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GST/HST relief for Royal Canadian Legion purchases of Remembrance Day poppies and wreaths

On June 26, 2011, Bill C-3, *An Act to Implement Certain Provisions of the 2011 Budget as Updated on June 6, 2011*, received Royal Assent.

Bill C-3 implements certain provisions of the Federal Budget of June 6, 2011 and certain previously announced measures, including amendments to the *Excise Tax Act* to provide a 100% rebate of GST/HST on Remembrance Day poppies and wreaths acquired by the Royal Canadian Legion from private sector suppliers.

The Royal Canadian Legion has been exempt from charging and collecting GST on the Remembrance Day poppies and wreaths they provide since 1991, however, this rebate will allow the Legion to recover any GST/HST paid or payable by the Legion on their purchases of poppies and wreaths from private sector suppliers. The rebate is available for the GST/HST paid or payable by the Legion on poppies or wreaths, on or after January 1, 2010.

PSB rebate for federal and provincial part of the HST must be calculated and claimed separately

Generally, a PSB can claim a rebate of the GST and federal part of the HST paid or payable on eligible purchases and expenses for which it cannot claim an input tax credit or other rebate, refund or remission of tax. Certain PSBs resident in a **participating** province may also be eligible to claim a PSB rebate of the provincial part of HST. For more information on residency in a participating province, please see GST/HST Info Sheet GI-121, *Determining Whether a Public Service Body is Resident in a Province for Purposes of the Public Service Bodies’ Rebate*.

Online services for business accounts: To view account balance and transactions; view endorsements; transfer payments within a program account and between program accounts of the same nine-digit business number and immediately view updated balances; request additional remittance vouchers; file and adjust a GST/HST return without a Web access code, and view its status; calculate instalment payments; view notices, letters and statements; and view address and banking information; go to: www.cra.gc.ca/representatives, if you are an authorized representative or employee; or www.cra.gc.ca/mybusinessaccount, if you are the business owner.

GST/HST NETFILE: Faster processing and refunds, immediate confirmation of receipt, and no postal costs. Go to www.cra.gc.ca/gsthst-netfile or through www.cra.gc.ca/representatives, if you are an authorized representative or employee; or www.cra.gc.ca/mybusinessaccount, if you are the business owner.

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When calculating the PSB rebate for the GST and federal part of HST you are required to use the **exact** federal rebate factor that applies to your PSB. If you are resident in a particular participating province (and you are eligible to claim a PSB rebate of the provincial part of HST) you are required to use the **exact** provincial rebate factor that applies to a PSB of your type resident in that participating province. A chart of rebate factors is published on the CRA Web site under GST/HST rebates.

If you are eligible to claim a PSB rebate of the GST and/or federal part of HST, use application Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund*, or the personalized rebate application Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund*.

If you are also eligible to claim a rebate of the provincial part of HST, complete the provincial schedule Form RC7066 SCH, *Provincial Schedule – GST/HST Public Service Bodies' Rebate*, or the personalized Form GST284 SCH, *Provincial Schedule – GST/HST Public Service Bodies' Rebate*, and attach it to your rebate application.

When PSB claimants calculate the amount of the rebate to which they may be entitled, it is important to calculate and claim the federal rebate separately from the provincial rebate. For example, if you are a charity (that is not a selected PSB) and you are resident only in Ontario, you are eligible to claim a 50% PSB rebate of the federal part (5% GST) of the HST. In addition, you are eligible to claim an 82% PSB rebate of the provincial part (8%) of HST. In this situation, the total rebate claimed would effectively be 69.7% of the HST (13%) paid or self-assessed. However, this total rebate **must** be calculated and claimed as two **separate** components, **not as a single "blended rate"**. As well, separate calculations are required for claimants who are claiming a rebate of the provincial part of the HST paid in more than one participating province.

PSB rebate applications using such a blended rate to calculate the claim may result in compliance errors and payment delays.

For more information, eligibility criteria and examples of how to calculate PSB rebates, please see Guide RC4034, *GST/HST Public Service Bodies' Rebate*. As well, the Winter 2011 (No. 79) edition of the *Excise and GST/HST News* discusses the PSB rebate in general, while the Spring 2011 (No. 80) edition discusses PSB rebates for PSBs resident in more than one province, at least one of which is a participating province.

Insurance claims – net-of-GST/HST method

Generally, an insurer is required to make payment in respect of an insurance claim only to the extent of the actual loss suffered by the insured in accordance with the terms of the insurance policy. The amount paid by the insurer to indemnify the insured will generally not include an amount for which the insured is entitled to claim an input tax credit (ITC) and/or rebate in respect of the GST/HST portion of the repair or replacement expense, i.e., the settlement will be net-of-GST/HST.

Insured is eligible for ITCs

In order for the insured to be entitled to claim an ITC in respect of the GST/HST portion of the repair or replacement expense incurred as a result of lost, destroyed or damaged property, certain legislative and documentary requirements outlined in section 169 of the *Excise Tax Act* must be met, including the requirements that the insured must be a GST/HST registrant and that **the GST/HST on the expense is payable by the insured** (i.e., the “recipient” of a taxable supply for the repair or replacement of the property).

A “recipient” is defined, in part, as the person who is liable to pay the consideration in respect of a supply. Therefore, **invoices must clearly establish the recipient of the supply**. Generally, for the insured to be considered the recipient of the supply related to repairing or replacing the property, the invoice must name the

insured as the purchaser and the insured must be the person legally liable to the supplier for payment of the consideration for the supply.

Example

Corporation A is a registrant located in Ontario. During a recent fire, its passenger vehicle used as capital property exclusively in its commercial activities was irreparably damaged. Corporation A arranges to buy a replacement vehicle from Best Auto Deals Inc. Under the automobile insurance policy covering Corporation A there is a deductible of \$1,000. The invoice made out by Best Auto Deals Inc. shows the following information:

Name of supplier	Best Auto Deals Inc.
Business number	999999999
Invoice number	001
Date	(current date)
Purchaser	Corporation A
Price of passenger vehicle	\$21,000
13% HST	<u>2,730</u>
Total purchase price	\$23,730

This invoice is sent to Corporation A and a copy of it is sent to the insurer by Best Auto Deals Inc. The insurer sends a cheque to Best Auto Deals Inc. for \$20,000 based on the following calculation:

Total of invoice	\$23,730
Less HST (13% of \$21,000)	- 2,730
Less deductible	- 1,000
Total compensation from insurer to insured	\$20,000

Corporation A gives Best Auto Deals Inc. a cheque for \$3,730 (\$2,730 + \$1,000) and notes in its records for the current reporting period that the \$2,730 in tax payable can be claimed as an ITC.

Insured is eligible for rebate

In the case where the insured is eligible to claim a rebate in respect of the GST/HST portion of the repair or replacement expense incurred as a result of lost, destroyed or damaged property, certain legislative and documentary requirements must be met. As previously indicated, the amount paid by an insurer to indemnify the insured will generally not include an amount for which the insured is entitled to claim a rebate in respect of the GST/HST portion of the repair or replacement expense, i.e., the settlement will be net of GST/HST.

Insured not eligible for ITCs

On the other hand, where an insured person such as a final consumer or other person is not eligible to claim an ITC or rebate (whether a GST/HST registrant or not), the amount paid by the insurer to indemnify the insured will generally include an amount in respect of the GST/HST that is charged related to the repair or replacement expense.

Example

If Corporation A were not a registrant, the invoice sent to it and the copy of the invoice sent to the insurer by Best Auto Deals Inc. would not change, but the total amount paid by the insurance company would generally change. Corporation A, as a non-registrant, cannot claim an ITC in respect of the tax payable on the cost of replacing its vehicle. The insurer sends a cheque to Best Auto Deals Inc. for \$22,730 based on the following calculation:

Total of invoice	\$23,730
Less deductible	- 1,000
Total compensation from insurer to insured	\$22,730

Corporation A gives Best Auto Deals Inc. a cheque for \$1,000.

More information regarding the treatment of insurance claims can be found in GST/HST Memorandum 17.16, *GST/HST Treatment of Insurance Claims*.

Prescription drugs and medical devices supplied by pharmacies

Prescription drugs

Under the *Excise Tax Act*, supplies made by pharmacies of a drug for human use are zero-rated (taxable at the rate of 0%) when the drug is dispensed by a pharmacist on the prescription of a medical practitioner or an authorized individual for the personal consumption or use of the individual named in the prescription.

In addition, a supply of a drug for human use is zero-rated when the drug is dispensed by a medical practitioner to an individual for the personal consumption or use of the individual or a related individual.

The following definitions in the *Excise Tax Act* apply for the purpose of these zero-rating provisions:

- An “authorized individual” means an individual, other than a medical practitioner, who is authorized under the laws of a province to make an order directing that a stated amount of a drug or mixture of drugs specified in the order be dispensed for the individual named in the order.
- A “medical practitioner” means a person who is entitled under the laws of a province to practise the profession of medicine or dentistry.
- A “prescription” means a written or verbal order, given to a pharmacist by a medical practitioner or authorized individual, directing that a stated amount of any drug or mixture of drugs specified in the order be dispensed for the individual named in the order.
- A “pharmacist” means a person who is entitled under the laws of a province to practise the profession of pharmacy.

For example, an individual presents a prescription from a nurse practitioner to a pharmacist at a pharmacy in a province. If the nurse practitioner is authorized under the laws of the province to prescribe the drug for the individual named in the prescription, and if the drug is for the personal consumption or use of that individual and the pharmacist dispenses the drug for the individual, the pharmacy may sell the drug on a zero-rated basis.

Medical devices

Certain medical devices are zero-rated. Some of these medical devices can only be supplied on a zero-rated basis where certain conditions are met. Some devices sold by pharmacists or medical supply stores will be zero-rated if supplied on the written order of a medical practitioner (for these purposes a medical practitioner must be a physician) for use by the individual named in the order. Such devices include:

- aerosol chambers and metered dose inhalers for use in the treatment of asthma;
- heart-monitoring devices for use by consumers with heart disease;
- devices that convert sound to light signals;
- catheters for subcutaneous injections;
- chairs specially designed for use by individuals with a disability;
- extremity pumps, intermittent pressure pumps or similar devices for use in the treatment of lymphedema;
- orthotic or orthopaedic devices; and
- footwear that is specially designed for use by an individual who has a crippled or deformed foot or similar disability.

Only a written order by a physician will meet the conditions for these devices to be zero-rated. Note that a written order from any other health professional, including an individual who is authorized under the laws of a province to prescribe medical devices, would not permit these medical devices to be zero-rated.

Certain other medical devices are unconditionally zero-rated. The supply of these medical devices is zero-rated without the requirement of a written order from a physician. Examples of medical devices that a pharmacy or medical supply store can supply on a zero-rated basis without the written order of a physician are:

- toilet seats specially designed for use by an individual with a disability;
- insulin infusion pumps and blood-glucose monitors;
- mechanical percussors for postural drainage treatment and chest wall oscillation systems for airway clearance therapy;
- hearing aids;
- laryngeal speaking aids;
- wheelchairs and walkers specially designed to be operated by an individual with a disability for the locomotion of the individual; and
- canes and crutches specially designed for use by an individual with a disability.

Supplies of drugs, medical devices and health care products that are not zero-rated

Please note that zero-rating does not apply to all drugs, medical devices and health care products sold in pharmacies or medical supply stores. Examples of drugs, medical devices and health care products that are subject to the GST at the rate of 5%, or the HST at the rate of 12%, 13% or 15% (depending on the province where the supply is made) are:

- over-the-counter medications such as sinus and nasal preparations, acetylsalicylic acid, and acetaminophen;
- eye drops;
- many vitamins and minerals;
- cold remedies and cough medicine such as syrup and cough drops;
- medicated shampoos; and
- personal health products such as bandages and ankle and knee supports.

These goods are available to the general public without a prescription through retail outlets and are intended to treat the symptoms of minor illnesses that do not require the advice or intervention of a health professional. Regardless of whether they are prescribed by a medical practitioner or by an authorized individual, these goods are generally not zero-rated. For example, an over-the-counter acetylsalicylic acid product purchased at a drugstore would not qualify for zero-rating, even if the purchaser has a prescription for acetylsalicylic acid and shows it to the pharmacist, unless the product is also dispensed by the pharmacist.

How to access online services for business accounts

Going online makes good business sense. To access CRA business accounts online and perform certain transactions, you can register with:

- Represent a Client if you are an authorized representative or employee; or
- My Business Account if you are the business owner.

Register as an employee or representative

If you are an employee or a representative and have not registered for “Represent a Client,” you can go to our [Represent a Client](#) page, and follow the steps below:

- Select “Register” and validate your identity with the CRA by providing your access code from your personal notice of assessment and postal code or ZIP code.
- Create a CRA user ID, password and security questions and answers.
- Register yourself and receive a representative identifier (RepID), create a group identifier (GroupID) or register your business (using your BN).
- Obtain authorization by giving your RepID, GroupID or BN to the business or your employer so they can authorize you to access their business account information online.

Note

The business owner can authorize you for online access either through My Business Account or by filing [Form RC59, Business Consent Form](#).

Register as a business owner

Business owners will first need to enter information from either their current or previous year’s personal income tax and benefit return, as well as their business number. A CRA security code with instructions on completing the registration process will be mailed to their personal mailing address currently on file with the CRA within five business days. The separate mailing of the security code is a measure used to protect the owner from identity theft and to ensure the security of business information. Once registered for My Business Account, the business owner will no longer require an access code to file their GST/HST returns.

Need an Access Code? Try GST/HST Access Code Online

If you have misplaced your access code or did not receive one in the mail, you can get a new one using GST/HST Access Code Online.

GST/HST Access Code Online will immediately create a new access code to replace the one that was lost or that you did not receive in the mail. The original access code will no longer be valid.

You will need to enter the Business Number and reporting period of the return you need an access code for, along with one of the following:

- the reporting period and line 109 (net tax) from a previously filed return where the line 109 amount is not equal to \$0.00; or,
- the reporting period and confirmation number from a return filed using GST/HST NETFILE, TELEFILE, or Internet File Transfer.

GST/HST Access Code Online can be accessed from the GST/HST NETFILE Web page at www.cra.gc.ca/gsthst-netfile

Prescribed rates of interest

The prescribed annual rate of interest in effect from July 1, 2011, to September 30, 2011, 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 1% for corporate taxpayers and 3% for non-corporate taxpayers. 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
2011			
July 1 – September 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
April 1 – June 30	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
January 1 – March 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%
2010			
October 1 – December 31	1% corporate taxpayers 3% non-corporate taxpayers	5%	3%

Prescribed interest rates for previous years are available on the CRA Web site at 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 forms

E412	<i>Notice of Revocation of Waiver</i>
GST59	<i>GST/HST Return for Imported Taxable Supplies and Qualifying Consideration</i>
GST62	<i>Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized)</i>
GST66	<i>Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund</i>
GST74	<i>Election and Revocation of an Election to use the Quick Method of Accounting</i>
GST111	<i>Financial Institution GST/HST Annual Information Return</i>
GST190	<i>GST/HST New Housing Rebate Application for Houses Purchased from a Builder</i>
GST287	<i>Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting</i>
GST303	<i>Application to Offset Taxes by Refunds or Rebates</i>
RC79	<i>Deposit Advice</i>
RC199	<i>Voluntary Disclosures Program (VDP) - Taxpayer Agreement</i>
RC7066-SCH	<i>Provincial Schedule - GST/HST Public Service Bodies' Rebate</i>

GST/HST guides

- RC4027 [Doing Business in Canada - GST/HST Information for Non-Residents](#)
RC4028 [GST/HST New Housing Rebate](#)
RC4419 [Financial Institution GST/HST Annual Information Return](#)

GST/HST info sheets

- GI-066 [How a Charity Calculates the Net Tax to be Reported on its GST/HST Return](#) (revised)
GI-067 [Basic GST/HST Guidelines for Charities](#) (revised)
GI-068 [Basic GST/HST Guidelines for Public Institutions](#) (revised)
GI-106 [Ontario First Nations Point-of-Sale Relief - Reporting Requirements for GST/HST Registrant Suppliers](#) (revised)
GI-118 [Builders and GST/HST NETFILE](#)
GI-119 [Harmonized Sales Tax – New Place of Supply Rule for Sales of Specified Motor Vehicles](#)
GI-120 [Assignment of a Purchase and Sale Agreement for a New House or Condominium Unit](#)
GI-121 [Determining Whether a Public Service Body is Resident in a Province for Purposes of the Public Service Bodies' Rebate](#)

GST/HST memoranda

- 17-14 [Election for Exempt Supplies](#)

GST/HST technical information bulletins

- B-102 [First Nations Goods and Services Tax - Place of Supply](#) (revised)

Excise duty notices

- EDN30 [Tobacco Marking Requirements under the Amended Stamping and Marking of Tobacco Products Regulations](#)

Softwood lumber products export charge notices

- SWLN39 [Termination of the 10% Additional Export Charge and Refund of Overpayments](#)
SWLN40 [Surge Charge – Alberta Region \(June 2011\)](#)

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/gsthstech, at www.cra.gc.ca/etsl, and at www.cra.gc.ca/exciseduty.

Enquiries

For online access to business accounts, such as view up-to-date account balances and transactions, transfer payments, and more for your GST/HST, softwood lumber products export charge, air travellers security charge as well as excise taxes and duty accounts, go to:

- www.cra.gc.ca/representatives, if you are an authorized representative or employee; or
- www.cra.gc.ca/mybusinessaccount, if you are the business owner.

For technical help while using our online services for:

- business accounts, call 1-877-322-7849
- teletypewriter users, call 1-888-768-0951
- calls outside of Canada and the United States, call collect 709-772-8371

Please have the screen number (bottom right); and if applicable, the error number and message received on hand when calling.

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 go to 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.revenuquebec.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.