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## **GST/HST News**

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### **Contents...**

<i>The Canada Customs and Revenue Agency.....</i>	<i>1</i>
<i>More services for GST/HST registrants .....</i>	<i>1</i>
<i>Vocational schools.....</i>	<i>2</i>
<i>First Nation Tax (FNT).....</i>	<i>2</i>
<i>Passenger transportation .....</i>	<i>3</i>
<i>Tax status of flying time.....</i>	<i>3</i>
<i>New address for your tax centre.....</i>	<i>3</i>
<i>Prescribed interest rates.....</i>	<i>4</i>
<i>What's new in publications.....</i>	<i>4</i>
<i>GST/HST enquiries .....</i>	<i>4</i>
<i>Customs informaton day.....</i>	<i>4</i>

The *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 law, either enacted or proposed. For further information on any of the articles contained in this newsletter, contact your nearest Canada Customs and Revenue Agency tax services office.

CCRA information can also be found on the Internet at <http://www.ccra-adrc.gc.ca>

Comments or suggestions about the newsletter should be sent to the Editor, *GST/HST News*, Ottawa, Ontario K1A 0L5.

**Please note that any changes to your name or address should be directed to your local Revenue Canada tax services offices, and not to the Editor.**

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## **The Canada Customs and Revenue Agency**

On November 1, 1999, Revenue Canada became the Canada Customs and Revenue Agency (CCRA). Our mission remains unchanged; becoming the CCRA does not change our responsibilities and obligations to Canadians. We will continue to be accountable to the Minister of National Revenue and Parliament, and our employees will remain members of the Public Service of Canada.

However, now that we are structured to operate as an agency, we can do more to improve our services to the public. Agencies have more freedom to develop new ways of doing business and tailoring their services to meet the needs and expectations of their clients.

A new Board of Management will guide the organization and development of the Agency. It consists of 15 members, 11 of whom are nominated by the provinces and territories. These individuals come from the private and voluntary sectors. They will bring the priorities and concerns of Canadians directly into the management of the CCRA, providing new insight and new ideas that will help us do a better job improving services to you.

As an agency, we can explore new partnerships with the provinces and territories to streamline the collection of taxes and premiums. In the future, this could help reduce the number of times individuals and businesses have to provide information to different levels of government.

Our values – integrity, professionalism, respect, and cooperation – will continue to guide our organization. We remain committed to protecting your privacy and to ensuring that you are treated at all times with fairness and respect.

## **More services for GST/HST registrants**

If your business operates in Nova Scotia, you can now apply for a Workers' Compensation Board of Nova Scotia account, initiate a business name reservation in Nova Scotia, and obtain applications for various Nova Scotia business licences and permits on Business Registration On-line (BRO) workstations in CCRA offices across the country. These new services, when added to those already available at the workstations (registration for Business Number (BN), GST/HST, corporate income tax, payroll deductions and import/export) allow businesses to access both federal and provincial services in one easy step.

CCRA is working with other provinces and federal departments to offer expanded single-transaction services for business.

## Vocational schools

For the purposes of the GST/HST, a vocational school is defined as an organization that is established and is operated primarily to provide students with correspondence courses, or instruction in courses, that develop or enhance students' occupational skills.

An organization that qualifies as a vocational school may provide courses exempt of the GST/HST where certain conditions are met.

Effective for all supplies made after 1996, an organization must satisfy the following three criteria in order to be considered a vocational school:

- the organization must be *established primarily* to provide correspondence courses, or instruction in courses, that develop or enhance students' occupational skills;
- the organization must be *operated primarily* to provide correspondence courses, or instruction in courses, that develop or enhance students' occupational skills; and
- the courses must develop or enhance students' *occupational skills*.

### Established primarily

To ascertain whether an organization is "established primarily" to provide correspondence courses, or instruction in courses, that develop or enhance students' occupational skills, we will review the organization's governing documents. These documents, which include the letters patent, articles of incorporation, memoranda of agreement, by-laws, and articles should reveal the purpose for which the organization was established.

### Operated primarily

We will consider an organization to be "operated primarily" to provide correspondence courses, or instruction in courses, that develop or enhance students' occupational skills if more than 50% of its total annual revenue is derived from tuition for courses, or may be attributed to the provision of instruction in courses, that develop or enhance students' occupational skills.

Revenue earned from the provision of property or services that are related to, or dependent on, the provision of instruction will be included in the revenue calculation to determine the primary purpose of the organization. Examples of property or services that are related to, or dependent on the provision of such instruction include the sale of textbooks and other course material to students, the lease of residential accommodation to students, locker rentals, photocopying services to students, library or lab fees, parking, and fees for the issuance of official transcripts and documents.

Grants and contributions received from government bodies to provide occupational training courses to individuals will be included in the calculation of revenues received for providing instruction to individuals.

### Develop or enhance students' occupational skills

Occupational courses must have a direct link to skills that are essential for an individual to gain or retain employment. We do not consider courses in sports, games, hobbies or other recreational or cultural pursuits, that are designed for personal interest, to be courses which develop or enhance a student's occupational skills.

More information regarding vocational schools can be found in GST/HST Policy Statement P-229, *Definition of "Vocational School" in Section 1 of Part III of Schedule V to the Excise Tax Act*. This policy statement can be found on the CCRA Internet site under Tax, Technical Publications, GST and HST, Policy Statements.

## First Nations Tax (FNT)

Following recent changes to the legislation the following amendments have been made to the First Nations Taxes across Canada.

### Westbank First Nation Tax – additional products subject to FNT

The Westbank First Nation Council has passed a by-law that imposes a 7% tax on the sale of motive fuels and alcoholic beverages sold on the Westbank First Nation reserves in British Columbia. The effective date of the tax on these products is September 1, 1999. The Westbank FNT previously applied to tobacco products only (effective February 1, 1998). The CCRA is administering this tax on behalf of the Westbank First Nation.

### Sliammon First Nation Tax (Sliammon First Nation Community Improvement Fee)

The Sliammon First Nation Council has passed a by-law that imposes a 7% tax on the sale of motive fuels and tobacco products sold on the Sliammon First Nation reserves in British Columbia. The Sliammon First Nation Council has approved this tax as the Sliammon First Nation Community Improvement Fee (SFNCIF). The effective date of the tax is September 1, 1999. The CCRA is administering this tax on behalf of the Sliammon First Nation.

The Sliammon First Nation Tax is administered similarly to the Westbank FNT and the Kamloops FNT that are currently in place.

The publication RC4072 *First Nations Tax (FNT)* provides more details about these taxes, including the definition of the products subject to FNT. It is available from any tax services office and on the CCRA Internet site under General Information, Business, GST and HST, Guides.

## Passenger transportation

On August 12, 1999 the Minister of Finance announced several proposed measures aimed at simplifying compliance with the GST/HST and reducing administrative costs for the passenger transportation sector. The proposals include:

- removing the requirement that consideration be tendered outside Canada for the zero-rating of journeys that include air travel and originate in the United States (except Hawaii) or St. Pierre and Miquelon;
- zero-rating the service of supervising an unaccompanied child when provided in connection with, and by the supply of, a zero-rated passenger transportation service;
- zero-rating the supply by a person of a service of issuing, delivering, amending, replacing or cancelling a ticket, voucher or reservation for a zero-rated passenger transportation service to be provided by the person;
- zero-rating an agent's services supplied to a person in respect of a zero-rated passenger transportation service provided by that person; and
- deeming the supply of certain services provided by a person in connection with a passenger transportation service supplied by the person as having been made in a province if the supply of the passenger transportation service is made in the province. The related services are the service of supervising an unaccompanied child and the service of issuing, delivering, amending, replacing or cancelling a ticket, voucher or reservation.

On October 8, 1999, it was further announced that all of these measures are proposed to come into effect on January 1, 2000, rather than November 1, 1999, as originally indicated.

More information regarding these News Releases (#99-072 and #99-086) can be found on the Department of Finance Internet site at [www.fin.gc.ca](http://www.fin.gc.ca) under "News Releases, 1999" and from your tax services office.

## Tax status of flying time

As discussed in the Fall 1999 issue of the *GST/HST News* (#34), certain supplies of courses by a vocational school are exempt from the GST/HST. Generally, the supply must be in respect of courses leading to certificates, diplomas, licences or similar documents, or classes or ratings in respect of licences, that attest to the competence of individuals to practise or perform a trade or vocation.

Federal legislation sets out the flight time requirements, and other requirements or qualifications an individual must meet in order to obtain a Commercial Pilot Licence (Aeroplane) and the Airline Transport Pilot Licence. This legislation also sets out the flight time requirements, and other qualifications, an individual must meet in order to obtain classes or

ratings in respect of these licences. A rating is an authorization associated with, and forming part of, a licence, setting out special conditions, privileges or limitations attaching to the licence (e.g., night rating).

Generally, the federal legislation outlines various amounts of flight time an individual must complete in order to obtain a pilot licence or a class or rating in respect of a pilot licence. The CCRA considers this federally required flight time to fall into three main classifications: (1) dual flight time, (2) solo flight time, and (3) build-up flight time.

For the purposes of the dual flight time and solo flight time, the student is considered by the CCRA to be under instruction and direct supervision. Therefore, supplies of both dual flight time and solo flight time are usually considered exempt supplies where they are related to commercial pilot ratings or flight instructor training.

Build-up flight time refers to additional flight time that must be completed by the student, over and above the dual and solo flight time, in order to obtain a pilot licence or a class or rating in respect of a pilot licence. For the purposes of the build-up flight time, the student is not considered by the CCRA to be under instruction and direct supervision. Therefore, the supply of build-up time is considered a taxable supply, even where it is related to commercial pilot ratings or flight instructor training.

This administrative policy is effective April 1, 1997 with respect to HST, and January 1, 1991 with respect to GST.

For more detailed information please consult the Policy Statement P-034R, *Tax Status of Flying Time Pursuant to Section 8 of Part III of Schedule V to the ETA*. This policy statement can be found on the CCRA Internet site under Tax, Technical Publications, GST and HST, Policy Statements.

## **New address for your tax centre**

Throughout 1999 and early 2000, the Canada Customs and Revenue Agency will be redistributing its tax centre workloads to make it easier for our clients to do business with us. If you file your returns by mail, the address of the Tax Centre to which you should send your GST/HST returns and remittances will be printed on the back of the forms that we send to you.

## Prescribed interest rates

GST/HST interest and penalty compound daily. Income tax interest also compounds daily. For excise duty, penalty compounds monthly, and interest compounds daily. For all other taxes noted below, penalties and interest are calculated monthly for each month or part-month in which a balance remains. The total amount payable is based on the total tax, penalties, and interest outstanding. Prescribed interest rates are adjusted every calendar quarter.

	GST/HST, FST, Air Transportation Tax, Excise Tax (annualized rates)		Excise Duty (annualized rates)		Income Tax (annual rates)	
	Interest*	Penalty	Interest	Penalty	Refund Interest	Arrears and Instalment Interest
1999	%	%	%	%	%	%
January 1 – March 31	4.8667	6.0	7.0	6.0	7.0	9.0
April 1 – June 30	4.8132	6.0	7.0	6.0	7.0	9.0
July 1 – September 30	4.7609	6.0	7.0	6.0	7.0	9.0
October 1 – December 31	4.7609	6.0	7.0	6.0	7.0	9.0

\* To calculate interest for GST/HST purposes only, divide the adjusted annual interest rate by 365 and apply it daily.

## What's new in publications

### GST/HST Memoranda Series

Memorandum 3.1 *Liability for Tax*

Memorandum 17.6 *Definition of "Listed Financial Institution"*

Memorandum 17.9 *Insurance Agents and Brokers*

Memorandum 19.4.1 *Commercial Real Property – Sales and Rentals*

Memorandum 19.4.2 *Commercial Real Property – Deemed supplies*

### GST/HST Technical Information Bulletins

B- 086 *Rebate for Specially-Equipped Vehicles for Persons with Disabilities*

### GST/HST Guides

RC4034(E) *GST/HST Public Service Bodies' Rebate*

Lists of current publications can also be found on the CCRA Internet site at [www.ccra-adrc.gc.ca](http://www.ccra-adrc.gc.ca) under Tax in either the Business or Technical Publications sub-headings.

## **Customs information day**

The Canada Customs and Revenue Agency (CCRA) is hosting a Customs Information Day for importers, exporters, and the travelling public on Saturday, January 15, 2000, from 9:00 a.m. to 4:00 p.m. at the Ameri-Cana Resort and Conference Centre, Niagara Falls, Ontario.

The information day will feature more than 20 booths representing the CCRA, other Canadian federal agencies and departments, US Customs Service, US Immigration and Naturalization Service, and private-sector associations. Admission and parking for this event will be free. Seminar space is limited. For more information, call toll free 1 (888) 790-5553, fax (905) 308-8616, or visit the CCRA Internet site at: [www.ccra-adrc.gc.ca/events](http://www.ccra-adrc.gc.ca/events), or write to Canada Customs and Revenue Agency; Client Services Unit; P.O. Box 2989; Hamilton, Ontario L8N 3V8

## **GST/HST enquiries**

To make enquiries regarding  
your GST/HST account please  
refer to your telephone directory  
under the Government of Canada  
listings for Revenue Canada,  
Business Enquiries or call

1-800-959-5525

To make enquiries regarding the  
status of specific GST/HST rebate  
claims call

1-800-565-9353.