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***GST/HST News***

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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 tax services office, and not to the Editor.**

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## Changes to the *GST/HST News*

We are changing the way we publish the *GST/HST News*. We will be publishing an **annual** paper version of the newsletter at the end of each calendar year and, starting with the Summer 2000 issue of the *News*, an electronic version for each of the remaining three quarters (Spring, Summer, and Fall).

The annual edition of the *News* will cover, in summary form, the same technical issues discussed in the quarterly electronic issues of the year, and will be delivered in December to all registrants. For the remaining three quarters, we will be publishing the newsletter electronically and making it available on the Internet on the Canada Customs and Revenue Agency (CCRA) web site at [www.ccr-a-adrc.gc.ca](http://www.ccr-a-adrc.gc.ca) under the sub headings Tax, Business, GST/HST, or by going directly to the following address: [www.ccr-a-adrc.gc.ca/menu/EmenuKOA.html](http://www.ccr-a-adrc.gc.ca/menu/EmenuKOA.html).

This change is a result of cost saving initiatives by the CCRA and also responds to registrants' concerns with the paper burden of a quarterly publication.

Look for the next *GST/HST News* on the CCRA Internet site around mid-June.

## Ceasing to be a registrant

If you are a small supplier (other than a person who is carrying on a taxi business), or you decide to close your business, or stop making taxable supplies, and you no longer need to be registered for the GST/HST, you can request to cancel your registration. However, you may have to remit GST/HST on capital property used in your commercial activities, and on other property you have *on hand* when you cancel your registration.

When cancellation occurs, you continue to be responsible for filing all GST/HST returns, and remitting any GST/HST collected or collectible on taxable supplies while a registrant.

### Non-capital property held at the time of de-registration

When you cease to be a registrant, you are considered to have sold each property (other than your capital property) held by you for consumption, use or supply in a commercial activity and to have collected GST/HST on such sales. The amount of GST/HST you are considered to have collected is calculated on the fair market value of each of these properties immediately before you cease to be a registrant. You are required to account for this GST/HST amount on your last return as a registrant.

### Capital property held at the time of de-registration

Upon ceasing to be a registrant, where you were using capital property (such as land, buildings, vehicles and computers) in your commercial activity, you are considered to have ceased using that property in your commercial activity immediately before ceasing to be a registrant. As a result, the "change-in-use rules" may be invoked. Under these rules, you are considered to have sold the capital property immediately before ceasing to be a registrant, and you are considered to have collected tax equal to the "basic tax content" of the capital property at that time.

The "basic tax content" of your capital property is generally the amount of GST/HST that you were required to pay on the property and improvements, after deducting any amounts (other than input tax credits) that you were entitled to recover by rebate, remission, or otherwise, and after taking into account any depreciation in the value of the property.

Finally, you are required to account for the tax you are considered to have collected in your net tax calculation on your last return as a registrant. As a result of these rules, the input tax credits previously claimed on such property will generally be recaptured. For information on the change-in-use rules and on calculating basic tax content, contact your tax services office.

### Input tax credits for services, rent, royalties and similar payments

You are eligible to claim input tax credits on GST/HST that becomes payable after you cease to be a registrant, provided the GST/HST payable is for services that were supplied to you before you cease to be a registrant. In addition, you can claim input tax credits for the GST/HST that becomes payable after you cease to be a registrant provided the GST/HST payable is for rent, royalties or similar payments that are attributable to a period before you cease to be a registrant.

In the case of pre-paid arrangements, you will be required to make an adjustment (“add-back” of input tax credits) to your net tax calculation on your final return to the extent that you have claimed input tax credits for the GST/HST paid or payable on services to be provided to you after you cease to be a registrant, or for rent, royalties or similar payments that are attributable to a period, after you cease to be a registrant.

Please note that these general rules for persons ceasing to be a registrant do not apply to taxi operators. Please discuss the special rules for taxi operators with your tax services office.

#### Final reporting period as a registrant

When you cease to be a registrant, your final reporting period as a registrant is considered to end immediately before the day you cease to be a registrant. For example, suppose that your fiscal year is May 1, 2000, to April 30, 2001; you usually report on a quarterly basis; and you cease to be a registrant on September 23, 2000. Your final reporting period as a registrant would be August 1 to September 22, 2000.

Should you wish to cancel your registration contact your tax services office, or use Form GST11, *Request for Cancellation of Registration*, which can be obtained from your tax services office, or downloaded online at the CCRA Internet site at [www.ccradrc.gc.ca](http://www.ccradrc.gc.ca) under the headings Forms and Publications, All Forms, sub-heading A to S, or by going directly to the following address: [www.ccradrc.gc.ca/E/pbg/gf/gst11ep/README.html](http://www.ccradrc.gc.ca/E/pbg/gf/gst11ep/README.html).

## **Notice of Ways and Means Motion**

A Notice of Ways and Means Motion to amend the *Excise Tax Act* and other acts was tabled in the House of Commons on December 2, 1999. The Motion reintroduces measures tabled in the House of Commons on June 4, 1999, (Bill C-88), along with new measures announced on August 12, and October 8, 1999.

The proposed legislation includes some refinements and additions to previously announced measures such as multi-employer pension plans, sales of accounts receivable, charities, and penalties for false statements or omissions.

A copy of the News Release, Background, Motion, and Explanatory Notes can be found on the Department of Finance web site at [www.fin.gc.ca](http://www.fin.gc.ca) under News Releases and Speeches or by going directly to the following address: [www.fin.gc.ca/newse99/99-104e.html](http://www.fin.gc.ca/newse99/99-104e.html). Should you wish to discuss any of these proposed amendments as they relate to your business, please contact your tax services office.

## **Visitor Rebate Program – information for vendors**

As tourist season approaches, the CCRA would like to remind you that the Visitor Rebate Program allows your non-resident customers to obtain a refund of certain taxes paid in Canada on eligible purchases of short-term accommodation and goods that are exported within sixty days after delivery. The Visitor Rebate program refunds the GST/HST and the Quebec provincial sales tax.

To qualify for a tax refund, purchase amounts (before taxes) of eligible accommodation and goods on which non-resident visitors pay the GST/HST and provincial sales taxes must total at least CAN\$200, and each individual receipt, in the case of a refund for goods, must show a purchase amount (before taxes) of at least CAN\$50 for eligible goods. Since February 1, 1999, enhanced verification for the export of goods is required at land borders only.

However, if you ship purchases for non-resident customers directly to a point outside Canada, you do not charge the GST/HST or the Quebec provincial sales tax. In this situation, your non-resident customers cannot claim a Visitors' Rebate.

For more information on how GST/HST applies to tourism, conventions, and the Visitor Rebate Program:

- access the Visitor Rebate Program web page on the CCRA Internet site, at [www.ccradrc.gc.ca/visitors](http://www.ccradrc.gc.ca/visitors);
- refer to the CCRA booklet, *Tax Refund for Visitors to Canada* (RC4031), available from any tax services office or the Visitor Rebate Program Internet site;
- write to: Visitor Rebate Program, Summerside Tax Centre, Summerside PEI, C1N 6C6; or
- e-mail your questions to the Visitor Rebate Program at [visitors@ccra-adrc.gc.ca](mailto:visitors@ccra-adrc.gc.ca).

## New business avenue for registrants

CCRA and Contracts Canada (a partnership of 23 federal government departments and agencies) are making it easier for businesses to sell goods and services to federal government departments and agencies. Businesses merely need to register themselves in the new Supplier Registration Information (SRI) database to identify themselves as potential suppliers of such goods and services. They will receive a 15-digit procurement number based on their Business Number (BN), which Contracts Canada obtains from the CCRA and e-mails to the business.

SRI can be searched by government buyers in all federal departments and agencies who wish to purchase goods and services via a low-dollar-value contract. This is especially beneficial to suppliers that do not have the resources to seek out government contracts. SRI will also be used as a central registration point that other government purchasing systems can access, thus reducing the need for businesses to provide their “tombstone” information to other purchasing systems. Businesses, including those that already have a GST/HST number, can register in the SRI database, free of charge, at: [www.contractsCanada.gc.ca](http://www.contractsCanada.gc.ca)

## Excise tax corner

Excise tax is levied on goods such as wine, tobacco products, heavy automobiles, automotive air conditioners, gasoline, diesel fuel, and jewellery. Whenever these products are imported into Canada or manufactured or produced in Canada and delivered to a purchaser, an excise tax is levied.

Liability for the tax rests with the manufacturer or producer, importer, or licensed wholesaler of the goods. Manufacturers or producers whose sales of goods subject to excise tax exceed \$50,000 per calendar year, must be licensed and must remit excise tax on sales that are made under taxable condition.

Manufacturers or producers are considered to be persons who physically manufacture these products themselves, who have goods further manufactured on their behalf by another person while retaining title or right to the goods, or who marginally manufacture the goods. A marginal manufacturer is a person who prepares goods for resale by assembling, mixing, blending, diluting, cutting to size, bottling, packaging or repackaging the goods, or applying coatings or finishes to the goods.

If you are involved in any of the above industries you may want to contact your tax services office for further information pertaining to your obligations and entitlements in these areas.

## What's new in publications

### GST/HST Guides

RC4034 – revised	<i>GST/HST Public Service Bodies' Rebate</i>
RC4049	<i>GST/HST Information for Municipalities</i>
RC4091	<i>GST/HST Rebate for Partners</i>

Current publications can be found on the CCRA Internet site at [www.ccr-aadrc.gc.ca](http://www.ccr-aadrc.gc.ca) under Tax in either the Business or Technical Publications sub-headings or by going directly to the following addresses: [www.ccr-aadrc.gc.ca/menu/EmenuHDA.html](http://www.ccr-aadrc.gc.ca/menu/EmenuHDA.html) for guides, pamphlets, forms, and the *GST/HST News*, or at [www.ccr-aadrc.gc.ca/menu/EmenuKZW.html](http://www.ccr-aadrc.gc.ca/menu/EmenuKZW.html) for GST/HST Memoranda, Technical Information Bulletins, Policy Papers, Notices and Questions and Answers.

## 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, Air Transportation Tax, Excise Tax (annual rates)		Excise Duty (annual rates)		Income Tax (annual rates)	
	Interest* %	Penalty %	Interest %	Penalty %	Refund Interest %	Arrears and Instalment Interest %
<b>2000</b>						
January 1 – March 31	4.8264	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 366 (as the year 2000 is a leap year) and apply it daily.

## New address for your tax centre

We have been redistributing our tax centre workloads to make it easier for our clients to do business with us. This redistribution started in 1998 and will be completed in early 2000. 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.

## GST/HST Enquiries

To make enquiries regarding  
your GST/HST account please  
call Business Enquiries

at

1-800-959-5525.

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

1-800-565-9353.