/HST Pamphlets/Guides

RC2	<i>The Business Number and Your Canada Revenue Agency Accounts</i>
RC4022	<i>General Information for GST/HST Registrants</i>
RC4027	<i>Doing Business in Canada – GST/HST Information for Non-Residents</i>
RC4028	<i>GST/HST New Housing Rebate</i>
RC4033	<i>General Application for GST/HST Rebates</i>
RC4034	<i>GST/HST Public Service Bodies Rebate</i>
RC4049	<i>GST/HST Information for Municipalities</i>
RC4058	<i>Quick Method of Accounting for GST/HST</i>
RC4070	<i>Guide for Canadian Small Businesses</i>
RC4072	<i>First Nations Tax (FNT)</i>
RC4080	<i>Information for Freight Carriers</i>
RC4081	<i>GST/HST Information for Non-Profit Organizations</i>
RC4082	<i>GST/HST Information for Charities</i>
RC4100	<i>Harmonized Sales Tax and the Provincial Motor Vehicle Tax</i>
RC4117	<i>Tax Refund for Business Travel to Canada</i>
RC4160	<i>Tax Refund for Non-Resident Travel Organizers and Foreign Conventions</i>
RC4231	<i>GST/HST New Residential Rental Property Rebate</i>
RC4247	<i>The Special Quick Method of Accounting for Public Service Bodies</i>
RC4365	<i>First Nations Goods and Services Tax (FNGST)</i>

GST/HST Forms

GST26	<i>Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply</i>
GST30	<i>Election for Passenger Vehicles or Aircraft to be Deemed To Be Used Exclusively in Non-Commercial Activities</i>
GST151	<i>GST/HST Credit Application for Individuals Who Become Residents of Canada</i>
GST176	<i>Application for Visitor Tax Refund</i>
GST189	<i>General Application for Rebate of GST</i>
GST190	<i>GST/HST New Housing Rebate Application for Houses Purchased from a Builder</i>
GST191	<i>GST/HST New Housing Rebate Application for Owner-Built Houses</i>
GST191-WS	<i>Construction Summary Worksheet</i>
GST192	<i>GST/HST Transitional Rebate Application for Builders of New Housing on Leased Land</i>
GST193	<i>GST/HST Transitional Rebate Application for Builders of New Housing</i>
GST287	<i>Election or Revocation of an Election by a Public Service Body To Use the Special Quick Method of Accounting</i>
GST288	<i>Supplement to forms GST189 and GST498</i>
GST498	<i>Rebate Application for Foreign Representatives, Diplomatic Missions, Consular Posts, International Organizations, or Visiting Forces Units</i>

GST510	<i>Application for Business Travel Tax Refund</i>
GST518	<i>GST/HST Specially Equipped Motor Vehicle Rebate Application</i>
GST521	<i>GST/HST Multi-Employer Pension Plan Trust Rebate Application</i>
GST524	<i>GST/HST New Residential Rental Property Rebate Application</i>
GST525	<i>Supplement to the New Residential Rental Property Rebate Application – Multiple Units</i>
GST531	<i>Return of self-assessment of the First Nations Goods and Services Tax (FNGST)</i>

GST/HST Info Sheets

GI-015	<i>GST/HST Rate Reduction and Purchasers of New Housing</i>
GI-016	<i>Applying the GST/HST Rate Reduction to Prepaid Funeral and Cemetery Arrangements</i>
GI-017	<i>GST/HST Rate Reduction – Streamlined Methods of Accounting for Small Businesses</i>
GI-018	<i>GST/HST Rate Reduction – Application to Price Adjustments, Adjustments for GST/HST Overcharged and Returned Goods</i>

GST/HST Information Seminar

T4071	<i>Small Business Information Seminar – Module II – GST/HST</i>
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Excise Duty Notices

EDBN7	<i>Excise Duty Rate Changes – Impact on Beer Inventories</i>
EDBN8	<i>Excise Duty Rates Changes for Beer – July 1, 2006</i>
EDBN9	<i>Reduced Rates of Excise Duty on Beer Brewed in Canada</i>
EDBN10	<i>Related or Associated Persons Rules for Brewers</i>
EDN14	<i>Excise Duty Rate Changes – Impact on Spirits and Wine Inventories</i>
EDN15	<i>Additional Information Relating to the Excise Duty Exemption on 100% Canadian Wine</i>

Excise Duty Memoranda

EDM1.1.2	<i>Regional Excise Duty Offices</i>
EDM1.5.1	<i>Rates of Excise Duty</i>

Excise Forms

B60	<i>Excise Duty Entry</i>
B265	<i>Excise Duty Return – Wine Licensee</i>
B270	<i>Excise Duty Return – Non-Licensee</i>
B273	<i>Excise Return – Tobacco Products Inventory Tax</i>
B274	<i>Record of Inventory – Tobacco Products Inventory Tax</i>

All GST/HST, Excise Duty, and Excise Taxes and Special Levies publications can be found on the CRA Web site at: www.cra-arc.gc.ca/tax/technical/menu-e.html

Prescribed rates of interest

The prescribed annual rate of interest in effect from July 1, 2006 to September 30, 2006, with respect to the GST/HST and the air travellers security charge (ATSC) is set at 3.5707% . Interest and penalty compound daily. To calculate interest, divide the annual rate by 365 (366 in a leap year) and apply it daily to the previous day’s compound balance.

The prescribed annual rate of interest in effect from July 1, 2006 to September 30, 2006, with respect to 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 8%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 6%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer accounts is set at 6% for the period July 1, 2006 to September 30, 2006. Penalty compounds monthly and interest compounds daily.

Period	GST/HST ATSC (per annum)		Income Tax, Excise Tax, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
2006						
July 1 – September 30	3.5707 %	6.0 %	6.0 %	8.0 %	6.0 %	6.0 %
April 1 – June 30	3.6099 %	6.0 %	6.0%	8.0 %	6.0 %	6.0 %
January 1 – March 31	2.4333 %	6.0 %	5.0 %	7.0 %	5.0 %	6.0 %

Prescribed interest rates are adjusted every calendar quarter.

Rates of interest for previous periods are available on the CRA Web site.

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

To order your replacement GST/HST stickers, call 1-800-959-2221.

If you are in Quebec please call the following toll-free number:
1-800-567-4692 (Revenu Québec)

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) 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 Revenue Agency (CRA) tax services office or call Business Enquiries at 1-800-959-5525. 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, Ontario K1A 0L5. ISSN 1183-689X