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2007 Economic Statement

On October 30, 2007, the Minister of Finance presented the 2007 Economic Statement and announced a Notice of Ways and Means Motion which proposes a one percentage point reduction in the rate of the GST. This Notice of Ways and Means Motion proposes amendments to the *Excise Tax Act*, the *Excise Act, 2001*, and the *Air Travellers Security Charge Act*. These measures are included in Bill C-28, the *Budget and Economic Statement Implementation Act, 2007*, which received first reading in the House of Commons on November 21, 2007. The following is a brief synopsis of these proposed measures.

GST/HST rate reduction

Effective January 1, 2008, the rate of the GST and the federal component of the HST is proposed to be reduced from 6% to 5%. The provincial component of the HST will remain at 8%. This means that the rate of HST is to be reduced from 14% to 13%. The HST applies only to supplies made in or imported into the participating provinces of Nova Scotia, New Brunswick and Newfoundland and Labrador. The GST applies to supplies made in the rest of Canada.

As the rate of the First Nations Tax (FNT) and the First Nations Goods and Services Tax (FNGST) are in line with the GST/HST, the rate for the FNT and FNGST will also be reduced from 6% to 5%.

Generally, the proposed new rates will apply to the supply of taxable goods, property, and services in the following manner:

- If GST/HST becomes payable on or after January 1, 2008 without having been paid before that day, the 5% GST rate or the 13% HST rate will apply;
- If GST/HST is paid on or after January 1, 2008 without having become payable before that day, the 5% GST rate, or the 13% HST rate will apply.
- If GST/HST becomes payable or is paid in 2007, the 6% GST rate or the 14% HST rate will apply.



In addition to the general rule, certain types of transactions (e.g., sales of real property, deemed supplies, imported goods and imported taxable services and intangibles) will have specific transitional rules. GST/HST Notice 226, *Proposed GST/HST Rate Reduction in 2008* contains questions and answers which were created to assist you in understanding how the proposed GST/HST rate reduction will apply in these circumstances. The following GST/HST Info Sheets have also been published:

- GI-038 *The 2008 GST/HST Rate Reduction*
- GI-039 *Applying the 2008 GST/HST Rate Reduction to Allowances and Reimbursements*
- GI-040 *Applying the 2008 GST/HST Rate Reduction to Prepaid Funeral and Cemetery Arrangements*
- GI-041 *GI-041 - The 2008 GST/HST Rate Reduction and Streamlined Methods of Accounting for Small Businesses*
- GI-042 *Applying the 2008 GST/HST Rate Reduction to Price Adjustments, Adjustments for GST/HST Overcharged, and Returned Goods*
- GI-043 *The 2008 GST/HST Rate Reduction and Purchases of New Housing*

The full text of the [2007 Economic Statement](#) is on the Finance Canada Web site at www.fin.gc.ca.

Air travellers security charge rates

As a result of the proposed GST/HST rate reduction, the air travellers security charge (ATSC) rates will be adjusted. These ATSC rates will apply to air transportation services purchased on or after January 1, 2008, that include a chargeable emplanement on or after January 1, 2008. A table showing the proposed new ATSC rate structure is in [Annex 1](#) to the *Economic Statement*.

Tobacco excise duties

The Economic Statement proposes to increase excise duties on tobacco products. The proposed excise duty increases will apply beginning January 1, 2008. A table showing the proposed new tobacco excise duty rate structure is in Excise Duty Notice EDN17, *Changes to Excise Duty Rates on Tobacco Products - January 1, 2008*.

Tobacco products inventory tax

The Economic Statement proposes to apply a one-time tax on inventories of tobacco products held on January 1, 2008. More information on the inventory tax is available in the Excise Duty Notice EDN16, *Tobacco Products Inventory Tax January 1, 2008*.

Minister of Finance announces draft legislation

On October 2, 2007, the Minister of Finance announced draft legislation designed to implement tax measures proposed in Budget 2007 but not included in the *Budget Implementation Act, 2007*, which received Royal Assent on June 22, 2007. The measures in this new draft legislation are now included in Bill C-28, the *Budget and Economic Statement Implementation Act, 2007*, which received first reading in the House of Commons on November 21, 2007. Most of these measures were previously summarized in the Spring ([No. 64](#)) and Summer ([No. 65](#)) editions of the *Excise and GST/HST News*.

The following are highlights of the new draft legislation relating to excise and GST/HST :

- GST/HST annual filing threshold

For fiscal years beginning after 2007, the GST/HST reporting period threshold amount for a fiscal year will be increased from \$500,000 to \$1,500,000. New registrants whose threshold amount for a fiscal year does not exceed \$1,500,000 will have a fiscal year reporting period unless they elect otherwise. Registrants who are currently monthly or quarterly filers and whose threshold amount does not exceed \$1,500,000 will continue as monthly or quarterly filers unless they elect otherwise.

- GST/HST annual remittance thresholds

For fiscal years beginning after 2007, the GST/HST instalment base threshold will be increased from \$1,500 to \$3,000, which means that an annual filer whose net tax remittance for a fiscal year is less than \$3,000 need only make one remittance at the end of the fiscal year.

- Input tax credits (ITCs) for GST/HST paid on meal expenses of long-haul truck drivers

The amendments change the rate of recapture of ITCs claimed by a person in respect of food and beverages consumed by a long-haul truck driver during the driver's eligible travel period. The proportion of the ITCs claimed by the person that must be recaptured will decrease as the deductible portion of long-haul truck driver meal expenses increases for income tax purposes.

In respect of food, beverage, and entertainment expenses in all other circumstances that are deductible for income tax purposes under the *Income Tax Act*, the net rate of recovery of ITCs by a person will remain at 50%.

The amendments apply to amounts in respect of a supply of food and beverages if GST/HST becomes payable, or is paid without having become payable, after March 19, 2007 where no allowance or reimbursement is paid in respect of the supply. The amendments also apply to allowances or reimbursements paid after March 19, 2007 in respect of the supply. The rates of recapture of ITCs claimed by a person in respect of food and beverages consumed during an eligible travel period will be:

- 40% after March 19, 2007 and before 2008,
- 35% for 2008,
- 30% for 2009,
- 25% for 2010,
- and 20% after 2010.

The percentages of recapture for the periods noted above will be based on amounts of GST/HST in respect of a supply of food or beverages that become payable, or are paid without having become payable in that period where no allowance or reimbursement is paid in respect of the supply, or for allowances or reimbursements paid in that period in respect of the supply.

- Excise tax exemptions repealed for renewable fuels

Effective April 1, 2008, alcohol blended fuels and bio-diesel fuels will be subject to the excise tax on gasoline and diesel fuel respectively.

- Self-assessment in respect of intangible personal property

Effective for supplies made after March 19, 2007, non-resident non-registrants who acquire a taxable supply made in Canada of intangible personal property (IPP) that is zero-rated only because it is included in section 10 or 10.1 of Part V of Schedule VI to the *Excise Tax Act* must self-assess the GST/HST. However, the following persons do not have to self-assess the GST/HST:

- a particular individual consumer of the property who acquires or imports the IPP for their own personal consumption, use or enjoyment; or
- a person who acquired the property for consumption, use, or supply exclusively in the person's commercial activities or in activities the person engages in exclusively outside Canada that are not part of a business or adventure or concern in the nature of trade in which the person is engaged in Canada.

To see the *News Release* and the *Legislative Proposals and Explanatory Notes to Implement Remaining Budget 2007 Tax Measures* regarding this announcement please go to the Department of Finance Web site at www.fin.gc.ca.

GST/HST Regulations

Regulations Amending the Streamlined Accounting (GST/HST) Regulations ([SOR/2007-203](http://www.sor-lor.gc.ca/SOR/2007-203), 18/09/07) have been made. The amendments:

- modify remittance rates for municipalities using the Special Quick Method. These changes are consequential to the increase to 100% from 57.14% in the federal GST/HST rebate for municipalities (which include persons designated to be a municipality by the Minister);
- reflect the extension of the 83% GST/HST health care rebate to provincially recognized and publicly funded non-profit health care facilities that provide services previously performed in hospitals and to government-funded charities and non-profit organizations that supply ancillary support services to hospitals and eligible health care facilities. The new remittance rates for these entities (other than charities that are required to use the net tax calculation for charities) are the same as the rates for hospital authorities;
- amend the remittance formulae for small businesses and eligible public service bodies as per the 1% reduction in the GST from 7% to 6% and the HST from 15% to 14%. Further to these changes, it should be noted that the rates previously announced in Budget 2006 for municipalities using the Special Quick Method that have a permanent establishment in a non-participating province have been revised. The revised remittance rates, 12.2% for supplies in a participating province and 5.6% for supplies in a non-participating province, ensure that these municipalities remit the appropriate amount of tax.

The *Regulations Amending the Automobile Operating Expense Benefit (GST/HST) Regulations* ([SOR/2007-202](http://www.sor-lor.gc.ca/SOR/2007-202), 18/09/07) have been amended in keeping with the one percentage point rate reduction of the GST/HST. The amendments reduce the prescribed rate at which the GST/HST is applicable to automobile operating expense benefits.

These regulations are available on the Canada Gazette Web site at: www.canadagazette.gc.ca

CRA publications are being modified to incorporate these amendments.

Effective date of GST/HST registration

Every person who makes a taxable supply in Canada in the course of a commercial activity must register for the GST/HST except where: the person is a small supplier; the only commercial activity of the person is the making of supplies of real property by way of sale otherwise than in the course of a business; or the person is a non-resident person who does not carry on any business in Canada.

The onus is placed on the person to ensure that they are in compliance with the requirements of the GST/HST legislation. As discussed below, some persons must register and some may register voluntarily.

Mandatory registration

The effective date of a person's GST/HST registration depends on when the person exceeded the small supplier threshold amount of \$30,000. For public service bodies, the small supplier threshold amount is \$50,000. Charities and public institutions are also considered small suppliers if they meet the gross revenue test of \$250,000 or less.

If the threshold amount is exceeded in one calendar quarter, the person is considered a registrant and must collect GST/HST on the supply that exceeded the threshold amount. The effective date of registration would be the day the person made the supply that exceeded the threshold amount. The time limit to apply for GST/HST registration is 29 days from that day.

However, if the person does not exceed the threshold amount in one calendar quarter, but has exceeded the threshold amount over four consecutive calendar quarters, the person ceases to be a small supplier after a month following that period. In this case, the effective date of registration would be the day the first supply was made after the person ceases to be a small supplier. The time limit to apply for GST/HST registration is 29 days from this day.

Please note that persons who are carrying on a taxi business and non-resident suppliers of taxable supplies of admissions to places of amusement, seminars, activities or events are required to be registered regardless of whether they are considered small suppliers.

Voluntary registration

Small suppliers engaged in a commercial activity in Canada can **choose** to register voluntarily, with the exception of the above noted persons. Small suppliers who register voluntarily must collect and remit GST/HST on their taxable supplies of goods and services and subsequently, can claim input tax credits (ITCs) for the GST/HST paid or owed on purchases related to these supplies. Small suppliers who choose not to register will not collect GST/HST on their supplies (other than on taxable sales of real property and certain sales of capital property made by a municipality or designated municipality), and are not entitled to claim the GST/HST paid on business purchases as ITCs.

In general, the effective date of a voluntary registration is the date the application is received by the CRA. An exception to this may be made in the case where a person has collected GST/HST on a supply prior to the date the application for registration is received, in which case the effective date will be the date the person started collecting GST/HST.

Backdating a voluntary registration more than 30 days

If a person who is registering voluntarily requests that a registration be backdated beyond a 30-day period, documentation must be presented to support the date requested. The person must provide evidence that GST/HST had been collected from the date requested on a regular and consistent basis. Copies of the sales journal or the earliest three to five invoices are generally sufficient for this purpose.

Persons who collect GST/HST cannot keep any of the GST/HST collected even if their request to have a backdated registration date is denied. All the GST/HST collected must be either returned to the customers and a credit note issued, or remitted to the CRA. In this case, the GST/HST would have been collected in error and the person is not eligible to claim ITCs even if they remit the GST/HST rather than returning it to their customers.

The following GST/HST Memoranda provide further information: GST/HST Memorandum 2.1, *Required Registration*, GST/HST Memorandum 2.2, *Small Suppliers*, and GST/HST Memorandum 2.3, *Voluntary Registration*.

Time limit for refund, credit or adjustment

A supplier may refund, credit or adjust an excess amount of GST/HST that the supplier charged or collected on a supply. The time limit is two years after the day the GST/HST was charged or collected from the recipient of the supply (customer).

The supplier who provides a refund, credit or adjustment of tax shall issue a credit note to the recipient of the supply within a reasonable time. Conversely, the customer may issue a debit note to the supplier once the refund, credit or adjustment is received.

The supplier, if a registrant, should deduct the amount of tax refunded, credited or adjusted in determining its net tax for the reporting period in which the credit note is issued to the customer or the debit note is received by the supplier, to the extent that the amount has been included in determining the net tax for the reporting period or a preceding reporting period of the supplier.

Similarly, a customer who is registered shall add the amount of tax refunded, credited or adjusted in determining the customer's net tax for its reporting period in which the debit note is issued to the supplier or the credit note is received by the customer, to the extent that the amount has been included in determining an ITC claimed by the customer in a return filed for the customer's reporting period or a preceding reporting period. In addition, if the customer has previously received a rebate of an amount refunded, credited or adjusted, the customer is required to pay this amount back to the Receiver General.

For example, A Co., a registered supplier, collected an excess amount of GST/HST from its customer, B Inc., on September 15, 2007. A Co. may refund or credit the amount to B Inc. on or before September 15, 2009.

For a list of the prescribed information that must be included on a credit note please refer to the [Credit Note and Debit Note Information \(GST/HST\) Regulations](#). The CRA plans to publish a memorandum on refund, credit or adjustment of the GST/HST.

Mandatory documentation and input tax credits

A recent Federal Court of Appeal (FCA) judgment in *Systematix Technology Consultants Inc. and Her Majesty the Queen (2007 FCA 226)* held that documentation requirements for input tax credit (ITC) claims are mandatory. These requirements are stipulated in the [Input Tax Credit Information \(GST/HST\) Regulations](#).

The FCA concluded that if the GST/HST registrant claiming ITCs does not have the information required to support the ITC claim (including a valid GST/HST registration number from the supplier as well as the correct name of the supplier), then the registrant cannot claim an ITC, regardless of whether all other requirements in the *Excise Tax Act* are met. The onus is on the claimant to obtain the information that is prescribed in the regulations.

ITC claimants should ensure that claims submitted for ITCs only include GST/HST charged by suppliers who are registered for the GST/HST. The CRA has developed a [GST/HST Registry](#), which lets users validate the GST/HST registration number of a business. This Web-based system can be used by anyone to confirm that the business with whom they are dealing is a GST/HST registrant by entering the exact business name, GST/HST number and date of the transaction in question.

It should also be noted that, when entering into transactions that are subject to the GST/HST, all parties should be aware of the ITC implications and should define their legal relationships accordingly.

For more information on claiming ITCs please refer to GST/HST Memorandum 8.1, [General Eligibility Rules](#). As well, the CRA Web site menu for Business, [GST/HST](#) provides information on [ITCs](#).

Late-filed applications for the GST/HST new housing rebate and Nova Scotia rebate for owner-built homes

The *Excise Tax Act* (the Act) provides time limitations for filing form GST191, [GST/HST New Housing Rebate Application For Owner-Built Houses](#). This form is used for claiming both the GST/HST new housing rebate and the Nova Scotia rebate for owner-built homes and must be filed on or before the day that is two years after the earliest of:

- the day construction or substantial renovation is substantially complete;

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- the day ownership of the house is transferred if the house is sold before it is occupied; and
 - the day that is two years after first occupancy of the house by the owner-builder or a relation.

A recent amendment to the Act permits the CRA, under certain circumstances, to accept an application for the GST/HST new housing rebate or the Nova Scotia rebate for owner-built homes filed after the period otherwise allowed for making an application. This amendment recognizes that extraordinary circumstances may prevent an individual from filing the owner-built home rebate application by the due date.

Such extraordinary circumstances may include: natural or human-made disasters, such as a flood or fire; civil disturbances or disruptions in services, such as a postal strike; serious illness or accident; or serious emotional or mental distress. For example, an individual may have been prevented from filing an owner-built home rebate application on time due to the illness or death of a family member. In such circumstances, the CRA will consider a request to accept the late-filed rebate application.

The CRA will also consider a request to accept a late-filed owner-built home rebate application where the delay resulted primarily from the actions of the CRA (e.g., the CRA provided inaccurate information).

The CRA will consider each request to accept a late-filed owner-built home rebate application on its merits. However, for the application to be accepted, the individual making the request must clearly demonstrate in writing that they were unable to file the rebate application within the statutory time limits due to extraordinary circumstances or actions of the CRA. In addition, it must be shown that the individual acted within a reasonable period of time to remedy the delay in filing the rebate application. Any claims filed after the two-year period **not** accompanied by a letter from the individual indicating the reason(s) for the delay will be disallowed.

The CRA may contact an individual and request more information or clarification concerning the circumstances that resulted in the late filing of the rebate application.

Requests to accept a late-filed rebate application for an owner-built home, which are accompanied by a letter will be reviewed by the Taxpayer Relief Committee at the Summerside Tax Centre.

The GST/HST guide RC4028, [GST/HST New Housing Rebate](#) provides further information on claiming a housing rebate. Information on [taxpayer relief provisions](#) and what the CRA considers “extraordinary circumstances” is available on the CRA Web site.

Reminder – automatic offset of refund or rebate claims

Effective April 1, 2007, as part of the new standardized accounting legislation, refunds or rebates claimed as a result of filing a GST/HST return or a corporate income tax return will only be paid if all returns for all applicable business program accounts are filed as required under the *Excise Tax Act* (ETA), the *Income Tax Act* (ITA), the *Excise Act, 2001*, and the *Air Travellers Security Charge Act* (ATSCA).

The standardized accounting legislation supports the CRA in its commitment to simplify tax compliance for businesses by harmonizing various accounting, penalty and interest provisions of the aforementioned acts administered by CRA.

If you are expecting a refund or rebate after filing your GST/HST return or a rebate application, **you will receive the refund or rebate amount only if you have filed all returns for all of your applicable business program accounts** required under the ETA, the ITA, the *Excise Act, 2001*, and the ATSCA. Any refund or rebate owing to a person may be automatically offset against a debt the person owes to the Receiver General under any of these Acts.

For more information about the new Standardized Accounting provisions see GST/HST Info Sheet GI-024, *Harmonizing the Administrative Provisions Respecting Standardized Accounting*.

Questions and answers – GST/HST returns, refunds, payments and notices

The implementation of the GST/HST system redesign has resulted in a number of changes to the way GST/HST returns, refunds, payments and notices are processed and sent to registrants. The following six questions and answers respond to queries registrants may have as a result of these changes during the transitional period following this system redesign.

1. Why is the CRA holding my GST/HST refund?

As explained in the previous article, your refund may be held if you have any outstanding returns to file, or your payment may be automatically offset against any debt you owe to the Receiver General under the *Excise Tax Act* (ETA), the *Income Tax Act* (ITA), the *Excise Act, 2001*, or the *Air Travellers Security Charge Act* (ATSCA).

Additionally, the CRA is currently experiencing delays in processing GST/HST returns and refunds due to minor revisions being made to the new GST/HST processing system. Until these revisions are fully implemented, you may experience delays in GST/HST refund processing times.

2. What does it mean when my Notice of (Re) Assessment (NOA) indicates that my account is under review?

This means that the CRA is reviewing your account to ensure the refund is valid and is determining when you can expect to receive it.

3. Why hasn't the CRA processed my payment yet?

Generally, the CRA processes each GST/HST payment within 24 hours of receiving it. A payment cannot be allocated, however, unless the accompanying GST/HST return contains enough information to associate the payment with a specific account. You can help ensure that your payment is allocated to the correct account by following these basic steps:

- that you submit Part 2 of your GST/HST return with your payment. Part 2 is at the bottom of page 3 of the return you receive in the mail; and
- that your GST/HST return is completely and accurately filled out.

If your GST/HST return is inaccurate or incomplete, the CRA will need more time to process it, in order to determine the correct Business Number (BN) and the correct filing period to which to apply the payment. If you do not file the return, or file the incorrect part of your return with your payment, the CRA may not be able to process the payment.

4. Why hasn't my payment been allocated to my account?

Generally, the inability to correctly allocate a payment is due to a lack of accompanying information. If an account number and filing period are not provided with the payment, the CRA is not able to allocate the payment. Allocation of a payment is based on the payment method used.

- A payment made at a financial institution is allocated based on the return filed with the payment. The return you receive is encrypted and the filing period printed on the return is the period to which the payment is allocated.
- A payment sent directly to a tax centre or tax services office will be allocated based on any accompanying information. If there is no accompanying return but the payment (cheque) has an account number and filing period written on it, the payment will be allocated based on that information. If the filing period is not indicated on the payment it will be allocated to the current filing period.

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- An electronically filed payment is allocated based on the information indicated by the registrant when completing the online transaction.

The CRA issues a statement after each payment is allocated.

5. Why is the GST/HST return now longer?

The GST/HST return is now four pages (two double-sided pages), as many taxpayers indicated that the previous return was difficult to read because the print was too small. The new return has a larger print size, but is otherwise the same as the previous two-page version of the return.

6. Why am I now receiving a Notice of (Re) Assessment (NOA) after filing my GST/HST return?

With the new GST/HST system, automatic NOAs are generated when tax activity is reported. The CRA does not send a NOA for a filing period if no GST/HST collectible or collected is reported on the return for that filing period.

Implementation of a First Nations Goods and Services Tax (FNGST) by the Nunatsiavut Government and the Kwanlin Dun First Nations

Both the Nunatsiavut Government and the Kwanlin Dun First Nation have an agreement with the Government of Canada allowing them to impose a value-added tax.

Effective August 20, 2007:

- The Nunatsiavut Government imposed a FNGST on the Nunatsiavut Lands described in Schedule 1 of the *First Nations Goods and Services Tax Act*. These lands include the Labrador Inuit Lands and the Inuit communities of Nain, Hopedale, Makkovik, Postville and Rigolet.
and
- The Kwanlin Dun First Nation in the Yukon imposed a FNGST on their settlement lands.

As the FNGST is designed to work within the GST/HST framework, no additional forms or changes to registration will be required and vendors will simply apply the FNGST in the same manner. The FNGST replaces the GST. In the harmonized province of Newfoundland and Labrador, the FNGST replaces the federal portion of the HST.

Additional information on FNGST can be found in the guide RC4365, *First Nations Goods and Services Tax (FNGST)* and the GST/HST Notice 143, *Application of GST/FNGST to Yukon First Nations and their Members*.

Using the new remittance voucher

As previously announced in the [Spring 2007](#) and [Summer 2007](#) editions of the *Excise and GST/HST News*, the CRA has introduced a new GST34, *GST/HST Return for Registrants*. The return is now four pages in length instead of two and the remittance voucher is now at the bottom of page three.

When filing a return or making a payment, registrants must use the remittance voucher **at the bottom of page three** (please detach the voucher along the perforated line).

When filing a return or making a payment to the CRA, do not detach and submit any part of page one of the GST34 return. If you present page one to a financial institution, the institution will not accept it as it does not contain the necessary registrant account information. This will cause delays in the processing of your payment and return.

My Business Account (MyBA)

MyBA provides business owners, including partners, directors and officers, the convenience of using a single user ID and password to access personalized business information and services online.

As of October 22, 2007, several new services are available on the MyBA Web site. Business owners can now:

- authorize their employees and other representatives to access their business information online
- view, update, or cancel the representatives the CRA has on file for their business through MyBA.

Business owners with GST/HST accounts can do the following:

- view account balance and transactions (*new*)
- make online requests
- view business addresses
- view correspondence

Business owners with excise duty accounts, excise tax accounts and now, softwood lumber products export charge accounts can do the following:

- view account balance and transactions (*new*)
- make online requests
- register a formal dispute (Notice of objection)
- view business addresses
- view correspondence
- view transaction details
- view endorsements.

You can find more information about MyBA at www.cra-arc.gc.ca/mybusinessaccount as well as view a demo of services available on MyBA without logging in to this secure portal.

Prescribed rates of interest

Effective April 1, 2007, in accordance with the recent legislative changes relating to standardized accounting, the interest rate calculations for GST/HST (as well as FNGST and FNT) and the air travellers security charge (ATSC) have been changed to harmonize with the interest rate calculations used for income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber export charge. As of this date, amounts outstanding are subject to a new prescribed rate of interest equal to the “basic rate” plus 4%, while amounts owing to a person are subject to a new prescribed interest rate equal to the “basic rate” plus 2%.

The prescribed annual rate of interest in effect from October 1, 2007, to December 31, 2007, on overdue amounts payable to the Minister is 9%. The prescribed annual rate of interest on amounts owed by the Minister (refunds) is 7%. These rates are applicable to income tax, excise tax, softwood lumber products export charge, GST/HST and ATSC. These rates are also applicable to excise duty (except excise duty on beer) amounts payable after June 30, 2003.

The prescribed annual rate of interest respecting excise duty on beer, on amounts payable for the indicated period, is set at 7%. This rate is also applicable to excise duty (except excise duty on beer) amounts payable prior to July 1, 2003.

Period	Income Tax, Excise Tax, Softwood Lumber Export Charge, GST/HST and ATSC, Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)
	Refund Interest	Arrears and Instalment Interest	Arrears Interest
2007			
October 1 – December 31	7%	9%	7%
July 1 – September 30	7%	9%	7%
April 1 – June 30	7%	9%	7%

Penalties

Effective April 1, 2007, the 6% penalty is eliminated on overdue amounts of GST/HST, FNGST, FNT and ATSC. A new failure to file penalty is charged on a return that is filed late with an unremitted or unpaid amount. This new penalty is equal to: (a) 1% of the amount overdue on the return, plus (b) one quarter of the amount calculated in (a), times the number of complete months the return was overdue, starting April 1, 2007, to a maximum of 12 months.

For more information on the new interest rates and penalties please refer to GST/HST Info sheet GI-024, [Harmonizing the Administrative Provisions Respecting Standardized Accounting](#).

Up to and including March 31, 2007

The 6% penalty applies on overdue amounts of GST/HST up to and including March 31, 2007. The prescribed annual rate of interest in effect from January 1, 2007 to March 31, 2007, with respect to the GST/HST (as well as FNGST and FNT) and the ATSC is set at 3.6500%. Interest and the 6% 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 January 1 to March 31, 2007, with respect to amounts of income tax, excise tax, excise duty (except excise duty on beer) and the softwood lumber export charge payable to the Minister (i.e., arrears and instalment payments) is established at 9%. The prescribed interest rate on amounts owed by the Minister (i.e., refunds) is established at 7%. These rates compound daily.

The prescribed annual rate of interest respecting excise duty on beer amounts is set at 7% for the period January 1, 2007 to March 31, 2007. Penalty compounds monthly and interest compounds daily.

Period	GST/HST, ATSC (per annum)		Income Tax, Excise Tax, Softwood Lumber Export Charge Excise Duty (wine, spirits, tobacco)		Excise Duty (beer)	
	Interest	Penalty	Refund Interest	Arrears and Instalment Interest	Interest	Penalty
2007						
January 1 – March 31	3.65%	6%	7%	9%	7%	6%

[Rates of interest for previous periods](#) are available on the CRA Web site.

What's new in publications

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

GST/HST Forms

GST190A	<i>GST/HST New Housing Rebate – Appendix A</i>
GST370	<i>Employee and Partner GST/HST Rebate Application</i> (revised)
RC1C	<i>Business Number (BN) - Import/Export Account Information</i> (revised)
RC59	<i>Business Consent Form</i> (revised)

GST/HST Info Sheets

GI-015	<i>GST/HST Rate Reduction and Purchasers of New Housing - July 2007</i> (revised)
GI-037	<i>Children's Camps Operated by Public Sector Bodies</i>
GI-038	<i>The 2008 GST/HST Rate Reduction</i>
GI-039	<i>Applying the 2008 GST/HST Rate Reduction to Allowances and Reimbursements</i>
GI-040	<i>Applying the 2008 GST/HST Rate Reduction to Prepaid Funeral and Cemetery Arrangements</i>
GI-041	<i>GI-041 - The 2008 GST/HST Rate Reduction and Streamlined Methods of Accounting for Small Businesses</i>
GI-042	<i>Applying the 2008 GST/HST Rate Reduction to Price Adjustments, Adjustments for GST/HST Overcharged, and Returned Goods</i>
GI-043	<i>The 2008 GST/HST Rate Reduction and Purchases of New Housing</i>

GST/HST Notices

Notice143	<i>Application of GST/FNGST to Yukon First Nations and their Members</i> (revised)
Notice221	<i>Questions and Answers on the Cancellation of the Visitor Rebate Program and the Implementation of the New Foreign Convention and Tour Incentive Program</i> (revised)
Notice222	<i>Implementation of the Kwanlin Dun First Nations Goods and Services Tax (FNGST)</i>
Notice223	<i>Implementation of the Nunatsiavut First Nations Goods and Services Tax (FNGST)</i>
Notice224	<i>Draft Policy Statement: The GST/HST Real Property Implications of Constructing, or Purchasing, and Operating a Residential Care Facility</i>
Notice225	<i>For Discussion Purposes Only, Draft Revised GST/HST Memorandum 3.3.1, Drop Shipments</i>
Notice226	<i>Proposed GST/HST Rate Reduction in 2008</i>
Notice227	<i>The Order Amending the Labrador Innu Settlements Remission Order, 2003 Comes into Force</i>

GST/HST Policy Statements

P-194R2	<i>Application of Penalties and Interest when a Return and/or Rebate Application, and/or Another Return, is Received after the Due Date</i>
P-196R	<i>Whether Administrative Overhead Costs Fall under Subsection 186(1) of the Excise Tax Act</i>
P-218R	<i>Tax Status of Damage Payments, Whether or not Within Section 182 of the Excise Tax Act</i>

GST/HST Technical Information Bulletins

- B-096 *GST/HST Rate Reduction and Real Property*
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*
B-100 *Standardized Accounting*

Excise Forms

- E638 *Application for Exemption From Premium Taxes Imposed Under the Excise Tax Act - Part 1*
E638A *Statement of availability or declination from authorized insurers - Tax on insurance premiums (Part 1 of the Excise Tax Act)*

Excise Duty Memoranda

- EDM3-8-1 *Special Containers of Spirits (revised)*
EDM4-8-1 *Special Containers of Wine (revised)*
EDM10-3-1 *Refunds*

Excise Duty Notices

- EDN16 *Tobacco Products Inventory Tax January 1, 2008.*
EDN17 *Changes to Excise Duty Rates on Tobacco Products - January 1, 2008*

Excise Taxes and Special Levies Notices

- ETSL66 *For Discussion Purposes Only - Application of Excise Tax to Diesel Fuel used in the Generation of Electricity for the Provision of Hotel Services on Vehicles*

Softwood Lumber Products Export Charge Forms

- B253-1 *Independent Remanufacturer Registration Supplement*
B275 *Softwood Lumber Products Export Charge Return (revised)*
B278 *Softwood Lumber Products Export Charge Act, 2006 - Application for Refund*

Softwood Lumber Products Export Charge Notices

- SWLN4 *Security Requirements for Non-Resident Persons and Persons Without a Permanent Establishment in Canada*

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

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 obtain copies of forms and publications, call 1-800-959-2221

If your business is located in Quebec please call the following toll-free number:

1-800-567-4692 ([Revenu Québec](#))

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