



# Directive on Charging and Special Financial Authorities

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# Directive on Charging and Special Financial Authorities

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## 1. Effective date

- 1.1 This directive takes effect on April 1, 2019.
- 1.2 This directive replaces the following Treasury Board policy instruments:
  - *Policy on Interdepartmental Charging and Transfers Between Appropriations* (June 20, 1997)
  - *Policy on Special Revenue Spending Authorities* (July 1, 2000)
  - *Policy on Service Standards for External Fees* (April 1, 2012)
  - *Directive on Internal Support Services* (April 1, 2012)
  - *Directive on Specified Purpose Accounts* (August 12, 2010)
  - *Directive on Receipt, Deposit and Recording of Money* (August 12, 2010)
- 1.3 Subsection 4.2.4 of this directive, including subsections 4.2.4.1, 4.2.4.2, 4.2.4.3, 4.2.4.4 and 4.2.4.5, will take effect on April 1, 2020.

## 2. Authorities

- 2.1 This directive is issued pursuant to the authorities indicated in sections 7 and 39 of the *Financial Administration Act*.
- 2.2 This directive is issued pursuant to the authorities indicated in sections 4, 7 and 20 of the *Service Fees Act*.

## 3. Objectives and expected results

- 3.1 The objectives indicated in section 3 of the *Policy on Financial Management* apply to this directive.
- 3.2 The expected results indicated in section 3 of the *Policy on Financial Management* apply to this directive.

# 4. Requirements

## General

- 4.1 Chief financial officers (CFOs) are responsible for the following:
  - 4.1.1 Ensuring that the revenue from external fees is credited to the Consolidated Revenue Fund if the department does not have the authority to respend the revenue collected; and
  - 4.1.2 Consulting with central agencies when assessing the impact of external fees.

## Fees (external charging)

- 4.2 CFOs are responsible for the following:
  - 4.2.1 Ensuring that the authority under which fees are fixed has been identified;
  - 4.2.2 Providing the deputy head with assurance that cost estimates for a new or amended fee are reasonable;
  - 4.2.3 Ensuring that fees do not exceed the full costs to government to provide the service or regulatory scheme unless the responsible authority may charge fees that exceed costs (for example, proprietary charges);
  - 4.2.4 Ensuring that a departmental policy and procedures for granting remissions to fee-payers under section 7 of the *Service Fees Act* are established and adhered to by:
    - 4.2.4.1 Ensuring that the remission policy establishes appropriate considerations for determining whether a service standard is not met and whether a remission is warranted, including but not limited to:
      - 4.2.4.1.1 The proportion by which the standard is not met;
      - 4.2.4.1.2 The impact on the fee-payer of the standard not being met;
      - 4.2.4.1.3 Any circumstances beyond the department's control that may impact its ability to meet the standard; and

- 4.2.4.1.4 Any role that the fee-payer may play in the standard not being met;
- 4.2.4.2 Ensuring that the portion of a fee to be remitted is proportional to the degree that the service standard was not met;
- 4.2.4.3 Ensuring that interest is not paid for remissions made under section 7 of the *Service Fees Act* and communicating this practice in the departmental remissions policy (section 4.1.6 of the Directive on Payments does not apply to fee remissions);
- 4.2.4.4 Ensuring that remissions are granted to a fee-payer in the form of a refund, a credit, a waiver or other manner acceptable to the department; and;
- 4.2.4.5 Ensuring that the remission policy and procedures are available to the public;
- 4.2.5 Ensuring that annual and periodic fee adjustments are implemented and charged, if applicable, and that the amount of the fee is updated on all departmental websites and documentation by:
  - 4.2.5.1 Ensuring that the anniversary date for the annual adjustment under section 17 of the *Service Fees Act* is April 1 for all fees charged by the department (in exceptional circumstances, departments may choose a different date for fees in consultation with the Treasury Board of Canada Secretariat); and
  - 4.2.5.2 Ensuring that the adjustment date for fees subject to other adjustment mechanisms is April 1 (in exceptional circumstances, departments may choose a different date for fees in consultation with the Treasury Board of Canada Secretariat);
- 4.2.6 Ensuring that consultations occur with fee-payers when introducing a proposed periodic fee adjustment, in lieu of following the requirement of section 17 of the *Service Fees Act*;
- 4.2.7 Ensuring that a departmental plan to periodically review activities for which fees are charged is established and implemented; and

- 4.2.8 Ensuring that, in accordance with section 20 of the *Service Fees Act*, an annual report is developed in the manner prescribed by the Treasury Board of Canada Secretariat's annual reporting instructions.
- 4.3 Senior departmental managers are responsible for the following:
  - 4.3.1 Ensuring that departmental legal services have been consulted when considering amending an existing fee or establishing a new fee;
  - 4.3.2 Establishing service standards for fees charged for services, the use of a facility, and the conferral of rights and privileges in accordance with relevant Treasury Board policies and directives, including the Policy on Service and the Cabinet Directive on Regulation;
    - 4.3.2.1 Ensuring that determining whether a service standard has been met is made on an individual basis;
  - 4.3.3 Ensuring that fee proposals are developed before amending an existing fee or establishing a new fee. This requirement does not apply to fees that are set by contract or by a method that is out of the department's control (for example, by auction). Senior departmental managers are responsible for:
    - 4.3.3.1 Ensuring that fee proposals contain:
      - 4.3.3.1.1 A description of the activity or service for which a fee is charged;
      - 4.3.3.1.2 Related total costs;
      - 4.3.3.1.3 The proposed fee amount;
      - 4.3.3.1.4 The pricing factors;
      - 4.3.3.1.5 The rational for the proposed fee;
      - 4.3.3.1.6 The related service standard (if applicable);
      - 4.3.3.1.7 An impact assessment;
      - 4.3.3.1.8 The expected revenue from the fee; and
      - 4.3.3.1.9

Other information that is deemed relevant to the department or required by the Treasury Board of Canada Secretariat;

- 4.3.3.2 Ensuring that all fee proposals are provided in full to the Treasury Board of Canada Secretariat for review, before consulting with the public; and
- 4.3.4 Establishing and implementing processes for tracking and monitoring the charging of fees, compliance with service standards, and remissions, where applicable.

## **Internal charging for enterprise services**

4.4 CFOs are responsible for the following:

- 4.4.1 Ensuring that the amount to be charged does not exceed the approved estimate. The rate may exceed the value of related expenditures only if approved by the Treasury Board;
- 4.4.2 Ensuring that Treasury Board approval is obtained for the rates to be charged to client departments for mandatory services that are not funded by appropriations:
  - 4.4.2.1 Except where the Treasury Board has authorized the department to set rates directly; and
- 4.4.3 Ensuring that rates set for services to Crown corporations or non-federal organizations are consistent with the mandate of the department and do not exceed the full cost to government of providing the service.

4.5 Senior departmental managers are responsible for the following:

- 4.5.1 Working with the CFO to ensure that the fees charged are reasonable and within the department's authority;
- 4.5.2 Estimating the cost to deliver the service;
- 4.5.3 Ensuring that a written agreement is established and approved by authorized representatives of both departments before services are provided. The written agreement must define the following:

- 4.5.3.1 The cost of the service and the rate;
  - 4.5.3.2 The service standard; and
  - 4.5.3.3 All relevant accountabilities.
- 4.5.4 Ensuring that invoices to client departments have sufficient detail to support client Financial Administration Act section 34 certification.

## **Internal charging when collaborating (section 29.2 of the *Financial Administration Act*)**

- 4.6 CFOs are responsible for the following:
- 4.6.1 Ensuring that interdepartmental charges are made to recover an amount that is equal to or less than incremental costs incurred in providing services, except where:
    - 4.6.1.1 Charges may be waived where the costs of providing services to the other department is not material.
- 4.7 Senior departmental managers are responsible for the following:
- 4.7.1 Ensuring that the arrangements between collaborative departments do not result in the transfer of services that are subject to specific legislation or other Treasury Board direction;
  - 4.7.2 Working with the CFO to ensure that the amounts charged are reasonable and within the department's authority;
  - 4.7.3 Ensuring that a written agreement is established and approved by authorized representatives of both departments before services are rendered. The written agreement must define the following:
    - 4.7.3.1 The method that will be used to determine the cost of the service;
    - 4.7.3.2 The service standard; and
    - 4.7.3.3 All relevant accountabilities.
  - 4.7.4 Ensuring that invoices to client departments have sufficient detail to support client Financial Administration Act section 34 certifications.

## Revolving funds

4.8 CFOs are responsible for the following:

- 4.8.1 Ensuring that separate accounts are maintained for each revolving fund;
- 4.8.2 Ensuring that financial statements are prepared annually for each revolving fund in accordance with the Government of Canada Accounting Handbook, and with the Public Sector Accounting Standards and the Public Sector Guidelines issued by the Chartered Professional Accountants of Canada (CPA Canada);
- 4.8.3 Ensuring that an annual assessment of the operational and financial performance of the fund occurs in relation to the business plan, and ensuring that remedial actions are taken, if required;
- 4.8.4 Ensuring that the fund will be self-sufficient over its business cycle; and
- 4.8.5 Informing the Treasury Board of Canada Secretariat of any significant changes in the operating environment or in the fund's financial performance.

4.9 Senior departmental managers are responsible for the following:

- 4.9.1 Ensuring that Treasury Board approval is obtained prior to seeking legislative approval for any matter relating to a revolving fund;
- 4.9.2 Ensuring that Treasury Board approval is obtained for planned changes to key operating aspects of the fund, including changes to the following:
  - 4.9.2.1 The scale and materiality of the activities of the revolving fund;
  - 4.9.2.2 Resources or assets transferred to or from the fund, or obligations assumed or relinquished by the fund;
  - 4.9.2.3 The elements of direct or indirect costs to be charged to the fund, or the basis for allocating indirect overhead costs to the fund; and
  - 4.9.2.4 The basis of fees or rate setting.

## Vote netted revenues

- 4.10 CFOs are responsible for the following:
  - 4.10.1 Ensuring that vote wording is provided to the Treasury Board of Canada Secretariat for inclusion in appropriation acts;
  - 4.10.2 Seeking parliamentary approval on an annual basis for vote netted revenue authority through an appropriation act;
  - 4.10.3 Implementing internal controls to ensure that spendable revenues are used only to offset related expenditures incurred in the same fiscal year;
  - 4.10.4 Ensuring that revenues are recorded as non-spendable revenue when they are not related to expenditures incurred to provide the service;
  - 4.10.5 Seeking Treasury Board approval to offset expenditures using spendable revenue amounts received in a fiscal year in excess of 125 per cent of the amount approved by Treasury Board in the Estimates process; and
  - 4.10.6 Ensuring that recoveries of expenditures that are charged to the capital vote are recorded as non-tax, non-spendable revenues.
- 4.11 Senior departmental managers are responsible for the following:
  - 4.11.1 Ensuring that Treasury Board approval is obtained for the use of specified revenues to finance activities or programs before vote netted revenue authority is sought from Parliament.

## **Special purpose money**

- 4.12 CFOs are responsible for the following:
  - 4.12.1 Obtaining approval from the Receiver General before accepting the related special purpose money when:
    - 4.12.1.1 A new account for special purpose money is established;
    - 4.12.1.2 A change in the authority is required; or
    - 4.12.1.3 The purpose of an existing account has changed;
  - 4.12.2 Ensuring that the use of special purpose money:

- 4.12.2.1 Is restricted to payments to third parties or other government departments; and
- 4.12.2.2 Is not transferred to other accounts within the department;
- 4.12.3 Once the purpose associated with special purpose money is achieved, ensuring that:
  - 4.12.3.1 Any balance in the account is returned to the other party; or
  - 4.12.3.2 If there is no obligation to return the funds to the other party, the balance is transferred to a non-tax, non-responsible revenue account; and
  - 4.12.3.3 The Receiver General is informed and the account is closed.
- 4.13 Senior departmental managers are responsible for the following:
  - 4.13.1 Accepting special purpose money only when the specified purpose is within the department's mandate.

## **Receipts that are responsible**

- 4.14 CFOs are responsible for the following:
  - 4.14.1 Ensuring that receipts, excluding situations detailed in Appendix A, are credited to only the following:
    - 4.14.1.1 Statutory appropriations if listed in Appendix A; or
    - 4.14.1.2 Lapsing appropriations if listed in Appendix A:
      - 4.14.1.2.1 Otherwise, the receipt should be recorded as a refund of a previous year's expenditure.

## **Other government department (OGD) suspense accounts**

- 4.15 CFOs are responsible for the following:
  - 4.15.1 Ensuring that OGD suspense accounts are used only when the department is administering a program on behalf of another department;
  - 4.15.2

Ensuring that the OGD suspense account balance is zero at the end of the fiscal year by returning surplus funds to the partner organization; and

- 4.15.3 Ensuring that a written agreement that clearly establishes all relevant accountabilities is approved by authorized representatives of both departments before funds are transferred to the administering department.
- 4.16 Senior departmental managers are responsible for the following:
  - 4.16.1 Confirming with the Privy Council Office that the nature, materiality and duration of the planned arrangement do not warrant a change in the machinery of government.

## 5. Roles of other government organizations

- 5.1 Not applicable

## 6. Application

- 6.1 This directive applies to the organizations described in section 6 of the *Policy on Financial Management*.
- 6.2 This directive is issued pursuant to the authorities indicated in sections 4, 7 and 20 of the *Service Fees Act*. The following exemptions apply:
  - 6.2.1 If a fee is exempted from sections 4 to 6 (service standards) of the *Service Fees Act*, subsections 4.3.2 and 4.3.2.1 of this directive do not apply;
  - 6.2.2 If a fee is exempt from section 7 (remissions) of the *Service Fees Act*, subsections 4.2.4, 4.2.4.1, 4.2.4.2, 4.2.4.3, 4.2.4.4 and 4.2.4.5 of this directive do not apply; and
  - 6.2.3 If a fee is exempt from section 17 (Consumer Price Index) of the *Service Fees Act*, subsection 4.2.5.1 of this directive does not apply;
- 6.3 All other requirements of this directive apply, regardless of any exemption from the *Service Fees Act*.

## 7. References

## 7.1 Legislation

- Financial Administration Act, sections and subsections 17, 21, 29.1, 29.2 and 39
- Service Fees Act

## 7.2 Related instruments

- Policy on Service
- Cabinet Directive on Regulation
- Directive on the Management of Communication
  - Mandatory Procedures for Social Media and Web Communications
- Directive on Payments
- Guidelines on Costing
- Guide to Establishing the Level of a Cost-Based User Fee or Regulatory Charge
- Guideline on Service Standards
- Guideline on Service Management

# 8. Enquiries

- 8.1 Members of the public may contact Treasury Board of Canada Secretariat Public Enquiries for any questions regarding this directive.
- 8.2 Individuals from departments should contact their departmental financial policy group for any questions regarding this directive.
- 8.3 Individuals from a departmental financial policy group may contact Financial Management Enquiries for interpretation of this directive.
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# Appendix A: Standard on Receipts That Are Respendable Pursuant to Section 39 of the Financial Administration Act

## A.1 Effective date

- A.1.1 These procedures take effect on April 1, 2017.

- A.1.2 These procedures replace portions of the Directive on Receipt, Deposit and Recording of Money (August 12, 2010).

## A.2 Procedures

- A.2.1 These procedures provide details on the requirements set out in subsection 4.14 of the Directive on Charging and Special Financial Authorities.

- A.2.2 Mandatory procedures are as follows:

- A.2.2.1 **Exclusions:** Receipts may not be credited to a lapsing appropriation or a statutory appropriation when they are for the following:

A.2.2.1.1 A revolving fund;

A.2.2.1.2 Revenues under a vote netted authority; or

A.2.2.1.3 Special purpose money;

- A.2.2.2 **Lapsing appropriations:** Receipts may be credited to a lapsing appropriation if charged in the same fiscal year as the original disbursement. The receipt against which the related expenditure (advance or payment) was charged must fall within one of the following situations:

A.2.2.2.1 Recovery of an overpayment to a supplier;

A.2.2.2.2 Recovery of a duplicate payment issued to a supplier;

A.2.2.2.3 Recovery of an erroneous payment to a supplier;

A.2.2.2.4 Recovery of delinquent account travel card charges that are paid on behalf of the cardholder by the department and recovered from the cardholder or employee;

A.2.2.2.5 Repayment of an accountable advance;

A.2.2.2.6 Repayment of a repayable contribution as described in the Directive on Transfer Payments;

- A.2.2.2.7 Refund from the return of goods;
- A.2.2.2.8 Refund of sales or excise taxes and custom duties;
- A.2.2.2.9 Refund of an advance payment;
- A.2.2.2.10 Refund resulting from the settlement of contractual disputes;
- A.2.2.2.11 Refund resulting from a manufacturer's rebate, price reduction, volume discounts or other price adjustment;
- A.2.2.2.12 Refund resulting from a landlord's rebate representing a cash lease incentive where a government department is a lessee;
- A.2.2.2.13 Payment received further to an indemnification;
- A.2.2.2.14 Payment received following a claim for loss of or damage to a Crown asset;
- A.2.2.2.15 Rebate resulting from contractual arrangements;
- A.2.2.2.16 Reimbursement from an organization for its agreed share of costs further to a cost-sharing arrangement;
- A.2.2.2.17 Repayment of travel expenses such as personal stopovers and side trips for which charges were included in a departmental invoice but that are the responsibility of the employee or traveller; and
- A.2.2.2.18 Repayment by employees of expenses of a personal nature such as cellular telephone charges for which payment was made by the department.

A.2.2.3 **Statutory appropriations:** The following receipts may be credited to a statutory appropriation in the fiscal year they are received:

- A.2.2.3.1 Refund of an expenditure;

- A.2.2.3.2 Recovery of an overpayment;
- A.2.2.3.3 Repayment of an advance; and
- A.2.2.3.4 Repayment of a budgetary loan that was originally charged to the statutory appropriation.

## **Appendix B: Definitions**

### **department (ministère)**

A “federal entity,” as defined in the *Service Fees Act*, or “department,” as defined in the *Financial Administration Act*.

### **enterprise services (services intégrés)**

Services offered by departments that have the mandate to provide services to other government departments (formerly referred to as common service organizations).

### **fee (frais)**

An amount charged for the provision of a service, product, use of a facility, or any authorization provided by a department (permit, licence, right or privilege) or for the recovery of costs incurred in relation to a regulatory scheme.

### **fee set by contract (frais établis par contrat)**

A fee established under a contract between a department (as defined in section 2 of the *Financial Administration Act*) and an external party.

### **full cost to government (coût total pour le gouvernement)**

The sum of all costs (direct and indirect) incurred by the government in the supply of a good, service, property, or right or privilege.

### **incremental cost (coûts différentiels)**

An increased cost to a supplier’s appropriation resulting from an additional requirement to provide additional goods or services.

### **other government department suspense account (OGD suspense account) (comptes d’attente d’autres ministères)**

An account to which a transaction is posted on a temporary basis until its ultimate disposition is determined.

### **periodic fee adjustment (rajustement périodique des frais)**

A fee adjustment that is made according to an established frequency, based on a specific rate, formula or other factor, other than by section 17 of the *Service Fees Act*.

**related expenditures (dépenses afférentes)**

Expenditures charged against a departmental spending authority that supports the program that produces revenues where the department has the authority to use revenues to offset related expenditures.

**remission (remise)**

The reimbursement to a fee-payer of a fee or portion of a fee paid in respect of a service, use of facility, or right or privilege for which the department determines the service standard was not met.

**revolving funds (fonds renouvelables)**

Funding mechanisms in which revenues remain available in order to finance continuing operations without fiscal year limitations. In the Government of Canada, revolving funds are used as alternative means of providing funding for specific purposes. The use of revolving funds is appropriate for large, distinct activities that provide client-oriented services where costs can be financed from revenues over a reasonable business cycle.

**service standard (norme de service)**

A public commitment to provide a service, product, or conferral of rights and privileges, in a way that is measurable and relevant to the fee-payer under normal circumstances. The performance standard referred to in the *Service Fees Act* is the equivalent of a service standard.

**special purpose money (fonds destinés à des fins déterminées)**

Monies received or collected from outside parties and deposited in the Consolidated Revenue Fund pursuant to subsection 21(1) of the *Financial Administration Act*. The money may be disbursed only for the purpose specified in the instrument (i.e., act, trust, treaty, undertaking or contract) under which it is received. There has to be a direct link between monies received and monies disbursed, including any interest that may be authorized.

**vote netted revenue (revenus nets en vertu d'un crédit)**

An alternative means of wholly or partially funding selected programs or activities that produce revenues.

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