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**Statistics Canada
National Accounts and Analytical Services Field
System of National Accounts
Input-Output Division**

Draft

**Federal goods and Services Tax
and
The Canadian System of National Accounts**

By

P.S.K. Murty

29

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THE CANADIAN SYSTEM OF NATIONAL ACCOUNTS
BY
P.S.K. MURTY

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I Introduction

Effective January 1, 1991, the Federal Goods and Services Tax (GST) will replace the current Federal Sales Tax (FST). The purpose of this paper is to highlight the statistical problems that may arise due to the change and to devise a method to deal with them. The central issue that is addressed in this paper is how to maintain continuity of the database required for benchmarks of commodity taxes and total indirect taxes for the System of National Accounts (SNA).

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The GST, like the FST, is a commodity indirect tax. Both GST and FST are consumption taxes.¹ There are, however, three important differences between these two types of taxes. First, unlike the FST, the GST has an input tax credit for taxes paid by business establishments on goods and services acquired for commercial use.

Second, commodities under the FST are classified into two categories -- taxed and exempt. Under GST, however, the commodities are classified into three categories -- taxed @ 7%, taxed @ 0% or zero-rated, and exempt.

Examples of zero-rated and exempted categories are given below:

<u>Zero-rated</u>	<u>Exempted</u>
Prescription drugs	Long term residential rents
Medical devices	e.g. one month or more
Basic groceries	Used residential building
Agricultural and fishery products	Health and dental services
Exports	Educational services
	Day care services
	Legal aid services
	Financial services

¹See Yusuf Siddiqi and P.S.K. Murty; "Commodity Indirect Taxes in the Canadian Input-Output Accounts, 1984" published in The Input-Output Structure of the Canadian Economy, 1986, Catalogue 15-201; and "Federal Sales Tax in the Canadian Input-Output Accounts", Input-Output Division, Statistics Canada, Ottawa, July 1989.

GST which is paid on inputs for production of Zero-rated and fully taxed supplies can be claimed as input-tax credit; but the GST paid on inputs for the production of exempted supplies cannot be claimed as input-tax credit. Also, vendors of exempted supplies cannot charge GST on their sales. They pay GST on their inputs and pass it on to their customers by including it in their sale price as it is a part of their cost.

Third, while the FST data are available on a monthly basis for the entire economy, GST data will not be available monthly or quarterly or annually for all establishments on a consistent basis. The need for the tax data is explained in the next section.

II Need for Indirect Tax Data in the SNA

In the SNA, Income and Expenditure (I/E) Division and Input-Output (I/O) Division are the main users of detailed statistical information on indirect taxes.

At the heart of both the National Income and Expenditure Accounts and the Input-Output Accounts is the concept of Gross Domestic Product (GDP) at market prices. Both these Accounts use this concept to measure economic production and its disposition (ie. consumption). In the National Income and Expenditure Accounts, the disposition is measured by expenditure - based GDP,

while the production is measured by income-based GDP.²

In the income based GDP,³ factor income components such as wages and salaries and operating surplus (the sum of corporation profits, interest and miscellaneous investment income, accrued net income of farm operators and non-farm unincorporated business, and inventory valuation) are measured at the gross level, that is, before deducting direct (income) taxes. However, these factor income components do not include indirect taxes, embodied in the market price values of goods and services measured in the expenditure-based GDP. These indirect taxes (e.g. sales and excise taxes, property taxes, etc.) are therefore added as a separate item to arrive at total GDP at market prices.⁴

In the expenditure-based GDP,⁵ purchases of goods and services measured in components such as personal expenditure, government expenditure and gross fixed capital formation include

²National Income and Expenditure Accounts, Volume 3, A Guide to the National Income and Expenditure Accounts, Definitions - Concepts - Sources - Methods, Statistics Canada, Ottawa, September 1975, Catalogue 13-549E, pp. 67-88.

³Ibid, p.2.

⁴Ibid, p.2. In the actual presentation, the positive item of "indirect taxes" is offset by the negative item of "subsidies" and the "net indirect taxes" are shown in the income-based GDP Table 1. The subsidies are not part of market prices in the expenditure-based G.D.P. and therefore they are deducted from the income-based G.D.P.

⁵National Income and Expenditure Accounts, Annual estimates, 1976-1987, Statistics Canada, Ottawa, November, 1988, Catalogue No. 13-201, Table 2 Gross Domestic Product (Expenditure-Based), p.2.

indirect taxes paid directly by purchasers and also those paid by domestic industries on intermediate inputs used to produce goods and services.

The use of data on indirect taxes is related to the central GDP concept on both sides of the Accounts, namely, the income-based GDP and the expenditure-based GDP. It should be noted that in the System of National Accounts, all taxes (federal, provincial and local) are divided into two main categories: direct and indirect. In general, taxes levied on income (i.e. income taxes) are regarded as "direct taxes"; but those taxes that represent a business cost and which are reflected in the market prices paid by purchasers of goods and services are called "indirect taxes" (i.e. property taxes, excise and sales taxes). Such indirect taxes constitute a part of producers' costs but are not a part of the income of the factors of production.

Thus, both expenditure-based GDP and income-based GDP include the same indirect taxes; in other words, the same indirect taxes are implicitly reflected in the expenditure-based GDP, and explicitly added as a separate item in the income-based GDP. This is the general practice adopted for both the Income and Expenditure Accounts and the Input-Output Accounts. In contrast, the articulation of indirect taxes is different in the Input-Output (I/O) Accounts mainly because of the extensive details of commodities and industries presented. The I/O Accounts display the

commodity and industry structure of economic production and disposition. To meet the requirements of the I/O Accounts, indirect taxes are classified into commodity and non-commodity taxes. Commodity taxes are associated with the purchase of goods and services and are allocated to commodities and their purchasers (ie. 595 commodities, 216 industries, and 130 final demand categories). Non-commodity taxes, however, cannot be identified with any particular commodity. In fact, they are payable even if no productive activity takes place (for example, property taxes and business licenses).⁶ They are allocated directly to the industries and final demand categories that pay them. As this paper is concerned with commodity taxes, non-commodity taxes are not discussed any further here.

As the expenditure-based GDP and its components are published in the National Income and Expenditure Accounts quarterly on a calendar year basis, the corresponding GST data will also be required for the same time-periods. For the Input-Output Accounts, however, the total GST has to be disaggregated into commodities and users of those commodities in terms of industries and final demand categories.

⁶The Input-Output Structure of the Canadian Economy, 1961-1981
(Revised data) Statistics Canada, Ottawa, September 1987, Catalogue
15-510, pp 41-42.

contribute to differences and make appropriate adjustments as discussed in the paper "Commodity Indirect Taxes in the Canadian Input-Output Accounts, 1984"⁷ (Pages 27-29).

The above methodology proved to be very useful and effective in generating the required FST data by commodity and industry/final demand categories for articulation in the I/O Accounts.

IV GST Data Developments

A. Revenue Canada Return

Effective January 1, 1991, data on GST will be needed for each quarter of the calendar-year and for each calendar-year. The legislation, Bill C-62, was passed by the House of Commons on April 10, 1990⁸ and is being debated in the Senate; the GST Group of Revenue Canada is still reviewing the format of the Reporting "Return" to be used by the registrants. Based on the present information, the returns to be used in remitting the GST contain the following information: (See Appendix I)

⁷"Commodity Indirect Taxes in the Canadian Input-Output Accounts, 1984", op. cit., pp.27-29.

⁸An Act to amend the Excise Tax Act, the Criminal Code, the Customs Act, the Customs Tariff, the Excise Act, the Income Tax Act, the Statistics Act and the Tax Court of Canada Act, Department of Finance, Ottawa, February 22, 1990, p.309.

Reporting Form (Developed By GST Group of Revenue Canada)

(1) GST Account Number

(2) Reporting Period

These reporting periods are different; some establishments cover each month; some cover fiscal quarters; some cover calendar-quarters; some cover fiscal years; and some others cover calendar-years.

(3) Date due (ie. normally one month after the reporting period for monthly and quarterly filers; three months after the reporting period for annual filers).

(4) Legal Name/Address

(5) Total Taxable Supplies (ie. Sales and Other Revenue)
Value \$

This item represents value of total taxable supplies (sales) and includes rentals as well as taxable sales. It excludes GST and Provincial Sales Tax (PST) in cases where the registrants determine the value by actual data instead of the Quick Method or Streamlined Method. (See Appendix II for details). If, however, the registrants use the Quick Method or Streamlined Accounting Method,

the figures of total supplies will include some amount of GST; but the PST is supposed to be excluded.

(6) Total Purchases. Value \$

This item includes value of all inputs (both taxable and exempt inputs) and it excludes GST and PST. This means, the registrants should include PST for costing purposes, but should exclude it for GST reporting purposes.

(7) GST collectible. Value \$

This represents the amount of GST collected as per the company books; but Revenue Canada will not get this information as only item (9) below will be reported by the registrants.

(8) GST Adjustments

This is an item to be added to "GST collectible" to derive the "Total GST" for the reporting period. These adjustments are mentioned in Sections 231 to 236 of the Bill and they cover bad debts, amounts written-off and recovered, credit notes, patronage dividends, etc.

(9) Total GST including adjustments for the reporting period.

Note: The items (7) and (8) will be in the calculations of the taxpayers, but will not be reported by the taxpayers. Only item (9) will be reported.

(10) Input-tax credit allowable. Value \$

This is supposed to be calculated separately by the establishments based on the legislation.

(11) Input-tax credit adjustments.⁹

These are also in the sections 231 to 236 of the Bill. The transitional credit in 1991 for small business ranging from \$300 to \$1,000 (one time credit only) should be added to these adjustments. Also, builders' rebates on new residential buildings should also be included here.

(12) Total Input-tax credit including adjustments

Note: Here again, items (10) and (11) will not be reported by the taxpayers. Only item (12) will be reported. Items (10) and (11) will be in the calculations of the

⁹See Charts 6 and 7 of Goods and Services Tax: Technical Paper, August 1989, Department of Finance, Canada, Ottawa, pp.50-51; also see Goods and Services Tax. Information For Small Business, Department of Finance, Canada, Ottawa, p.8.

(3) Industry Classification:

It is expected that about 1.6 million establishments will be registered across the country in the prescribed registration form which contains the following information:

(See Appendix III for a specimen copy)

- Full Legal Business or Organization Name
- Legal name & address
- Trading name (if different from above)
- Mailing Address
- Name of contact, title, telephone no.
- Annual GST - Taxable Sales and Revenues
- GST Registration not required because

(a) GST taxable sales and revenues did not exceed \$30,000 in the past twelve months

(b) no commercial activity subject to the GST is conducted

(c) other reasons.

- GST Registration Required
- Major Business Activity
- Taxation Corporation Account Number or Social Insurance Number, Payroll Deductions Accounts Number, Customs Importer Number

- c) those with taxable sales of less than \$500,000, but over \$30,000 can file annual returns. Here again, they can file for fiscal years or calendar years depending on their choice. Thus, the returns will be a mixture of calendar years and fiscal years of different coverage (could be April to March or May to April, etc).

- d) those with taxable sales of \$30,000 or less need not register at all. They pay GST on all their taxable purchases (inputs) and they do not get any input-tax credit. They pass on the GST to their customers by including it in their sale price as it is a part of their cost.

V. Alternative Method to Calculate GST for SNA

As it may not be possible to obtain calendar-quarter data of GST collections on a consistent basis for use in the SNA, an alternative method is proposed.

This alternative method could include the following steps to calculate GST data for the SNA:

1. Develop GST Tax Status Blueprints for two classes of establishments -- one for sales of \$30,000 or less and another for sales of over the \$30,000 threshold -- for all commodities, industries, and final demand categories of the present Input-Output Accounting Structure of the Canadian Economy. Three Blueprints are needed for each class -- one for the inputs by industry; another for the outputs; and the third one for final demand categories. Thus, six Blueprints are needed for the two classes.
2. Review the content of Blueprints with officials of Revenue Canada - GST Group.
3. Extend the Synthetic Input-Output Accounts (which have been developed for 1988 and 1989) to subsequent years.

4. Apply the GST Rates and the tax status information of the Blueprints to the Synthetic Input-Output Accounts and develop GST estimates.

This alternative method would generate the required GST data for each calendar-year. If and when some data are available from Revenue Canada, comparisons could be made at that time. Of course, there would be some differences due to lag in collections and coverage, etc. for which further research would be needed.

VI. Articulation of GST in the Input-Output Accounts

(1) Establishments with taxable sales of \$30,000 or less

As already mentioned, business establishments with taxable sales revenue of \$30,000 or less need not register for GST. This means, they are treated as consumers and they pay GST on all their taxable inputs. They will not get any input tax credit. Also, they do not charge GST on their sales. Therefore, the GST paid by these establishments has to be reflected in the inputs used by these establishments using the following steps:

- a) Revenue Canada - GST Group has a list of establishments which did not request for registration because their sales are below the threshold of \$30,000. The sales value of those establishments by SIC groups should be estimated using the information of Revenue Canada.

- b) The data by the SIC groups should be converted into I/O industries.
- c) Use the input-structure of commodities (from the Synthetic Input-Output Accounts) to estimate input commodities by each industry.
- d) Apply the Blueprints developed for this category of establishments and estimate the GST on inputs. There is no GST on outputs of these establishments.

To articulate the data of the above establishments for all inputs, separate data should be developed using the above steps.

It is estimated that there were about 330,000 establishments of this category in 1985\86. This number could have increased to about 400,000 by 1990.

(2) Establishments Selling Exempt Commodities (Schedule V of Bill C-62)¹⁰

Business establishments and public sector bodies (which include governments, non-profit organizations, charities, municipalities, schools, hospitals, public colleges and universities) providing exempt commodities such as, used

¹⁰Ibid, p.294.

residential buildings, health care services, educational services, child and personal care services, financial services, legal aid services pay GST on their inputs, but they do not get any input- tax credit similar to establishments with taxable sales of \$30,000 or less discussed earlier. Here again, the GST has to be reflected in their inputs. Separate data for these establishments should also be developed by using all available sources of information.

It is estimated that there are about 56,000 establishments in the category of Municipalities, Universities, Schools, and Hospitals (MUSH) and their expenditures on goods and services which attract GST on their purchases. The total GST payable by these establishments could be substantial.

(3) Establishments with taxable sales revenue of over \$30,000.

These establishments with taxable sales revenue of over \$30,000 pay GST on their inputs, but they get the input -tax credit. They are not supposed to add the GST paid on their taxable inputs, ie. in their cost of sales or value of supplies. Their sale prices will, however, include other commodity taxes such as excise, gasoline, and provincial sales taxes and excise duties.

The GST will not appear in the inputs of these establishments.

A Trial-Run should be made using the 1989 Synthetic Input-Output Accounts and the GST Blueprints. Although an attempt has been made here to identify the main problems, it is possible that some other problems may come to the surface only when we start developing the database.

VII Treatment of Rebates in the System of National Accounts

1. Subsidies and Capital Assistance

The input - tax credit deducted from the GST collectible by the business establishments is similar to a refund of tax-overpayment. As we would be calculating GST for all taxable inputs, the input-tax credit, where applicable, could be used to offset the GST by commodity in the I/O Accounts. Thus, only net GST could be reflected.

In addition to the input tax credit, rebates are also allowed to be deducted by business establishments. These rebates should be treated as transfer payments as there is no quid-pro-quo involved between the transactors. In such cases, the GST should be grossed-up by the amount of rebates which, in some cases, are similar to subsidies and capital assistance in nature; they should also be added to the relevant subsidy or capital assistance categories depending on the nature of

rebates. This treatment was discussed in the paper "Government Expenditures on Goods and Services and transfer Payments in Canada, 1961-1985".¹¹ For instance, the transitional one-time credit ranging from \$300 to \$1,000 allowed to businesses should be treated as capital assistance as it is meant for transitional preparations for infrastructure.

2. FST Rebates for Inventories

According to the GST Memorandum 900 (Appendix IV), GST registrants who indicate that they have FST paid inventories will be mailed a "pre-numbered, labelled application form" to claim FST inventory rebate. That application is supposed to be mailed approximately two months prior to GST implementation. In other words, if GST is going to be implemented on January 1, 1991, the application forms for inventory rebates will be mailed to registrants in October 1990 along with instructions for their completion. These rebates are synonymous to subsidies to industries to sell their products at prices lower than before i.e. without the F.S.T. Due to these rebates, there will be no double taxation on those inventories by imposing the GST on the FST included prices.

¹¹P.S.K. Murty and Yusuf Siddiqi, "Government Expenditure on Goods and Services and Transfer Payments in Canada, 1961-1985": a paper presented at the annual meetings of the Allied Social Science Associations in Atlanta, Georgia, on December 30, 1989, p.40.

Due to the treatment of these rebates as subsidies, it is essential to obtain detailed information of the FST rebates from Revenue Canada for the following items:

Type of Industry SIC code	Type of inventories in broad categories as reported such as Motor vehicles, gasoline, etc.	Amount of rebate
(1)	(2)	(3)

Based on those details, the rebates could be articulated in the I/O Accounts as subsidies. A specimen copy of Application for Federal Sales Tax Inventory Rebate is attached in Appendix V.

3. Transfer Payments to Persons

In order to give relief to low-income families, some credits are allowed for GST to be deducted from income taxes. These credits should be treated as transfer payments to persons and income taxes should be grossed-up. Data for these transactions have to be obtained from income tax returns.

VIII Federal Government

According to the present GST legislation, federal government is defined to include (a) departments and (b) any departmental corporation named in Schedule II of the Federal Administration Act. These corporations are:

Atlantic Pilotage Authority

Canada Council

Canadian Institute for International Peace and Security

Canadian National Railway Company

Great Lakes Pilotage Authority

Harbourfront Corporation

International Centre for Ocean Development

International Development Research Centre

Laurentian Pilotage Authority

Marine Atlantic Inc.

Mingan Associates Ltd.

National Arts Centre Corporation

Pacific Pilotage Authority

Standards Council of Canada

VIA Rail Canada, Inc.

The federal government as defined in that manner should collect GST on its sales and pay GST on its purchases like other taxable registrants. However, through an internal arrangement outside the legislation, remission will be given to departments by the Supply and Services Canada. The present

internal arrangements are to show both the GST paid and the remission received as extra-budgetary. However, for the purpose of the SNA, the federal government's purchases should be shown as GST-inclusive as the federal government is not an exempt registrant. Moreover, the transactions take place in the economy with payment of GST to the vendors. Therefore, the federal government expenditures on goods and services should be grossed-up for the GST if it is netted out in the budgetary expenditures of the Public Accounts. As the GST remission is an internal arrangement within the same sub-sector, namely, Federal government, it should be ignored.

If the SNA shows the federal government expenditures with GST included, it will imply the following:

- a) The GST legislation does not exempt the federal government for its purchases. The SNA treatment will be consistent with the legislation.
- b) The federal government's policy to tax itself is to demonstrate the fairness in the application of GST and the SNA treatment will not be a contradiction to the government policy.

- c) In the real word, the federal government pays the GST to vendors. Vendors are liable to collect GST from the federal government. The SNA treatment will be consistent with the transactions that actually take place between the transactors.
- d) SNA reflects the reality without being influenced by internal budgetary arrangements or inter-departmental transfers to finance part of the cost or full cost of transactions.

IX Provincial Government

1. GST

It is my understanding that the Provincial and territorial governments collect GST on their sales, but do not pay GST as they will be issued exemption certificates. Therefore, for the SNA, the provincial governments' expenditures would not include GST.

2. Quebec Consumption Tax System

Thus far, the discussion was on the Federal Goods and Services Tax. The Quebec government, after taking into account the serious problems that the businesses have to face in the administration of the federal GST along with the Provincial PST, harmonized its commodity taxes effective

January 1, 1991.¹²

- (i) Effective January 1, 1991 the current provincial sales tax rates of 9% will be reduced to 8% and the base will be broadened to all movable goods consistent with the coverage of GST. The tax will not apply to services or to real property in 1991.
- (ii) The present tax of 9% on "telecommunications" and 10% on "Meals" will also be reduced to 8% effective January 1, 1991. These two commodity taxes will be merged into "Sales tax category", thus retaining only one consumption tax for the province of Quebec.
- (iii) Effective January 1, 1992, the coverage will be broadened to include services which are taxed for Federal GST and the tax rate on the goods and services will be reduced to 7%. The tax will also be applied on new houses. At that time, the Quebec consumption tax will be completely harmonized with the Federal GST.

¹²Appendix to the Minister's statement concerning the Administration of the GST and the Reform of Consumption Taxes in Quebec (Ministère des Finances, Gouvernement du Québec, ISBN 2-550-21118-9 Legal Deposit - 3rd quarter 1990 Bibliothèque nationale du Québec) and Statements by the Quebec Minister of Finance in Releases 1 to 6, August 30, 1990.

(See Appendix VI)

3. PST

As you know, all other provinces except Alberta have provincial sales tax. At the present time, the provincial sales taxes in all the provinces are applied on the top of FST-included value. Effective January 1, 1991, this method of collecting PST will change as each province will have its own way of taxing, taking into account its own requirements. As a result there will be no uniformity or consistency across the country. Ontario, British Columbia, Saskatchewan, and Manitoba have, for the time being, decided not to piggyback PST on the GST. (Globe and Mail October 17, 1990) Therefore, in these four provinces, the PST will be applicable on the price before GST is added. Atlantic provinces and Quebec, on the other hand, have decided to piggyback the PST by applying it on the price including GST. Alberta has no PST and the prices will be inclusive of only GST in that province. As a consequence, businesses with operations in more than one province will have to adjust their accounting systems differently based on these inconsistent taxing policies.

The present allocation procedures of provincial sales taxes to Input-Output Commodities have to be reviewed and suitably modified effective January 1, 1991.

X Municipalities, Universities including Colleges, Schools, and Hospitals. (MUSH)

This MUSH sector pays the GST for their purchases and receives partial rebates. The institutions concerned have to file claims along with their regular GST returns. For SNA, however, the purchases of MUSH sector will have to be taxed at the full tax less rebate. In other words, the rebates should be treated like refunds in these cases to reflect the net GST for the SNA.

XI Summary

- (1) The SNA requires data on GST collectible (ie. owing to government) for the total economy quarterly and annually. Based on the present reporting format, it will not be possible to obtain the required information from the GST Returns of Revenue Canada, because of the differences in coverage and reporting periods. The data of the proposed GST reporting form for any particular period covers only a portion of taxpayers.

In view of this, an alternative method of developing the required GST database is proposed. This alternative method uses synthetic Input-Output Accounts and GST Blueprints showing tax-status by commodity.

FOR REGISTRANTS

Keep this portion for your records

Protected when completed

Disponible en français

GST account number	Period	Due date
GST contact name	Telephone number	

Personal information provided on this form is protected under the provisions of the Privacy Act and is maintained in Personal Information Bank RCC/P-PU-065

SECTION TWO - TAX CALCULATIONS

INSTRUCTIONS

1. Check the information above for completeness and accuracy. You may change your mailing address, and the name and telephone number of the Goods and Services Tax (GST) contact person in your organization using the change stub on the reply envelope. For other changes contact the number below.
2. Complete SECTION ONE-PERIOD SUMMARY. Refer to the Guide to the Goods and Services Tax Return for Registrants. Remember to include taxable supplies at 7% and 0%. Exclude supplies by way of sale of capital real property and financial services.
3. Complete SECTION TWO-TAX CALCULATION. Refer to the Guide to the Goods and Services Tax Return for Registrants.
4. Copy the amounts from the shaded boxes in Sections One and Two to the corresponding boxes in the bottom portion. Ensure that your numbers are printed in the boxes as illustrated. Identify a negative number with a minus sign in the separate box. (example below)

--	--	--	--	--	--	--	--	--	--

5. KEEP THE TOP PORTION. It and any other information used in preparing your return are subject to audit and must be retained for verification purposes.
6. IF YOU NEED ASSISTANCE CONTACT: _____

REFER TO THE GUIDE FOR LINE-BY-LINE EXPLANATIONS

GST collectible	103		
GST adjustments	104		
Total GST and adjustments for period (add lines 103 and 104)			105
Input Tax Credit (ITC)	106		
ITC adjustments	107		
Total ITC's and adjustments (add lines 106 and 107)			108
NET TAX (subtract line 108 from line 105)			109

OTHER CREDITS IF APPLICABLE

Paid by instalments	110		
Rebates (see guide)	111		
Total Other Credits (add lines 110 and 111)			112
BALANCE (subtract line 112 from line 109)			113
REFUND CLAIMED			114
PAYMENT ENCLOSED			115

If the balance is negative, claim a refund; otherwise round the amount owing. A balance of less than \$1.00 will neither be charged nor refunded. All registrants must file a return, regardless of the balance. Do not staple or use paper clip.

Tear here

SECTION ONE - PERIOD SUMMARY

Total Taxable Supplies (sales and other revenue)	101		00
Total purchases	102		00

Revenue Canada Customs and Excise		Revenue Canada Douanes et Accises		GOODS AND SERVICES TAX RETURN FOR REGISTRANTS		Detach and return this portion	
GST account number	Period	Due date	Name				
Total taxable supplies (sales and other revenue)	101		0	0	Total GST and adjustments for Period	105	
Total purchases	102		0	0	Total ITC's and adjustments	108	
Paid by instalments	110				NET TAX (Indicate if a negative amount)	109	
Rebates	111				Total other credits	112	
I hereby certify that the information given in this return and in any documents attached is true, correct and complete in every respect and that I am authorized to sign on behalf of the registrant				BALANCE (Indicate if a negative amount)			
Authorized signature				Date			
Name				Title			
				REFUND CLAIMED			
				PAYMENT ENCLOSED			

IT IS A CRIMINAL OFFENCE TO MAKE A FALSE RETURN

PLEASE DO NOT WRITE BELOW THIS LINE

A Message to Small Businesses

In our efforts to keep the proposed Goods and Services Tax (GST) as simple as possible for small firms, my department has developed a simplified accounting method, called the **Quick Method**.

The **Quick Method** will make it easy for small businesses to calculate their GST returns, without having to keep track of the GST they pay on most of their business expenses.

This method, and the **Streamlined Accounting** methods described in this pamphlet, could assist a potential 600,000 to 800,000 small businesses.

Timing is everything in business. We can help you prepare for a smooth transition to the GST.

Bill C-62, the proposed legislation on the Goods and Services Tax, received third reading and was passed by the House of Commons on April 10, 1990. Although this Bill has not yet received Royal Assent, Revenue Canada would like to help businesses and organizations prepare for the tax. Accordingly, the information contained in this pamphlet, although subject to change, is being provided at this time for your convenience.

Printed under the authority of the Honourable Otto Jelinek, Minister of National Revenue.

La présente brochure sur la TPS est également disponible en français sous le titre MÉTHODES COMPTABLES SIMPLIFIÉES À L'INTENTION DES PETITES ENTREPRISES.



Otto Jelinek
Minister

WHAT ARE THE QUICK METHOD PERCENTAGES?

The **Quick Method** percentages are based on an analysis of sales, purchases and taxable expenses of many businesses like yours.

QUICK METHOD PERCENTAGES

Business Group	Maximum Annual Sales	%
Manufacturers and services (Examples: sawmills, body-shops, electricians, barbers/hairstylists, construction contractors, repair shops)	\$ 200,000	5%
Retailers and wholesalers (Examples: clothing and shoe stores, hardware stores, stores selling less than 25% basic groceries)	\$ 200,000	3%
Grocery and convenience stores, specialty food outlets, etc., selling 25 to 50% basic groceries	\$ 500,000	1.75%
Grocery and convenience stores, greengrocers, butchers, bakeries, etc., selling over 50% basic groceries	\$ 500,000	1%
Legal, accounting and financial consulting businesses	Not eligible	

REMEMBER that these percentages are not different GST rates. You still collect the 7 per cent GST on your sales of taxable items, other than groceries. The **Quick Method** percentages simply provide a short cut to calculating the net GST you have to remit to the Government.

HOW DOES THE QUICK METHOD WORK?

It is simple. There are only three steps. Each filing period (quarterly or annually) you would:

TOTAL your sales for that period;

MULTIPLY your total sales by the **Quick Method** percentage for your business group; and

COMPLETE and file your return on that basis along with payment.

CAN YOU GIVE ME AN EXAMPLE?

Yes. Here is the calculation for a hardware store, with sales less than \$200,000, using the **Quick Method** percentage of 3 per cent, and filing quarterly. Assume your sales are \$40,000 for the first quarter.

1. Total your sales for the quarter	\$ 40,000
2. Multiply by 3%	\$ 1,200
3. Subtract GST paid on capital purchase of a new computer costing \$3,000 (7% of \$3,000)	<u>-\$ 210</u>
4. Remit a quarterly payment of	\$ 990

IS IT REALLY THAT SIMPLE?

Yes. That's why we call it the **Quick Method**. It doesn't matter whether you are a quarterly or annual filer.

There are just two conditions:

- once you choose the **Quick Method**, you have to use it for at least one year (although you can continue to use it as long as you are eligible); and

- if you stop using the **Quick Method**, you cannot use it again for a full year.

WHAT DO I NEED TO DO?

If you think you qualify:

Simply request an election form to use simplified accounting. More information on the **Quick Method** will be provided to you with the form.

Determine the percentage for your business group and begin to complete your GST returns using the **Quick Method**.

File your GST return at the end of your filing period. If you file:

- **quarterly** - file and remit each quarter;
- **annually** - file annually but remit quarterly instalments.

Returns and payments may be made at any bank or financial institution, or mailed to Revenue Canada, Customs and Excise.

REVENUE CANADA EXCISE OFFICES

MAILING ADDRESSES

GENERAL ENQUIRIES

LOCAL LONG
DISTANCE

NEWFOUNDLAND AND LABRADOR

P.O. Box 5588 772-2851 1-800-563-6838
St. John's, Newfoundland A1C 5W4

NOVA SCOTIA

P.O. Box 1658 625-1975 1-800-563-9111
Halifax, Nova Scotia B3J 2Z8

PRINCE EDWARD ISLAND

P.O. Box 1858 566-7272 1-800-563-9111
Halifax, Nova Scotia B3J 2Z8

NEW BRUNSWICK

P.O. Box 1078 854-3727 1-800-561-8638
Moncton, New Brunswick E1C 8P2

QUEBEC

P.O. Box 2117, Postal Terminal 648-4376 1-800-363-5254
Quebec, Quebec G1K 7M8

P.O. Box 6082, Station "A"

488-1494 1-800-361-8339
Montreal, Quebec H3C 3H3

ONTARIO

P.O. Box 8277 890-8584 1-800-465-8180
Ottawa, Ontario K1G 3H7

P.O. Box 188, Station "U"

975-1000 1-800-461-1083
Toronto, Ontario M4T 2L7

P.O. Box 5487

945-8941 1-800-363-0817
London, Ontario N6A 6L6

MANITOBA

P.O. Box 1623 882-4425 1-800-565-8745
Winnipeg, Manitoba R3C 2W2

SASKATCHEWAN

P.O. Box 657 780-7273 1-800-567-8888
Regina, Saskatchewan S4P 3A4

ALBERTA/NORTHWEST TERRITORIES

P.O. Box 2525, Station "M" 232-6990 1-800-861-3498
Calgary, Alberta T2P 3B7

P.O. Box 2296

448-1309 1-800-861-3498
Main Postal Station
Edmonton, Alberta T5J 4N3

BRITISH COLUMBIA/YUKON

P.O. Box 82110, North Burnaby 868-4684 1-800-561-5990
Postal Station
Burnaby, British Columbia V5C 5P2

HEARING DISABILITY

If you have or have a hearing disability, and have access to a telephone, call 1-800-387-4568.

TELEPHONE SERVICE FOR THE HEARING AND DEAF COMMUNITY

Telephone service for the hearing and deaf community is available at 1-800-387-4568.

OTHER LANGUAGES

Some Excise offices offer help in languages other than English and French. Contact your Excise office for more details.

LONG DISTANCE CALLS

Merchandise to caller. Dial as directed.

ELECTRONIC DATABASE

If you have difficulty accessing this "keyword" searchable database by modem at 1-800-387-4568, contact your local Excise office.

APPENDIX III



Revenue Canada
Customs and Excise

Revenu Canada
Douanes et Accise

Appendix III to GST Paper
By P.S.K. Murty

GST

GOODS
AND SERVICES
TAX

**SHOULD I
REGISTER?**



Canada

A Message to Canadian Businesses and Organizations

The Goods and Services Tax (GST) now before Parliament will, on passage by Parliament, replace the federal sales tax in Canada. It will require most businesses and organizations in Canada to register.

My department, Revenue Canada, Customs and Excise, will be responsible for administering the proposed GST. Our aim is to ensure that all Canadian businesses and organizations understand the proposed tax, are aware of the assistance available to them and are able to adapt to the changes should they come into force January 1, 1991.

This information booklet and registration form were prepared with the assistance of Canada's business community. It has always been my view, as a former small businessman, that those affected by change in government policy should play a key role in the consultation process.

Receipt of your completed registration form will allow us to provide you with additional information on some important features of the proposed tax, such as the federal sales tax rebate on inventory, input tax credits, the transitional credit for small business, and flexibility in GST filing requirements.

If you require assistance or have any questions, please contact an Excise office listed on the back cover of this booklet.



Otto Jelinek
Minister

Printed under the authority of the Honourable
Otto Jelinek, Minister of National Revenue,
Customs and Excise

La présente brochure sur la TPS est également disponible en français sous le titre "Dois-je m'inscrire?".

THE GST: PART OF THE GOVERNMENT'S PLAN FOR TAX REFORM

As part of tax reform, the federal government has introduced legislation to replace the current federal sales tax with the Goods and Services Tax (GST) on January 1, 1991.

For those businesses and organizations that want to prepare early, Revenue Canada, Customs and Excise, is providing this booklet which briefly explains the registration procedures for the proposed tax.

Your business or organization and the GST

Under the proposed legislation, most businesses and organizations carrying out commercial activities in Canada will have to register for and collect the GST.

Many small firms that may not be required to register for the GST could find it to their advantage to do so.

The information in this booklet will help you decide whether or not to register.

It will answer other questions you may have about the GST, such as:

- How will the GST work?
- When will it come into effect?
- What goods and services would be taxed? Are any exempt?
- What are the benefits of registration?
- What help can I get?

Remember, we are ready to answer your questions about the proposed GST.

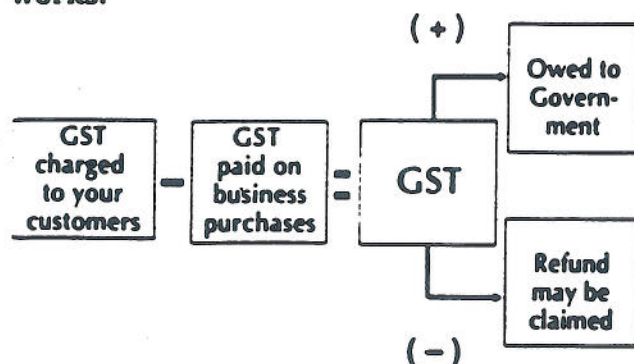
How will the GST work?

Once the GST comes into force, your registered business or organization will charge the GST on taxable sales and services and will pay the GST on business purchases.

After you have registered, you would prepare and submit a GST return at selected intervals showing the amount of tax you charged and the amount of tax you paid.

If the amount of GST charged is more than the amount paid, the difference would be owed to the Government. If the amount paid is larger, you could claim a refund.

The following chart shows how the GST works.



When will the GST come into effect?

Implementation is planned for January 1, 1991.

Should I register?

Under the proposed legislation, you **MUST** register for the GST if

- you are a person, business or organization with annual sales and revenues of GST-taxable goods and services over \$30,000.

What are GST-taxable goods and services?

The majority of goods and services sold or provided in Canada would be taxable under the GST. Only a limited number would be tax exempt, for example, day care, most health and dental services, and certain activities by charities and non-profit organizations. (See GST-exemptions on page 4.)

GST-taxable goods and services would be taxed at either 7 per cent or 0 per cent (known as zero-rated). It is proposed that zero-rated goods and services include the following items:

- basic groceries
- prescription drugs and medical devices
- most farm produce
- most farm livestock
- fresh-caught fish and seafood products
- exports

Any GST-taxable goods and services not zero-rated would be taxed at 7 per cent.

So, if you sell or provide GST-taxable goods and services of more than \$30,000 annually, you would need to register.

Calculating your GST-taxable sales and revenues

Your calculation of total GST-taxable sales and revenues would have to include your sales of zero-rated goods and services. Remember to include in your calculation charges you made for services such as labour, repairs and warranties.

Also, the sales and revenues from all associated companies would have to be included in your calculation.

Only by registering would you be able to recover the GST you pay on business purchases you make in the course of bringing your taxable product or service to market.

Examples:

Registered Retailer

- would charge the GST on sales
- would receive a credit for the GST paid on goods for resale, advertising, electricity, office supplies, etc.

Registered Fisherman

- would not charge the GST on sales of fresh-caught fish (zero-rated goods)
- would receive a credit for any GST paid on business purchases

Under the proposed legislation, you need NOT register for and collect the GST if

- you sell or provide **ONLY** GST-exempt goods or services

OR

- your annual GST-taxable sales and revenues are \$30,000 or less.

You may voluntarily register if you are in this latter category. By registering, you will be able to recover any GST you paid on business purchases, and your GST-registered customers will be able to claim credits as well.

Keep in mind that under the proposed legislation you will be required to register once your annual GST-taxable sales and revenues exceed \$30,000.

What are GST-exempt goods and services?

The GST would not apply when you sell or provide GST-exempt items, nor would you be entitled to claim a credit or refund for any GST paid on business purchases you make in the course of bringing your exempt product or service to market.

The following are proposed to be GST-exempt:

- long-term residential rents
- sales of used housing
- day-care services
- financial services

The following are proposed to be GST-exempt in certain circumstances:

- health and dental services
- legal aid services
- educational services
- activities by charities and non-profit organizations
- services by governments and other specified public bodies

Examples:

Universities and Colleges

- GST-exempt - fees for instructions in courses leading to certificates or diplomas
- GST-taxable - charges for parking on campus

Charities and non-profit organizations

- GST-exempt - recreational programs for children and disabled individuals, and the provision of food, drink or accommodation for the relief of poverty, suffering or distress
- GST-taxable - commercially operated bingo or casino events

Municipalities

- GST-exempt - water, garbage collection, fire and police protection, as well as non-optional municipal services, such as road building and maintenance
- GST-taxable - goods and services such as electricity, natural gas and charges for parking, as well as optional municipal services provided for a fee, such as snow or tree removal on private property

If all your activities are GST-exempt, you would not be required to register. However, if you are involved in both GST-taxable and exempt activities, you would have to register if your annual GST-taxable sales and revenues exceed \$30,000.

Special rules

Partnerships and companies

Under the proposed legislation, companies and partnerships will have to register for the GST on an entity basis. In other words, individual partners cannot register separately for the GST. Likewise, a company's branches and divisions cannot register separately. In addition, partnerships and companies must register based on their total annual GST-taxable sales and revenues.

Charities, non-profit organizations, municipalities, public colleges, universities, school boards and hospitals conducting GST-taxable activities

For the most part, these organizations will be treated in the same way as businesses; if their annual GST-taxable sales and revenues are over \$30,000, they must register. However, unlike businesses, these organizations may apply to treat branches or divisions separately in calculating this \$30,000 amount.

Non-residents

In some cases, non-residents doing business in Canada will have to register.

If you need help in applying these special rules, contact the Excise office nearest you.

Even if you do not have to be registered, fill in the appropriate parts of the "mail-in" copy and return it in the envelope provided. Your name will then be taken off our mailing list.

If you are not sure whether to register, contact an Excise office for assistance.

Some benefits of registration

Once you have registered for the GST, you will be eligible for these benefits when the proposed legislation comes into force:

- **Input Tax Credits** - You will be able to claim a credit for GST paid on your business purchases. If your credits are more than the GST owed to the Government, you may claim a refund for the difference.
- **FST Refund** - To avoid taxing the same goods twice, a one-time refund of the federal sales tax included in your inventory of goods for resale on December 31, 1990, will be provided to GST registrants.
- **Small Business Credit** - Small businesses that are required to register will be entitled to a

one-time start-up credit of up to \$1,000 to ease the transition to the new system. The credit will be available to registered businesses and organizations with GST-taxable sales and revenues under \$500,000 in their first fiscal quarter beginning in 1991.

- **GST Credits for your customers** - It is important that you be registered so that your GST registration number can be shown on your invoices. Your GST-registered customers will then be able to claim their own tax credits.

What help can I get?

If you need assistance in filling out the form, Excise officials across Canada will be pleased to explain registration and other GST matters to you. Extra forms are available from any Excise office.

We will be helping businesses and organizations prepare for the proposed GST through seminars, on-site visits and toll-free telephone information services.

For more information, please refer to the back cover of this booklet for the addresses of Excise offices as well as their local and toll-free telephone numbers.

See instructions before completing.

GST REGISTRATION NOT REQUIRED (check appropriate box and complete Declaration below)

e) ☐ Other (briefly specify the reason)

INSTRUCTIONS FOR COMPLETING THE GST REGISTRATION FORM

The following guidelines will help you fill out the registration form. The numbers in the left margin correspond to those found on the registration form. All businesses or organizations must fill out items 4 to 7 and the declaration at the bottom of the form.

If your business or organization is not required to be registered, or if your total annual GST-taxable sales and revenues are \$30,000 or less and you choose not to

register, fill out the section **GST REGISTRATION NOT REQUIRED**. Your name will then be removed from our mailing list.

Information on GST registration requirements is available in the booklet "SHOULD I REGISTER?" or from Revenue Canada Excise offices across the country.

1,2,3 Complete these items in detail if the information on the label is incomplete or incorrect.

4,5 Enter the name, title, and telephone number of the person selected as your contact on GST matters.

6 Choose the official language you wish to use for GST purposes.

7 You must apply for GST registration when your sales and revenues of GST-taxable goods and services exceed \$30,000.

- If your total sales and revenues in any 4 consecutive calendar quarters exceed this amount, you will have until the end of the month following these 4 quarters before you must start collecting GST.
- However, if you exceed this amount in any one calendar quarter, you must start collecting the GST as of the day you exceed this amount.

You may opt to register if you are below this amount. To register, complete the **GST REGISTRATION REQUIRED** section (items 9-15). If you are not registering, it is necessary to complete the **GST REGISTRATION NOT REQUIRED** section (item 8). In all cases, you must sign the declaration at the bottom of the form.

8 (a) See the booklet "SHOULD I REGISTER?" for a description of GST-taxable sales and revenues.

8 (b) Activities not subject to GST are explained in the booklet noted above.

8 (c) Enter the date on which your business ceased operations.

8 (d) Partners in a Partnership/Branches or Divisions of a Company
Individual members of a partnership or branches/divisions of a company cannot register; only the partnership or company as a whole can register. The company's or partnership's total annual GST-taxable sales and revenues must be used in the calculation of item 7.

An individual partner should ensure that the partnership is registered, if required, by changing the name and address to that of the partnership. If more than one partner receives a form, all others should indicate that individual GST registration is not required by completing Part 8 (d) as appropriate.

8 (e) Describe any other reason(s) for not registering your business or organization.

9 For GST you can elect to use your business fiscal year end or your taxation year end. You may, however, elect to use your calendar year end.

10 Answer yes only if you want some (or all) of your branches to file separate returns. You will be sent additional information with your registration confirmation.

11 Briefly describe your major business activity (e.g., retailer of men's clothes, wholesaler of plumbing and heating supplies, hairdressing service, etc.).

12 If you are a corporation, provide your Taxation corporate account number. If you are an individual in business by yourself, provide your social insurance number. If your business has employees, enter the main Taxation payroll deduction account number. If your business imports goods commercially, enter your primary Customs importer number.

13 Enter the dollar value of the inventory from your most recent financial statement so that we can provide you with information on how to obtain your FST rebate.

14 Indicate if you sell groceries at the retail level. If so, we will send information about the streamlined accounting methods available to you.

15 Check the box that best describes your operation.

NOTE: Please ensure you have signed the declaration and completed all items that apply to you.

APPENDIX IV



GST-MEMORANDUM-TPS

FEDERAL SALES TAX INVENTORY REBATES

REMBOURSEMENT DE LA TAXE DE VENTE FÉDÉRALE À L'INVENTAIRE

FEDERAL SALES TAX INVENTORY REBATES

Ottawa, May 31, 1990

Bill C-62, the proposed legislation on the Goods and Services Tax, received third reading and was passed by the House of Commons on April 10, 1990. Although this Bill has not yet received Royal Assent, Revenue Canada would like to help businesses and organizations prepare for the tax. Accordingly, the information contained in this memorandum, although subject to change, is being provided at this time for your convenience.

This general memorandum in the FEDERAL SALES TAX (FST) INVENTORY REBATES series explains how Goods and Services Tax (GST) registrants can qualify and apply for a rebate of the FST that has been paid on inventories of goods for sale, lease or rental, on hand, as of the beginning of January 1, 1991 and on inventories of building materials held by contractors and not delivered to a job site, by that date.

Information on FST inventory rebates for construction materials embodied within new residential housing partially built or completed prior to January 1, 1991 will be available in GST MEMORANDUM 900-1, "NEW HOUSING".

REMBOURSEMENT DE LA TAXE DE VENTE FÉDÉRALE À L'INVENTAIRE

Ottawa, le 31 mai 1990

Le projet de loi C-62 concernant la taxe sur les produits et services est passé en troisième lecture et a été adopté en Chambre le 10 avril 1990. Bien que ce projet de loi n'ait pas encore reçu la sanction royale, Revenu Canada veut aider les entreprises et les organismes à se préparer à l'entrée en vigueur de la taxe. Par conséquent, le présent Mémorandum fournit des renseignements qui, bien que susceptibles d'être modifiés, devraient vous être utiles.

Le présent Mémorandum, de la série REMBOURSEMENT DE LA TAXE DE VENTE FÉDÉRALE À L'INVENTAIRE, explique comment l'inscrit aux fins de la taxe sur les produits et services (TPS) peut avoir droit à un remboursement de la taxe de vente fédérale (TVF) payée sur les marchandises destinées à la vente ou à la location qui figurent à son inventaire au début du 1^{er} janvier 1991, et sur les matériaux de construction détenus par l'entrepreneur et non livrés au chantier de construction avant cette date, et comment il peut demander un tel remboursement.

Pour obtenir des renseignements sur les remboursements de la TVF à l'inventaire versés à l'égard des matériaux de construction utilisés dans des habitations neuves construites en partie ou en totalité avant le 1^{er} janvier 1991, voir le MÉMORANDUM SUR LA TPS 900-1, «HABITATIONS NEUVES».

LEGISLATIVE REFERENCES

Excise Tax Act - subsections 337(7), 337(9), sections 72, 118, 120, paragraph 176(1)(b)

DEFINITIONS

For purposes of this memorandum:

"Act" means the proposed *Excise Tax Act* as amended by Bill C-62;

"basic groceries" in respect of federal sales tax inventory rebates, has the same meaning as in Part III of Schedule VI to the *Excise Tax Act*;

"Canada"

(a) "Canada" includes:

(i) the sea bed and subsoil of the submarine areas adjacent to the coasts of Canada in respect of which the Government of Canada or of a province may grant a right, licence or privilege to explore for or exploit any minerals; and

(ii) the seas and airspace above the submarine areas referred to in paragraph (i) in respect of any activities carried on in connection with the exploration for or exploitation of minerals;

(b) in respect of imports, "Canada" has the meaning assigned by the *Customs Act*;

"capital property" in respect of a person, means property that is, or that would be if the person were a taxpayer under the *Income Tax Act*, capital property of the person within the meaning of that Act, other than property described in Class 12 or 14 of Schedule II to the *Income Tax Regulations*;

"Department" means the Department of National Revenue, Customs and Excise;

RENOIS À LA LOI

Loi sur la taxe d'accise - paragraphes 337(7), 337(9), articles 72, 118, 120, alinéa 176(1) b)

DÉFINITIONS

Les définitions qui suivent s'appliquent au présent Mémoire :

«bâtiment modulaire» Élément de bâtiment ou bâtiment conçu pour être placé sur des fondations et se composant d'au moins une pièce ou un espace dont les murs, les planchers et les plafonds sont finis, et comprenant l'équipement de plomberie, de chauffage et d'électricité installé qui convient à cette pièce ou à cet espace, dont la fabrication et l'assemblage sont terminés ou sensiblement terminés avant d'être livré à l'emplacement de construction et qui, lorsqu'il sera placé sur des fondations à cet emplacement, avec ou sans autres éléments ou bâtiments de fabrication semblables, constituera un bâtiment résidentiel, industriel, éducatif, institutionnel ou commercial complet. Sont exclus les appareils ou les meubles non intégrés au bâtiment et vendus avec celui-ci.

«Canada»

a) «Canada» comprend :

(i) le fond de la mer et le sous-sol des zones sous-marines contiguës au littoral du Canada à l'égard desquels un gouvernement peut accorder un droit, une licence ou un privilège visant l'exploitation de minéraux ou l'exploration y afférente;

(ii) les eaux et l'espace aérien situés au-dessus de ces zones, en ce qui a trait aux activités exercées en rapport avec l'exploitation de minéraux ou l'exploration y afférente;

b) Dans le contexte des importations, «Canada» s'entend au sens de la *Loi sur les douanes*.

«crédit de taxe sur les intrants» Crédit réclamé par un inscrit pour la taxe payée ou payable sur les produits et services taxables utilisés dans le cadre d'une activité commerciale.

"input tax credit" means a credit claimed by a registrant for the Goods and Services Tax paid or payable on any taxable input used in the course of a commercial activity;

"inventory" of a person, as of any time, means items of tax-paid goods that are described in the person's inventory in Canada at that time and that are:

- (a) held at that time for taxable supply (within the meaning assigned by subsection 123(1)), by way of sale, lease or rental to others in the ordinary course of the person's business; or
- (b) building materials held at that time for use by the person in a business of constructing, renovating or improving buildings or structures carried on by the person, but not including any such goods that before that time have been incorporated into new construction or a renovation or improvement or have otherwise been delivered to a construction, renovation or improvement job site;

and that are not:

- (c) capital properties of the person;
- (d) held by the person for use in the construction, renovation or improvement of property that is or is to be capital property of the person; or
- (e) included in the description of any other person's inventory at that time;

"invoice" includes a statement of account, a bill and any other similar record, regardless of its form or characteristics, and a cash register slip or receipt;

"Minister" means the Minister of National Revenue;

"mobile home" means a trailer unit that is not less than three metres wide by eight metres long, equipped with complete plumbing, electrical and heating facilities and designed to be towed on its own chassis to a building site for installation on a foundation and connection to service facilities at that site and to be used for residential, commercial, educational,

«facteur fiscal» Facteur prescrit par règlement.

«facture» États de compte, notes, additions et documents semblables, sans égard à leur forme ni à leurs caractéristiques, ainsi que relevés ou reçus de caisse.

«immobilisation» Bien qui est le bien en immobilisation d'une personne au sens de la *Loi de l'impôt sur le revenu*, ou qui le serait si la personne était un contribuable aux termes de cette loi, à l'exclusion des biens visés aux catégories 12 ou 14 de l'annexe II du Règlement de l'impôt sur le revenu.

«inscrit» Personne figurant sur un registre, ou tenue de présenter une demande à cet effet, aux termes des articles 240 à 242 de la *Loi sur la taxe d'accise*.

«inventaire» État descriptif des marchandises libérées de taxe d'une personne à un moment donné, qui figurent à l'inventaire de la personne au Canada à ce moment et qui, à ce même moment, selon le cas :

- a) sont destinées à la fourniture taxable (au sens du paragraphe 123(1)) par vente ou location à d'autres dans le cours normal de l'entreprise de la personne;
- b) sont des matériaux de construction réservés à l'usage de la personne dans le cadre d'une entreprise de construction, de rénovation ou d'amélioration de bâtiments ou de constructions qu'elle exploite, à l'exclusion de telles marchandises qui, avant ce moment, faisaient partie de constructions nouvelles ou de rénovations ou d'améliorations ou ont autrement été livrées à un chantier de construction, de rénovation ou d'amélioration;

Ne sont pas de telles marchandises :

- c) les immobilisations de la personne;
- d) les marchandises que la personne destine à la construction, à la rénovation ou à l'amélioration d'un bien qui est son immobilisation ou doit le devenir;
- e) les marchandises figurant à l'inventaire d'une autre personne à ce moment.

institutional or industrial purposes, but does not include any free-standing appliances or furniture sold with the unit or any travel trailer, motor home, camping trailer or other vehicle or trailer for recreational use;

"modular building unit" means a building component or unit, the manufacture and assembly of which is completed or substantially completed before delivery to a construction site, that is designed for installation on a foundation and is composed of at least one room or area with finished walls, a finished floor and a finished ceiling, including installed plumbing, heating and electrical equipment appropriate to that room or area, and that, when installed on a foundation at the site, with or without other similarly manufactured and assembled components or units, forms a complete residential, commercial, educational, institutional or industrial building, but does not include any free-standing appliances or furniture sold with the unit;

"motor vehicles" means new motor vehicles designed for highway use, or chassis therefor, and includes goods such as automobiles, station wagons, vans and trucks. Motor vehicles not designed for highway use, such as snowmobiles, dirt/mud bikes, all-terrain vehicles, golf carts, invalid carts and motorized wheelchairs are excluded;

"registrant" means a person who is registered, or who is required to apply to be registered, under sections 240 to 242 of the *Excise Tax Act*;

"tax factor" is a factor prescribed by regulation;

"tax-paid goods" means goods acquired before 1991 by a person that have not been previously written off in the accounting records of the person's business for purposes of the *Income Tax Act*, and that are, as of the beginning of January 1, 1991:

- (a) new goods that are unused; or
- (b) remanufactured or rebuilt goods that are unused in their condition as remanufactured or rebuilt goods; or
- (c) used goods (see paragraph 5(c) of this memorandum for method of claiming credit);

«Loi» Le projet de la *Loi sur la taxe d'accise* modifiée par le projet de loi C-62.

«maison mobile» Remorque d'au moins trois mètres de largeur et huit mètres de longueur, équipée d'installations complètes de plomberie, d'électricité et de chauffage et conçue pour être remorquée sur son propre châssis jusqu'à un emplacement de construction pour y être placée sur des fondations et raccordée à des installations de service et à être utilisée à des fins résidentielles, commerciales, éducatives, institutionnelles ou industrielles. Sont exclus les appareils et les meubles non intégrés à la maison mobile et vendus avec celle-ci, ainsi que les remorques destinées aux loisirs tels que les remorques de tourisme, les maisons motorisées et les tentes roulottes.

«marchandise libérée de taxe» Marchandise, acquise par une personne avant 1991, qui n'a jamais été radiée des livres comptables de l'entreprise de la personne pour l'application de la *Loi de l'impôt sur le revenu*, relativement à laquelle la taxe imposée par le paragraphe 50(1) est payée et ne serait pas recouvrable en l'absence du présent paragraphe, et qui est, au début du 1^{er} janvier 1991 :

- a) une marchandise neuve qui n'a jamais servi;
- b) une marchandise qui a été refabriquée ou reconstruite et qui n'a jamais servi depuis;
- c) une marchandise d'occasion (voir le paragraphe 5 c) du présent Mémoire pour ce qui est de la méthode à utiliser pour obtenir un crédit).

«ministère» Le ministère du Revenu national, Douanes et Accise.

«ministre» Le ministre du Revenu national.

«produits alimentaires de base» À l'égard du remboursement de la taxe de vente fédérale à l'inventaire, s'entend au sens de la partie III de l'annexe VI de la *Loi sur la taxe d'accise*.

«véhicules à moteur» Véhicules à moteur neufs conçus pour servir sur les routes, ou châssis de tels véhicules et comprend les automobiles, les familiales, les fourgons, les camions. Sont exclus les véhicules automobiles non conçus pour les routes, comme les

and, in respect of which tax imposed under subsection 50(1)(other than tax paid by the person under subparagraph 50(1)(a)(ii)) has been paid and is not, but for this section, recoverable.

ELIGIBILITY FOR A REBATE

Applicants

1. Persons with a valid GST registration number, holding, as of the beginning of January 1, 1991, new and unused FST-paid goods for sale, lease or rental, or persons in the business of constructing, renovating or improving buildings or structures, holding building materials for use in the construction, renovation or improvement of buildings or structures, other than buildings or structures that are or are to be capital property of the persons, may be eligible to claim an FST inventory rebate.

2. GST registrants entitled to claim an FST inventory rebate include manufacturers and wholesalers holding tax-paid goods, dealers of new motor vehicles and mobile homes, contractors and retailers.

3. Persons qualifying for "small supplier" status because their taxable sales do not exceed the \$30,000 threshold, who choose not to register for the GST, will not be entitled to an FST inventory rebate. Since they will not be required to collect the GST on the sale, lease or rental of goods, they will not be in a situation of double taxation.

4. Small manufacturers who are not required to be licensed for FST purposes and who hold, as of the beginning of January 1, 1991, inventories of tax-paid raw materials, will not be entitled to a rebate on these goods since they are not for sale, lease or rental to customers. Small manufacturers will not be eligible for an FST rebate on their finished goods inventory because FST was not paid on the full value of these goods and they were not acquired for sale, lease or rental.

motoneiges, les motocyclettes de motocross et hors routes, les véhicules tous terrains, les voiturettes de golf, les voiturettes pour invalides et les fauteuils roulants motorisés.

ADMISSIBILITÉ AU REMBOURSEMENT

Demandeurs

1. Est admissible à un remboursement de la TVF à l'inventaire une personne qui possède un numéro d'inscription valide aux fins de la TPS et qui, au début du 1^{er} janvier 1991, détient des marchandises neuves n'ayant jamais servi, libérées de la TVF et étant destinées à la vente ou à la location, ou une personne qui possède des matériaux de construction réservés à la construction, à la rénovation ou à l'amélioration de bâtiments ou constructions qui ne sont pas ses immobilisations ou qui ne doivent pas le devenir.

2. Les inscrits aux fins de la TPS admissibles à un remboursement de la TVF à l'inventaire comprennent les fabricants et les grossistes qui détiennent des marchandises libérées de taxe, les marchands de véhicules à moteur neufs et de maisons mobiles neuves, les entrepreneurs et les détaillants.

3. La personne qui est admissible au statut de «petit fournisseur» parce que ses ventes taxables sont inférieures à 30 000 \$ par année, et qui décide de ne pas s'inscrire aux fins de la TPS, n'a pas droit au remboursement de la TVF à l'inventaire. Comme elle n'est pas tenue de percevoir la TPS sur la vente ou la location de ses produits, elle ne sera pas frappée d'une double taxation.

4. Le petit fabricant qui n'est pas tenu de détenir une licence aux fins de la TVF et qui, au début du 1^{er} janvier 1991, tient un inventaire de matières premières libérées de taxe, n'a pas droit à un remboursement pour ces marchandises car elles ne sont destinées ni à la vente ni à la location auprès de clients. Il n'est pas non plus admissible à un remboursement de la TVF pour les produits finis figurant à son inventaire puisqu'il n'a pas payé la TVF sur la valeur globale de ces marchandises et que celles-ci n'ont pas été acquises en vue de la vente ou de la location.

Goods**5. Goods that qualify for an FST rebate must be:**

(a) held for sale, lease or rental to customers by a registrant, in the ordinary course of the registrant's business:

(i) goods held in inventory for sale, lease or rental must be held for taxable supply, meaning a supply made in the course of a commercial activity, but not including an exempt supply. (Exempt supplies are listed in Schedule V to the Act.);

(ii) to be considered to be held for sale, the goods must be described in the registrant's inventory and offered for sale by the registrant. In addition, the registrant must have title to the goods and the goods must not be capital property of the registrant;

(iii) goods sold by contractors, electricians, plumbers, body shops, etc., in the provision of a service, which are regularly shown and invoiced separately from service labour will qualify for a rebate;

(iv) goods for sale, lease or rental exclude:

(A) supplies, tools, equipment, etc., used by a registrant in providing a service; supplies used in the day-to-day administration of the business; and goods to be consumed or expended in the registrant's operations;

(B) goods held for use in service contracts where a person is required to provide labour and materials (such

Produits**5. Les produits donnant droit à un remboursement de la TVF doivent :**

a) être destinés à la vente ou à la location auprès de clients, dans le cours normal de l'entreprise de l'inscrit;

(i) les produits tenus en inventaire en vue de la vente ou de la location doivent être tenus pour servir dans des fournitures taxables, c'est-à-dire des fournitures effectuées dans le cadre d'activités commerciales, à l'exclusion des fournitures exonérées (dont la liste figure à l'annexe V de la Loi);

(ii) afin d'être considérés retenus pour la vente, la liste des produits en inventaire doit être dressée et les produits doivent être offerts pour la vente par l'inscrit. En outre, l'inscrit doit détenir la propriété des produits et ceux-ci ne doivent pas être ses immobilisations;

(iii) les marchandises vendues par les entrepreneurs, les électriciens, les plombiers, les ateliers de carrosserie et autres lors de la prestation d'un service, qui sont facturées séparément ou qui figurent régulièrement sur les factures sous une rubrique distincte de celle de la main-d'oeuvre donneront droit à un remboursement;

(iv) ce qui suit est exclu de la vente ou de la location :

A) les fournitures, les outils, l'équipement et autres articles qu'un inscrit utilise dans la prestation d'un service; les fournitures utilisées dans l'administration courante de l'entreprise et les produits destinés à être consommés ou utilisés dans le cadre des activités de l'inscrit;

B) les produits détenus en inventaire en vue d'être utilisés lors de l'exécution d'un contrat de service en vertu du

as spare parts for use in fixed-price contracts to maintain office equipment). Businesses holding an inventory of parts for over-the-counter sales and for service contracts will be required to segregate their inventory in proportion to past usage;

quel une personne est tenue de fournir la main-d'oeuvre et les matériaux nécessaires (comme les pièces de rechange réservées à l'entretien d'équipement de bureau par une entreprise qui a conclu un contrat d'entretien à prix fixe). Les entreprises qui détiennent un inventaire de pièces destinées à la vente au comptoir et à l'exécution de contrats de service seront tenues de séparer leur inventaire en fonction des divers usages auxquels l'inventaire a été affecté dans le passé.

(C) new and unused packaging, coverings and containers;

C) les emballages, les enveloppes ou les contenants neufs qui n'ont jamais servi;

(D) goods that are ancillary to a service performed (such as shampoo used by a beauty salon and soft drinks or alcoholic beverages used by restaurants and hotels in the preparation of drinks for patrons);

D) les produits fournis à titre d'accessoires au service rendu (par exemple, le shampoing utilisé dans les salons de beauté; les boissons gazeuses et alcoolisées utilisées dans les hôtels et restaurants, pour la préparation de boissons à être servies aux clients);

(b) in the hands of a GST registrant at the beginning of January 1, 1991:

b) être en la possession de l'inscrit aux fins de la TPS au début du 1^{er} janvier 1991 :

(i) goods ordered prior to January 1, 1991, but not yet delivered to the purchaser by that date, will not qualify for an FST inventory rebate by the purchaser unless they are in transit prior to January 1, 1991, and the purchaser can substantiate that title has passed. Any questions concerning the passing of title will be clarified by applying the provisions of the appropriate provincial *Sale of Goods Act*;

(i) les produits commandés avant le 1^{er} janvier 1991 mais non encore livrés à l'acheteur à cette date ne donneront pas droit à un remboursement de la TVF à l'inventaire à moins qu'ils soient en transit avant le 1^{er} janvier 1991 et que l'acheteur puisse étayer le transfert de propriété. Toute question sur le transfert de propriété sera clarifiée par l'application des dispositions de la Loi provinciale sur la vente d'objets appropriée;

(ii) items of tax-paid goods that are included in the description of a person's inventory other than the registrant's inventory, such as goods for which title has been transferred or goods that have been delivered to a purchaser before January 1, 1991, must not be included in the registrant's inventory for FST rebate purposes;

(ii) les marchandises libérées de taxe qui figurent à l'inventaire d'une personne autre que l'inscrit, comme les produits dont la propriété a été transmise ou les produits qui ont été livrés à un acheteur avant le 1^{er} janvier 1991, ne doivent pas être compris dans l'inventaire de l'inscrit aux fins de remboursement de la TVF;

- (iii) items of tax-paid goods sold to a customer by a registrant before 1991, in a new and unused condition, and returned by the customer to the registrant after 1990, will not qualify for an FST rebate. However, when a credit or a refund is issued to the customer by the registrant for all or part of the amount paid for the goods, the registrant will be entitled to a notional input tax credit equal to 7/107ths of the amount credited or refunded to the customer, and will deduct that amount in determining the net tax owed in a reporting period of the registrant after 1990. The customer, if registered, will add 7/107ths of the amount credited in determining the net tax for the reporting period;

(c) in a new and unused condition:

- (i) used goods will not qualify for an FST rebate. However, registrants will be able to claim a notional input tax credit calculated on 50 per cent of the value of the inventory of used goods on January 1, 1991, as it would be determined at that time for income tax purposes (refer to paragraphs 120(3)(b) and 176(1)(b) of the Act);

(d) FST-paid:

- (i) registrants whose inventory description, on January 1, 1991, includes goods for sale, lease or rental, purchased from a licensed manufacturer under a contract that provides for instalment payments, will be entitled to a rebate of that portion of the FST paid on that date, on condition that the goods have been delivered to the purchaser or title of the goods has passed to the purchaser prior to 1991;
- (ii) FST-paid goods include rebuilt and remanufactured goods that are unused in their condition as rebuilt or remanufactured goods;

- (iii) les marchandises libérées de taxe vendues à un client par un inscrit avant 1991, dans un état neuf et n'ayant jamais servi, et qui sont retournées par le client à l'inscrit après 1990, ne donneront pas droit à un remboursement de la TVF. Toutefois, si l'inscrit remet au client un crédit ou un remboursement du montant payé pour les marchandises, ou une partie de ce montant, l'inscrit aura droit à un crédit fictif de taxe sur les intrants égal à 7/107 du montant crédité ou remboursé au client, et déduira ce montant de la taxe nette due au moment de calculer celle-ci pour une période de déclaration de l'inscrit après 1990. Le client inscrit ajoutera 7/107 du montant qui lui aura été crédité lors du calcul de la taxe nette pour sa période de déclaration;

c) être neufs et n'avoir jamais servi :

- (i) les produits d'occasion ne donneront pas droit à un remboursement de la TVF. Toutefois, les inscrits pourront demander un crédit fictif de taxe sur les intrants, calculé sur 50 p. 100 de la valeur de l'inventaire de produits d'occasion au 1^{er} janvier 1991, de la même façon que ce crédit serait calculé aux fins de l'impôt sur le revenu à ce moment-là (voir les alinéas 120(3) b) et 176(1) b) de la Loi);

d) être libérés de la TVF :

- (i) les inscrits dont les produits figurant à l'inventaire, le 1^{er} janvier 1991, comprennent des produits destinés à la vente ou à la location et qui ont été achetés d'un fabricant titulaire de licence en vertu d'un contrat qui prévoit que le paiement sera effectué par versements, auront droit à un remboursement de la partie de TVF payée à cette date, à condition que les produits aient été livrés ou que la propriété de ces produits ait été transmise à l'acheteur avant 1991;
- (ii) les marchandises libérées de la TVF comprennent les produits reconstruits et refabriqués qui n'ont jamais servi à ce titre;

- (iii) unconditionally exempt goods, such as basic groceries and clothing, cannot be included in the inventory qualifying for rebate, as no FST will have been paid on such goods. (Applicants will be provided with lists of goods that are unconditionally exempt from FST as well as goods that are rebatable at different tax factors.);
- (iv) goods that are subject to FST and are sold by a registrant to a consumer prior to September 1990 for a value exceeding \$5,000, or goods that are motor vehicles supplied to consumers prior to September 1990, for which all the consideration or part of the consideration was paid before September 1990, will not be subject to the GST and therefore will not qualify for an FST rebate if they are not delivered in 1990 or if title to these goods has not passed before 1991. However, if a portion of the consideration was paid in September 1990 or after, but before 1991, registrants other than FST licensees will be entitled to an FST rebate on the payments made during that period, since the GST will apply on these payments. Registrants who are FST licensees will be entitled to an input tax credit on the portion of the consideration paid between September 1, 1990 and December 31, 1990;
- (e) in Canada on January 1, 1991:
- (i) imported goods not released from a customs office, sufferance warehouse or bonded warehouse by January 1, 1991, will not qualify for an FST inventory rebate, as no FST will have been paid on these goods;
- (f) for sale, lease or rental to customers in the ordinary course of the registrant's business:
- (iii) les produits inconditionnellement exonérés de taxe tels que les produits alimentaires de base et les vêtements, ne peuvent pas faire partie de l'inventaire donnant droit à un remboursement puisqu'aucune TVF n'a été versée à leur égard. (Des listes de produits inconditionnellement exonérés de la TVF, ainsi que de produits auxquels les différents facteurs de remboursement s'appliquent seront mises à la disposition des demandeurs.);
- (iv) les produits assujettis à la TVF, qui sont vendus par un inscrit à un client avant septembre 1990, à un prix dont la valeur est supérieure à 5 000 \$, ou les produits qui sont des véhicules à moteur fournis à des clients avant septembre 1990 dont la contrepartie, ou une partie de la contrepartie, a été payée avant septembre 1990, ne seront pas assujettis à la TPS et ne donneront donc pas droit à un remboursement de la TVF si ces produits ne sont pas livrés en 1990 ou dont la propriété n'est pas transmise avant 1991. Toutefois, si une partie de la contrepartie a été payée en septembre 1990 ou après cette date, mais avant 1991, les inscrits, sauf les titulaires de licence de la TVF, auront droit à un remboursement de la TVF à l'égard des versements effectués durant cette période étant donné que la TPS sera applicable à ces versements. Les inscrits qui sont titulaires de licence de la TVF auront droit à un crédit de taxe sur les intrants applicable à la partie de la contrepartie payée entre le 1^{er} septembre 1990 et le 31 décembre 1990;
- e) se trouver au Canada le 1^{er} janvier 1991 :
- (i) les produits importés qui ne seront pas retirés d'un bureau de douane, d'un entrepôt d'attente ou d'un entrepôt de stockage avant le 1^{er} janvier 1991 ne donneront pas droit à un remboursement de la TVF à l'inventaire, étant donné qu'aucune TVF n'aura été payée à leur égard;
- f) être destinés à la vente ou à la location à des clients, dans le cours normal de l'entreprise de l'inscrit :

- (i) goods that are not sold, leased or rented to others on a regular basis by a registrant will not qualify for a rebate. Examples include promotional goods or goods purchased for own use that are occasionally sold, leased or rented by a registrant to customers; and

- (g) acquired by the registrant prior to January 1, 1991.

6. Registrants may not claim an FST inventory rebate for new and unused FST-paid goods if the FST may be recovered otherwise.

7. New and unused building materials held by a registrant for use in the construction, renovation or improvement of buildings or structures, in the ordinary course of that registrant's business, will qualify for an FST rebate provided these goods have not been delivered to a job site before January 1, 1991, and are not held for use in the construction, renovation or improvement of property that is, or will be, capital property of the registrant.

8. Obsolete goods written off for income tax purposes do not qualify for an FST rebate.

Time Limitation

9. Applicants will be required to submit their rebate applications to the Minister no later than December 31, 1991.

10. Applicants should take care to submit complete information to avoid a delay in receiving payment.

Interest on Payment

11. Interest at the prescribed rate will be paid on outstanding amounts, beginning on the later of:

- (a) March 1, 1991; or

- (i) les produits qui ne sont pas vendus ou loués régulièrement par un inscrit ne donneront pas droit à un remboursement, par exemple les produits distribués à des fins publicitaires ou les produits achetés en vue d'un usage personnel, et vendus ou loués occasionnellement à des clients;

- g) avoir été acquis par l'inscrit avant le 1^{er} janvier 1991.

6. Les inscrits ne peuvent pas demander un remboursement de la TVF à l'inventaire pour des marchandises neuves, n'ayant jamais servi et libérées de la TVF, si la TVF peut être recouvrée d'une autre façon.

7. Les matériaux de construction neufs et n'ayant jamais servi, détenus par un inscrit, qui sont destinés à la construction, la rénovation ou l'amélioration de bâtiments ou de constructions, et qui sont utilisés dans le cours normal de son entreprise, donneront droit à un remboursement de la TVF pourvu qu'ils n'aient pas été livrés à un chantier de construction avant le 1^{er} janvier 1991, et qu'ils ne soient pas réservés à la construction, à la rénovation ou à l'amélioration de biens qui sont ses immobilisations ou qui doivent le devenir.

8. Les produits défectueux radiés aux fins de l'impôt sur le revenu ne donnent pas droit à un remboursement de la TVF.

Délai

9. Les demandes de remboursement doivent être présentées au ministre au plus tard le 31 décembre 1991.

10. Il importe de fournir tous les renseignements nécessaires, afin d'éviter de retarder inutilement le versement des remboursements.

Intérêts sur le remboursement

11. Des intérêts sur les remboursements à verser seront payés, au taux prescrit, à partir du dernier des jours suivants :

- a) le 1^{er} mars 1991 ou

- (b) 21 days after the day the application is received by the Minister.

The interest payment period will end on the day the rebate is paid. Interest will be compounded monthly on the total amount of the payment and interest outstanding.

HOW TO APPLY FOR AN FST INVENTORY REBATE

12. GST registrants who indicate at time of pre-registration that they hold goods for sale in inventory will be mailed a pre-numbered, labelled application form to be used for claiming an FST inventory rebate. This application form will be sent to registrants approximately two months prior to implementation of the GST. When necessary, a second form can be obtained from the Department.

13. Registrants who are eligible to claim a rebate and did not receive an application form should contact their local Revenue Canada Excise office to obtain an FST rebate form.

14. Branches registered to file GST returns separately will be permitted to file branch FST inventory rebate applications under their branch account number. A rebate application form will be sent to these branches. If a branch has not registered for filing, a consolidated FST inventory rebate application will have to be submitted.

15. The rebate application form will include instructions for its completion. Once completed, the form should be sent to the nearest Revenue Canada Excise office in the envelope supplied.

16. Registrants will not be asked to submit documents with their completed application forms. However, they will be required to keep sufficient documentation on file to allow departmental officials to verify the amounts claimed.

- b) le 21^e jour suivant la réception de la demande par le ministre.

La période du versement des intérêts prendra fin le jour où le remboursement sera versé. Les intérêts seront composés mensuellement sur le total du remboursement et des intérêts impayés.

COMMENT DEMANDER UN REMBOURSEMENT DE LA TVF À L'INVENTAIRE

12. L'inscrit aux fins de la TPS qui, au moment de sa préinscription, déclare détenir en inventaire des produits destinés à la vente recevra par la poste une formule de demande numérotée et étiquetée qu'il lui faudra utiliser pour réclamer un remboursement de la TVF à l'inventaire. Cette formule sera envoyée à l'inscrit environ deux mois avant l'entrée en vigueur de la TPS. Au besoin, on pourra obtenir une deuxième formule du ministère.

13. L'inscrit qui a le droit de demander un remboursement mais n'a pas reçu de formule de demande, devrait communiquer avec le bureau local de Revenu Canada, Accise pour obtenir une formule de demande de remboursement de la TVF.

14. Une succursale qui s'est inscrite de façon à pouvoir produire des déclarations de TPS distinctes pourra présenter une demande de remboursement de la TVF à l'inventaire sous son propre numéro de compte. Une formule de demande de remboursement lui sera envoyée. Par ailleurs, dans le cas d'une succursale non inscrite aux fins de la production de déclarations, une demande globale de remboursement de la TVF à l'inventaire devra être présentée.

15. La formule de demande de remboursement sera accompagnée d'instructions sur la façon de la remplir. Une fois remplie, elle devra être envoyée, dans l'enveloppe fournie à cette fin, au bureau de Revenu Canada, Accise le plus proche.

16. L'inscrit n'aura pas à joindre de documents justificatifs à ses formules de demande remplies. Il devra par contre conserver tous les documents nécessaires afin que les agents du ministère puissent vérifier les montants réclamés.

CALCULATION OF AN FST INVENTORY REBATE**Tax Factors**

17. The calculation of FST inventory rebates will be based on prescribed tax factors. Tax factors were developed to reflect the various non-taxable elements included in a sale price.

18. Applicants will apply the following prescribed tax factors to the value of their FST-paid inventories on hand at the beginning of January 1, 1991:

- (a) general tax factor (8.1%);
- (b) specific tax factors for:
 - (i) small grocery/convenience stores (2.5%);
 - (ii) motor vehicles (11.1%);
 - (iii) gasoline (rate in effect on regular unleaded gasoline as of December 31, 1990);
 - (iv) diesel fuel (rate in effect as of December 31, 1990);
 - (v) propane (1.4%);
 - (vi) construction materials (5.6%); and
 - (vii) mobile homes and modular building units (2.8%).

The general tax factor is to be used for all goods except those having a specific tax factor.

General, Motor Vehicle and Construction Materials Tax Factors

19. Applicants using the general tax factor and the tax factors for motor vehicles and construction materials (including equipment for buildings subject

CALCUL DU REMBOURSEMENT DE LA TVF À L'INVENTAIRE**Facteurs**

17. Le calcul des remboursements de la TVF à l'inventaire se fonde sur des facteurs prescrits, lesquels ont été établis pour tenir compte des divers éléments non taxables inclus dans un prix de vente.

18. Le demandeur appliquera les facteurs prescrits suivants à la valeur des marchandises libérées de la TVF détenus en inventaire au début du 1^{er} janvier 1991 :

- a) le facteur général (8,1 p. 100);
- b) les facteurs spécifiques pour :
 - (i) les petits magasins d'alimentation et les dépanneurs (2,5 p. 100);
 - (ii) les véhicules à moteur (11,1 p. 100);
 - (iii) l'essence (taux en vigueur sur l'essence ordinaire sans plomb à compter du 31 décembre 1990);
 - (iv) le combustible diesel (taux en vigueur à compter du 31 décembre 1990);
 - (v) le propane (1,4 p. 100);
 - (vi) les matériaux de construction (5,6 p. 100);
 - (vii) les maisons mobiles et les bâtiments modulaires (2,8 p. 100).

Le facteur général s'applique à tous les produits, à l'exception de ceux auxquels s'applique un facteur spécifique.

Facteur général et facteurs pour les véhicules à moteur et les matériaux de construction

19. Le demandeur qui utilisera le facteur général et les facteurs applicables aux véhicules à moteur et aux matériaux de construction (y compris le matériel pour

Mobile Homes and Modular Building Units Tax Factor

24. The tax factor for mobile homes and modular building units will be applied to the total inventory value of these goods. This tax factor reflects the fact that the *Excise Tax Act* imposes the FST on 50 per cent of the sale price of mobile homes and modular building units.

Inventories

25. Except where there is a perpetual inventory system, an actual physical stocktaking will be required as of the beginning of January 1, 1991, for purposes of calculating the inventory value of gasoline, diesel fuel, propane, mobile home/modular building units and motor vehicles.

26. For other categories of goods, firms will be permitted to estimate their FST-paid inventories without the need for a physical inventory count, under the following circumstances:

(a) a reliable perpetual inventory system is employed and has been periodically verified by reference to actual quantities on hand. (Applicants having such a system will be required to segregate their inventory between tax-exempt and tax-paid goods and goods rebatable at different tax factors.);

(b) inventories are valued at \$70,000 or less, excluding gasoline and diesel fuel (other than aviation gasoline), and a perpetual inventory system does not exist:

(i) applicants who have a total inventory value of \$70,000 or less will be allowed to use any inventory taken between April 1, 1990 and March 31, 1991, and used for income tax purposes, to claim an FST inventory rebate provided the business is substantially the same on January 1, 1991 as when the actual physical stocktaking was done. However, applicants will be required to remove any tax-exempt

Facteur pour les maisons mobiles et les bâtiments modulaires

24. Le facteur prescrit pour les maisons mobiles et les bâtiments modulaires s'appliquera à la valeur totale des marchandises de ce type en inventaire. Ce facteur prend en considération le fait que la *Loi sur la taxe d'accise* assujettit la TVF sur 50 p. 100 du prix de vente des maisons mobiles et des bâtiments modulaires.

Inventaires

25. À moins que l'entreprise n'ait un système d'inventaire permanent, un inventaire physique devra être effectué au début du 1^{er} janvier 1991 dans le but de déterminer la valeur de l'inventaire d'essence, de combustible diesel, de propane, de maisons mobiles et de bâtiments modulaires et de véhicules à moteur.

26. Pour ce qui est des autres catégories de marchandises, l'entreprise pourra évaluer la valeur des marchandises libérées de la TVF sans devoir en faire l'inventaire physique dans les cas spécifiés ci-après :

a) l'entreprise utilise un système d'inventaire fiable et permanent qui a été vérifié périodiquement en comparaison avec l'inventaire réel. (Les demandeurs qui utilisent un système du genre seront tenus de séparer les produits exonérés des produits libérés de taxe. Les produits exonérés de taxe devront ensuite être séparés selon leur nature, c'est-à-dire si plus d'un facteur spécifique est applicable.);

b) l'entreprise qui détient un inventaire dont la valeur n'excède pas 70 000 \$, exclusion faite de l'essence et du combustible diesel (autre que le carburant d'avions) et qui n'utilise pas un système d'inventaire permanent :

(i) l'entreprise pourra calculer son remboursement de la TVF à partir d'un inventaire dressé entre le 1^{er} avril 1990 et le 31 mars 1991 et utilisé aux fins de l'impôt sur le revenu, pourvu que la nature de l'entreprise soit en grande partie la même au 1^{er} janvier 1991 qu'au moment où l'inventaire physique a réellement été dressé. Toutefois, le demandeur sera tenu d'enlever tout l'inventaire exonéré de taxe

value of their inventory for purchases and cost of goods sold for the period from the inventory taking to January 1, 1991, in order to determine an estimated inventory value for purposes of claiming a rebate.

This option is permissible when the inventory lines and merchandising program are substantially the same on January 1, 1991, as they were when the actual inventory was determined.

Applicants will use the gross margin percentage from their year-end financial statements to calculate an estimated cost of goods sold for the period from the actual inventory determination to January 1, 1991.

It will be necessary to segregate the FST-exempt items from tax-paid inventory items. In addition, when an inventory contains goods that will be rebated using more than one tax factor (e.g., general tax factor and construction materials tax factor), it will be necessary to segregate the inventories by tax factor. This may be done by:

- (i) an actual physical stocktaking on January 1, 1991 of FST-exempt items and items for which tax is rebatable using more than one tax factor; or
- (ii) identifying the ratio of tax-paid or tax-exempt goods to the total inventory at the time of actual stocktaking and applying this same ratio to the estimated inventory value as calculated for January 1, 1991. The same approach could be used to segregate goods for which tax is rebatable using more than one tax factor.

27. In all other situations, a physical stocktaking will be required as of the beginning of January 1, 1991. If the firm is not open for business on January 1, 1991, inventory should be taken on the first day after January 1, 1991, or on the last day before January 1, 1991, on which the firm is open.

May 1990

redressement de la valeur de l'inventaire en fonction des achats qui auront eu lieu et du coût des produits vendus entre la date de l'inventaire réel et le 1^{er} janvier 1991, afin de déterminer la valeur estimative de leur inventaire en vue de réclamer un remboursement.

Cette option sera permise lorsque les articles en inventaire et les techniques marchandes seront pratiquement les mêmes au 1^{er} janvier 1991 qu'à la date à laquelle l'inventaire réel aura été dressé.

Les demandeurs utiliseront le pourcentage de marge brute de leurs états financiers de fin d'exercice pour calculer le coût estimatif des produits vendus entre la date de l'inventaire réel et le 1^{er} janvier 1991.

Il sera nécessaire de séparer les articles exonérés de la TVF de ceux figurant dans l'inventaire libéré de taxe. En outre, lorsqu'un inventaire renferme des produits donnant droit à un remboursement en fonction de plus d'un facteur (par exemple, facteur général et facteur pour matériaux de construction), il sera nécessaire de séparer l'inventaire en fonction des différents facteurs prescrits. On pourra faire cela :

- (i) en dressant l'inventaire physique réel des articles exonérés de la TVF le 1^{er} janvier 1991 et des articles pour lesquels il existe plus d'un facteur de remboursement;
- (ii) en identifiant le rapport existant entre la valeur des produits exonérés ou des produits libérés de taxe et la valeur globale de l'inventaire au moment de dresser l'inventaire, puis en appliquant ce rapport à la valeur estimative de l'inventaire calculée pour le 1^{er} janvier 1991. La même approche pourrait être adoptée pour séparer les produits libérés de taxe pour lesquels il existe plus d'un facteur de remboursement.

27. Dans tous les autres cas, l'inventaire devra être dressé au début du 1^{er} janvier 1991. Si l'entreprise n'est pas ouverte le 1^{er} janvier 1991, l'inventaire devra être dressé le premier jour suivant cette date ou le dernier jour avant cette date, où elle est ouverte.

mai 1990

VALUATION OF INVENTORY**Income Tax Method**

28. Applicants will use the same methods to value inventories for rebate purposes as they use to value inventories for income tax purposes. Income tax regulations provide three alternative methods of valuing inventories:

- (a) valuation at the lower of cost or fair market value for each item (or class of items if specific items are not readily distinguishable) in the inventory;
- (b) valuation of the entire inventory at cost; and
- (c) valuation of the entire inventory at fair market value.

29. In valuing inventories for FST rebate purposes, obsolete goods should be excluded, as these goods will not normally be sold and therefore will not attract the GST. Where adjustments are made, such as for shrinkage, and the inventory is composed of both tax-paid and tax-exempt goods, the adjustments should be made on a pro-rata basis.

30. INTERPRETATION BULLETIN IT-473 on "Inventory Valuation", published by Revenue Canada, Taxation, sets out the meaning of "cost", the method of determining cost, the meaning of "market" and the determination of lower of cost and market value. Reference should be made to this bulletin, as required.

Retail Inventory Method

31. The retail inventory method is also acceptable for FST inventory rebate purposes if it meets all of the following tests:

ÉVALUATION DE L'INVENTAIRE**Méthode utilisée aux fins de l'impôt sur le revenu**

28. Le demandeur établira la valeur de son inventaire aux fins du remboursement de la TVF à l'inventaire suivant les mêmes méthodes que celles utilisées aux fins de l'impôt sur le revenu. Le Règlement de l'impôt sur le revenu prévoit trois méthodes d'évaluation :

- a) l'évaluation en fonction du montant moindre entre le coût et la juste valeur marchande de chaque article (ou d'une catégorie d'articles si les articles particuliers ne sont pas facilement discernables) à l'inventaire;
- b) l'évaluation de l'ensemble de l'inventaire en fonction du coût;
- c) l'évaluation de l'ensemble de l'inventaire en fonction de la juste valeur marchande.

29. Au moment de l'évaluation de l'inventaire aux fins du remboursement de la TVF, il faudra exclure les produits radiés pour des motifs de désuétude, puisque ces produits ne sont habituellement pas vendus et, de ce fait, échappent à la TPS. Lorsque des redressements sont apportés (par exemple, pour perte de valeur) et que l'inventaire se compose de marchandises libérées de taxe et de produits exonérés, le redressement devra se faire en proportion de ces deux types de produits.

30. Le BULLETIN D'INTERPRÉTATION IT-473 intitulé «Évaluation des biens figurant dans un inventaire», publié par Revenu Canada, Impôt, définit les expressions «prix coûtant» et «valeur du marché» et précise la méthode d'établissement des coûts et du montant moindre entre le coût et la valeur marchande. Se reporter à ce bulletin au besoin.

Méthode de l'inventaire au prix de détail

31. La méthode de l'inventaire au prix de détail est également acceptable aux fins du remboursement de la TVF à l'inventaire, pourvu que les conditions suivantes soient remplies :

- (a) the method is used only when there are many different commodities for sale, lease or rental, such as in a grocery store or department store;
- (b) the values are established in accordance with generally accepted accounting principles; and
- (c) the values, so established, are used for both income tax and financial statement purposes.

Accounting Periods

32. Firms operating on the basis of accounting periods, without an accounting period that closes on December 31, 1990, will be permitted to base their rebate claims on the accounting period closest to December 31, 1990 provided the Minister is satisfied that the inventory system is adequate to permit a reasonable determination of the inventory. Authorization to use an accounting period other than an accounting period that closes on December 31, 1990, should be obtained from a Revenue Canada Excise office.

NOTE: This memorandum contains general information and is provided for convenience and guidance in applying the *Excise Tax Act* and Regulations. Readers should refer to the legislation and/or contact the nearest Revenue Canada Excise office if interpretation problems occur.

- a) la méthode est utilisée uniquement lorsque les produits destinés à la vente ou à la location sont très variés, comme dans le cas d'un magasin d'alimentation ou d'un magasin à rayons;
- b) les valeurs sont établies conformément aux principes comptables généralement reconnus;
- c) les valeurs ainsi établies servent à la fois à l'impôt sur le revenu et à la production des états financiers.

Périodes comptables

32. L'entreprise qui se sert de périodes comptables autres qu'une période se terminant le 31 décembre 1990 peut fonder sa demande de remboursement sur la période comptable qui finit à la date la plus proche du 31 décembre 1990, pourvu que le ministre soit convaincu que le système de contrôle de l'inventaire est suffisant pour permettre de déterminer adéquatement le contenu de l'inventaire. L'autorisation d'utiliser une période comptable se terminant à une autre date que le 31 décembre 1990 devra être obtenue auprès d'un bureau de Revenu Canada, Accise.

NOTA: Le présent Mémoire contient des renseignements généraux sur la façon d'appliquer la *Loi sur la taxe d'accise* et ses règlements. Si vous avez des problèmes d'interprétation, veuillez consulter la Loi ou communiquer avec le bureau de Revenu Canada, Accise le plus proche.

APPENDIX

ANNEXE

APPENDIX

CALCULATION OF AN ESTIMATED INVENTORY
IN ACCORDANCE WITH PARAGRAPH 26(c)

Example #1

Assumptions:

- (a) an actual physical stocktaking is done on January 31, 1991;
- (b) all goods in inventory are tax-paid at one rate; and
- (c) the fiscal year-end is June 30.

Actual Results for the Year

(a) Sales	\$425,000
(b) Purchases	\$307,500
(c) Actual Inventory on June 30, 1989	\$115,000
(d) Actual inventory on June 30, 1990	\$ 85,000
(e) Cost of Goods Sold	\$337,500
(f) Gross Margin Percentage	20.6%

Calculation of Estimated Inventory as of
January 1, 1991

(a) Actual Sales for January 1991	\$ 35,750
(b) Gross Margin Percentage	20.6%
(c) Estimated Gross Margin (multiply (a) by (b))	\$ 7,365
(d) Estimated Cost of Goods Sold (subtract (c) from (a))	\$ 28,385
(e) Actual Inventory on January 31, 1991	\$ 75,000
(f) Actual Purchases for January 1991	\$ 25,000
(g) Estimated Inventory on January 1, 1991 (subtract (f) from the total of (d) + (e))	\$ 78,385

Estimated Inventory Eligible for Rebate \$ 78,385

ANNEXE

CALCUL DE LA VALEUR ESTIMATIVE DE
L'INVENTAIRE SELON LE PARAGRAPHE 26 c)

Exemple 1

Hypothèse

- a) L'inventaire physique est effectué le 31 janvier 1991.
- b) Toutes les marchandises sont assujetties au même taux.
- c) L'exercice se termine le 30 juin.

Résultats réels pour l'année

a) Ventes	425 000 \$
b) Achats	307 500 \$
c) Inventaire réel le 30 juin 1989	115 000 \$
d) Inventaire réel le 30 juin 1990	85 000 \$
e) Coût des marchandises vendues	337 500 \$
f) Pourcentage de marge brute	20,6 %

Calcul de la valeur estimative de l'inventaire au
1^{er} janvier 1991

a) Ventes réelles pour janvier 1991	35 750 \$
b) Pourcentage de marge brute	20,6 %
c) Marge brute estimative (multiplier a) par b))	7 365 \$
d) Coût estimatif des marchandises vendues (soustraire c) de a))	28 385 \$
e) Inventaire réel le 31 janvier 1991	75 000 \$
f) Achats réels pour janvier 1991	25 000 \$
g) Valeur estimative de l'inventaire le 1 ^{er} janvier 1991 (soustraire f) de la somme de d) et e))	78 385 \$

Valeur estimative de l'inventaire éligible
aux fins du remboursement 78 385 \$

CALCULATION OF ESTIMATED INVENTORY IN ACCORDANCE WITH PARAGRAPH 26(c)**Example #2****Assumptions**

- (a) An actual physical stock-taking is done on January 31, 1991;
- (b) inventory is comprised of both tax-paid and tax-exempt goods; and
- (c) the fiscal year-end is June 30.

Actual Results for the Year

(a) Sales	\$425,000
(b) Purchases	\$307,500
(c) Actual Inventory on June 30, 1989	\$115,000
(d) Actual Inventory on June 30, 1990	\$ 85,000
(e) Cost of Sales	\$337,500
(f) Gross Margin Percentage	20.6%

Calculation of Estimated Inventory as of January 1, 1991

(a) Actual Sales for January 1991	\$ 35,750
(b) Gross Margin Percentage	20.6%
(c) Estimated Gross Margin (multiply (a) by (b))	\$ 7,365
(d) Estimated Cost of Goods Sold (subtract (c) from (a))	\$ 28,385
(e) Actual Inventory on January 31, 1991 (80 % tax-paid and 20 % tax-exempt)	\$ 75,000
(f) Actual Purchases for the month of January 1991	\$ 25,000
(g) Estimated Inventory on January 1, 1991 (subtract (f) from the total of (d) + (e))	\$ 78,385

Estimated Inventory on January 1, 1991 \$ 78,385

Estimated Tax-Paid Inventory Eligible for Rebate (80 % of \$78,385) \$ 62,708

CALCUL DE LA VALEUR ESTIMATIVE DE L'INVENTAIRE SELON LE PARAGRAPHE 26 c)**Exemple 2****Hypothèse**

- a) L'inventaire physique est effectué le 31 janvier 1991.
- b) L'inventaire comprend des marchandises libérées de taxe et des marchandises exonérées de taxe.
- c) L'exercice se termine le 30 juin.

Résultats réels pour l'année

a) Ventes	425 000 \$
b) Achats	307 500 \$
c) Inventaire réel le 30 juin 1989	115 000 \$
d) Inventaire réel le 30 juin 1990	85 000 \$
e) Coût des marchandises vendues	337 500 \$
f) Pourcentage de marge brute	20,6 %

Calcul de la valeur estimative de l'inventaire au 1^{er} janvier 1991

a) Ventes réelles pour janvier 1991	35 750 \$
b) Pourcentage de marge brute	20,6 %
c) Marge brute estimative (multiplier a) par b))	7 365 \$
d) Coût estimatif des marchandises vendues (soustraire c) de a))	28 385 \$
e) Inventaire réel le 31 janvier 1991 (80 % libéré de taxe et 20 % exonéré de taxe)	75 000 \$
f) Achats réels pour janvier 1991	25 000 \$
g) Valeur estimative de l'inventaire le 1 ^{er} janvier 1991 (soustraire f) de la somme de d) et e))	78 385 \$

Valeur estimative de l'inventaire au 1^{er} janvier 1991 78 385 \$

Valeur estimative de l'inventaire éligible aux fins du remboursement (80 % de 78 385) 62 708 \$

NOTES

NOTES

REFERENCES

OFFICE OF RESPONSIBILITY:

Transition Rebates

LEGISLATIVE REFERENCES:

Excise Tax Act as amended by Bill C-62

HEADQUARTERS FILE:

N/A

SUPERSEDES GST MEMORANDUM:

N/A

OTHER REFERENCES:

N/A

SERVICES PROVIDED BY THE DEPARTMENT ARE
AVAILABLE IN BOTH OFFICIAL LANGUAGES.

THIS MEMORANDUM IS ISSUED BY TECHNICAL
INFORMATION, EXCISE BRANCH UNDER THE
AUTHORITY OF THE DEPUTY MINISTER OF
NATIONAL REVENUE, CUSTOMS AND EXCISE.

RENOIS

BUREAU RESPONSABLE:

Remboursements en raison de la transition

RENOIS À LA LOI:

Loi sur la taxe d'accise modifiée par le projet de
loi C-62

DOSSIER DE L'ADMINISTRATION CENTRALE:

S/O

ANNULE LE MÉMORANDUM SUR LA TPS:

S/O

AUTRES RENOIS:

S/O

LES SERVICES FOURNIS PAR LE MINISTÈRE SONT
DISPONIBLES DANS LES DEUX LANGUES
OFFICIELLES.

LA PUBLICATION DU PRÉSENT MÉMORANDUM EST
EFFECTUÉE PAR L'INFORMATION TECHNIQUE,
DIRECTION DE L'ACCISE, ET APPROUVÉE PAR LE
SOUS-MINISTRE DU REVENU NATIONAL - DOUANES
ET ACCISE.

APPENDIX V



Application for Federal Sales Tax Inventory Rebate

1. Subsection 72 (2) of the *Excise Tax Act* states: "An application shall be made in the prescribed form and contain the prescribed information". Failure to comply could result in the non-acceptance of an application.
2. This form and attached schedules are the prescribed forms for submitting an application for a Federal Sales Tax (FST) inventory rebate under the *Excise Tax Act*.
3. FST rebate applications must be filed before 1992.

Identification	
Applicant's name _____	GST registration no. _____
Address _____ <small>(Street, City, Province, Postal Code)</small>	
Telephone no. () _____	

Section A - Inventory Value (must be completed by all applicants)
Enter total inventory value of all goods for sale, lease or rental as stated in your most recent financial statements \$ _____

Section B - Rebate Summary
Complete the applicable attached schedules, then fill in this summary.

Schedules	Inventory	Amount claimed (\$)
I General tax factor	1	
II Specific tax factors for:		
III Small grocery/convenience stores	2	
IV Motor vehicles	3	
V Gasoline	4	
VI Diesel fuel	5	
VII Propane	6	
VIII Construction materials	7	
IX Mobile homes and modular building units	8	
Total		

Section C - Name and address of person or firm, other than the applicant, who has prepared this application Name _____ Address _____ <small>(Street, City, Province, Postal Code)</small> Telephone no. () _____ Permission to contact the above for information is authorized until <table border="1" style="display: inline-table;"><tr><td>Y</td><td>M</td><td>D</td></tr></table>	Y	M	D	Section D - Certification (must be completed by all applicants) It is hereby certified that: (i) the information given in this application is true, complete and correct in every respect; (ii) the amount claimed has not been previously approved for payment or deduction; (iii) any relevant books and/or records are available for inspection. Signature _____ Please print _____ Title _____ Date _____ TO MAKE A FALSE CLAIM IS A SERIOUS OFFENCE.
Y	M	D		

☐GST 207 (2009)



Schedule II Small Grocery / Convenience Stores

If you operate a small grocery or convenience store and if your inventory is comprised of both foodstuffs and FST-paid goods and if your total inventory value is \$70,000 or less (excluding gasoline and diesel fuel) you may use this schedule to calculate the rebate amount. With the use of this schedule, there is no need to segregate your inventory between FST-paid and FST-exempt goods.

15. a) Indicate date of physical stocktaking if it is other than December 31, 1990

Y	M	D
---	---	---

b) If your inventory value is \$70,000 or less and you are claiming based on an inventory taken between April 1, 1990 and March 31, 1991 in accordance with paragraph 26 (b) of GST Memorandum 900 "Federal Sales Tax Inventory Rebates", please check to confirm that the inventory value was used for income tax purposes. ☐

Total value of FST-paid and FST-exempt inventory

16. \$

Less: Total value of gasoline and diesel fuel inventories
(FST rebates on inventories of gasoline and diesel fuel may be claimed on schedules IV and V)

17. \$

Net inventory eligible for FST rebate
(line 16 minus line 17)

18. \$

transfer this total to line 2 of the
rebate application

Tax factor

2.5%

Amount claimed
(multiply line 18 by the tax factor)

19. \$

transfer this total to line 2 of the
rebate application



Schedule IV Gasoline

Total litres of mid-grade gasoline in inventory as of January 1, 1991		Number of tanks	Maximum capacity	Date of last delivery
<input type="text"/>	27.	<input type="text"/>	<input type="text"/>	<input type="text"/>
+				
Total litres of regular leaded and unleaded gasoline in inventory as of January 1, 1991				
<input type="text"/>	28.	<input type="text"/>	<input type="text"/>	<input type="text"/>
+				
Total litres of premium unleaded gasoline in inventory as of January 1, 1991				
<input type="text"/>	29.	<input type="text"/>	<input type="text"/>	<input type="text"/>
=				
Total litres of gasoline in inventory as of January 1, 1991	30.	X		
<input type="text"/>				
transfer this total to line 4 of the rebate application				
		Tax factor 3.63 / litre		
		multiply the total in line 30 by this factor		
		=		
				Amount claimed
				\$ <input type="text"/>
				31.
transfer this total to line 4 of the rebate application				

Schedule V Diesel Fuel

Total litres of fuel oil in inventory as of January 1, 1991		Number of tanks	Maximum capacity	Date of last delivery
<input type="text"/>	32.	<input type="text"/>	<input type="text"/>	<input type="text"/>
-				
Total litres of FST - exempt fuel oil in inventory as of January 1, 1991				
<input type="text"/>	33.	<input type="text"/>	<input type="text"/>	<input type="text"/>
=				
Total litres of FST-paid diesel fuel in inventory as of January 1, 1991	34.	X		
<input type="text"/>				
transfer this total to line 5 of the rebate application				
		Tax factor 2.77 / litre		
		multiply the total in line 34 by this factor		
		=		
				Amount claimed
				\$ <input type="text"/>
				35.
transfer this total to line 5 of the rebate application				

Schedule VI Propane

Total inventory value of propane as of January 1, 1991	36.	X		
\$ <input type="text"/>				
transfer this total to line 6 of the rebate application				
		Tax factor 1.4%		
		multiply the total in line 36 by this factor		
		=		
				Amount claimed
				\$ <input type="text"/>
				37.
transfer this total to line 6 of the rebate application				

INSTRUCTIONS FOR COMPLETING THE FOR FEDERAL SALES TAX (FST) INVENTORY REBATE

Information. For more information refer to the GST Memorandum 900 "Federal Sales Tax

ing FST from inventories as these will be subject to GST on resale. Persons with a valid GST
of January 1, 1991, new and unused FST-paid goods for sale, lease or rental, or persons in the
g buildings or structures, holding building materials for use in the construction, renovation or
n buildings or structures that are or are to be capital property of the persons, may be eligible to claim

ber and GST registration number that appear on your rebate claim are correct and complete. Make
bate form.

II of the requested information in the "identification" area.

, lease or rental as stated on your most recent financial statements.

ated the appropriate schedules.

ate form. However, you are entitled to a notional input tax credit that may be claimed on your Goods

ON OR FIRM, OTHER THAN THE APPLICANT, WHO HAS PREPARED THIS APPLICATION
able.

rson or firm who has prepared this application, this section must be fully completed. Unless
given, all contacts will be made with the applicant.

pplicants, and must be signed by the owner or partner of the business, or in the case of a corporate

urn numbers in the various schedules.

having a specific tax factor. Separate schedules are provided for these goods. Also, you may not

rk your last physical inventory count on December 1, 1990, enter December 1, 1990 on line 9 (a);

ed in paragraph 26(b) of GST Memorandum 900 "Federal Sales Tax Inventory Rebates", and if
physical count on that date, enter April 30, 1990 on line 9 (a); or

ate that it is taken on a progressive basis.

, white goods instead of dishwashers, refrigerators, stoves etc.). Where your
not readily available, you may use the breakdown from your books and records.

ou do not segregate your inventory by product line, you may enter the total inventory value in

fuel), and if your inventory is composed of both
ur total inventory value of goods for sale, lease or
u do not have to segregate FST-paid goods from

Memorandum 900 "Federal Sales Tax Inventory

ur inventory and use the other prescribed factors.

ebate on gasoline and diesel fuel, which must be

soline and diesel fuel, enter NIL.

to new motor vehicles designed for highway use
obiles, dirt bikes etc., must be claimed on Schedule
for a rebate. Refer to the "Goods Listing for FST
ir rebate status.

t new or unused.

ventory value, unless you have a perpetual inventory

month and day.

oline. The rebate on aviation gasoline must be claimed
venience stores.

inventory value, unless you have a perpetual inventory

s) and the date of the last delivery for each type of

SCHEDULE V - DIESEL FUEL

In all cases, this schedule must be used to claim the rebate on diesel fuel except for aviation fuel. The rebate on aviation fuel must be claimed using the General Tax Factor on Schedule I unless you use the tax factor for Small grocery/convenience stores.

An actual physical stocktaking is required as of January 1, 1991 for purposes of calculating the inventory value, unless you have a perpetual inventory system.

Number of tanks, maximum capacity, and date of last delivery

Enter the number of tanks you have for each type of diesel fuel, their maximum capacity (in litres) and the date of the last delivery for each type of diesel.

Line 32 - Litres of fuel oil

Enter the number of litres of fuel oil on hand as of January 1, 1991.

Line 33 - FST-Exempt fuel oil

Enter the number of litres of fuel oil on hand that was purchased exempt of Federal Sales Tax (such as heating fuel).

Line 34 - Litres of tax-paid diesel fuel

Subtract line 33 from line 32.

SCHEDULE VI - PROPANE

This schedule must be used to claim the rebate on propane. The tax factor takes into account the fact that licensed manufacturers and wholesalers account for FST at the current rate on only 17 per cent of their total propane sales.

An actual physical stocktaking is required as of January 1, 1991 for purposes of calculating the inventory value, unless you have a perpetual inventory system.

Line 36 - Total inventory value of propane

Enter the inventory value of propane on hand as of January 1, 1991.

SCHEDULE VII - CONSTRUCTION MATERIALS

This schedule must be used to claim the rebate on all construction materials and equipment for buildings. To determine which goods are eligible for a rebate using this factor, refer to the "Goods Listing for FST Inventory Rebate Claim" enclosed with this guide. Note: construction materials include equipment for buildings such as furnaces, thermostats, ducts for warm air, etc.

Line 38 - Date of physical stocktaking

Same as line 9 (a) above.

Line 39 - Brief description of FST-paid goods

Summarize goods by major product lines (for example, hardware instead of nuts, screws, nails etc.). Where your inventory is not segregated by product line and one is not readily available, you may use the breakdown from your books and records.

Line 40 - Inventory value

Enter inventory value of the goods listed in line 39. If you do not segregate your inventory by product line, you may enter the total inventory value in line 41.

SCHEDULE VIII - MOBILE HOMES AND MODULAR BUILDING UNITS

This schedule must be used to claim the rebate on mobile homes and modular building units. The tax factor reflects the fact that FST is applied to only 50 per cent of the sale price of mobile homes and modular building units.

An actual physical stocktaking is required as of January 1, 1991 for purposes of calculating the inventory value, unless you have a perpetual inventory system.

Line 44 - Make and model number/name

Where applicable, enter the make, model number and model name.

Line 45 - Manufacturer's invoice number

Enter date of manufacturer's invoice for each home or unit claimed. The date should include the year, month and day.

Line 46 - Serial number

If applicable, enter the serial number for each home or unit claimed.

Line 47 - Inventory value

Enter the inventory value for each product line claimed.

**GOODS LISTING
FOR
FEDERAL SALES TAX
INVENTORY REBATE CLAIMS**

12:00 p.m.

September 19, 1990

Bill C-62, the proposed legislation on the Goods and Services Tax, received third reading and was passed by the House of Commons on April 10, 1990. Although this Bill has not yet received Royal Assent, Revenue Canada would like to help businesses and organizations prepare for the tax. Accordingly, the information contained in this publication, although subject to change, is being provided at this time for your convenience.

Printed under the authority of the Honourable Otto Jelinek,
Minister of National Revenue.

Le présent brochure sur la TPS est également disponible en français sous le titre «LISTE DE MARCHANDISES AUX FINS DES DEMANDES DE REMBOURSEMENT DE LA TAXE DE VENTE FÉDÉRALE À L'INVENTAIRE».

Introduction

Registrants for the proposed Goods and Services Tax (GST) may be eligible for a rebate of the Federal Sales Tax (FST) that has been paid on inventories of goods held for sale, lease or rental, on hand as of the beginning of January 1, 1991. Registered contractors holding inventories of building materials that have not been delivered to a job site by that date may also be eligible for an FST rebate.

Section 120 of the *Excise Tax Act* provides the legal basis for the FST inventory rebates program.

This list has been compiled to assist GST registrants in calculating their FST rebate entitlement. It is arranged alphabetically, using broad or general categories of goods, and indicates whether the goods are FST-taxable or exempt. It also indicates on which schedule of the FST rebate application form taxable goods should be claimed.

To calculate your FST rebate, a tax factor is listed for all FST-taxable goods. You will apply that tax factor to the value of those FST-paid goods in your inventory as of January 1, 1991. In most cases, goods exempt of FST are not eligible for a rebate and should be excluded from your FST rebate calculation.

If you have any FST-paid goods in inventory that you cannot find on this list, or if you require clarification of the goods or conditions listed, please contact the nearest Revenue Canada Excise office. The addresses and telephone numbers of all Revenue Canada Excise offices are listed on the back cover.

Additional information on FST inventory rebates and tax factors is available in GST MEMORANDUM 900, "FEDERAL SALES TAX INVENTORY REBATES".

Alcoholic Beverages

- includes beer, wine, liquor and all such spirits.

Taxable - Tax Factor 8.1%, Schedule I

Appliances (major electrical)

- major electrical household appliances, such as refrigerators and dishwashers.

Taxable - Tax Factor 8.1%, Schedule I

Art Work

Goods commonly known as art work, including:

- original engravings, prints and lithographs produced by hand by an artist;
- paintings, drawings and pastels, produced by an artist and valued at not less than \$20;
- original sculptures and statuary, and the first 12 replicas when produced by a professional artist and valued at not less than \$75 each; and
- handwoven tapestries or handmade appliques, when suitable only for use as wall hangings, valued at not less than \$215 per square metre.

Exempt - not eligible for an FST rebate

Audio and Video Equipment and Accessories

Audio and video equipment used for entertainment or communications, including:

- microphones and stands, loud-speakers, headphones and earphones, stereo equipment such as amplifiers and turntables, video recorders and players, aerials and aerial reflectors, etc;

- parts and accessories for the above.

Taxable - Tax Factor 8.1%, Schedule I

Automotive Accessories, Parts and Supplies

- includes all motor vehicle accessories, parts and supplies, except goods included in the transportation equipment category.

Taxable - Tax Factor 8.1%, Schedule I

Books, Magazines, Newspapers

Group 1:

- cultural, entertainment, or sports-like programs;
- magazines not issued at stated intervals or issued at intervals of less than four times a year;
- certain programs or advertising supplements or advertising inserts for newspapers or magazines;
- albums, biographical, financial or statistical surveys and reports;
- books for writing or drawing;
- catalogues;
- colouring books;
- directories (other than those listed below in Group 2);
- fashion books;
- guide books;
- periodic reports;
- price lists;

**Goods Listing for FST
Inventory Rebate Claims**

- rate books;
- timetables;
- year books;
- other similar printed matter.

Taxable - Tax Factor 8.1%, Schedule I

Group 2:

- bibles, missals, prayer books, psalm and hymn books, religious tracts, Sunday school lesson pictures, books bound and unbound, pamphlets, booklets, leaflets, scripture, prayer, hymn and mass cards, religious mottoes and unframed religious pictures, for the promotion of religion;
- college and school annuals;
- unbound literary papers, regularly issued at stated intervals of at least four times a year;
- sheet music;
- manuscripts;
- national manufacturing, industrial or trade directories;
- printed books that contain no advertising and are solely for educational, technical, cultural or literary purposes;
- magazines, newspapers and parts of either, when advertising does not exceed certain specific percentages.

Exempt - not eligible for an FST rebate



Building Supplies and Construction Materials

Also see Construction Equipment.

Construction materials include most articles and materials that become part of houses, buildings, or other structures such as:

Group 1:

- bricks and building blocks;
- doors, windows, and associated hardware;
- electrical and telecommunication wire and cable, circuit breakers and related equipment, but not light fixtures;
- firefighting and detection equipment for buildings;
- floor tile and hard surface flooring, vinyl flooring, but not carpet and carpet underlay;
- hot water tanks and heaters;
- lumber, plywood and other wood products used as building components;
- septic tanks and grease traps, and sump pumps;
- structural metal and fabricated metal for buildings and other structures;
- tar and asphalt;
- certain goods for use in heating or cooling systems for buildings, including heat recovery units, solar panels and woodburning stoves;
- ventilators and louvres;
- chimneys, chimney caps and built-in fireplaces;
- glass for buildings and other structures;
- kitchen and bathroom cabinets and countertops.

Taxable - Tax Factor 5.6%, Schedule VII

***Goods Listing for FST
Inventory Rebate Claims***

Group 2:

- paints, varnishes, stains and similar coatings and finishes;
- creosote oil and other wood preservatives; and
- additives for the above.

Taxable - Tax Factor 8.1%, Schedule I

Group 3:

- fire brick, plastic refractories, high-temperature cement, fire clay and other refractory materials; and
- stained glass windows of blown glass (antique glass) or of handmade slab glass.

Exempt - not eligible for an FST rebate

Business Machines, Office Equipment and Supplies

***Also see Computer Equipment and Accessories,
and Computer Software.***

Group 1:

- equipment commonly used as business or office equipment and office supplies, excluding office furniture and stationery, but including items such as typewriters, cash registers and point-of-sale terminals (other than those listed in Group 2), duplicating machines, coin-sorting machines, pens, paper clips, staplers, paper punches, etc. This group does not include computers and accessories.

Taxable - Tax Factor 8.1%, Schedule I

Group 2:

- electronic bar-scanning equipment designed to read product bar codes applied to goods held by a person, for sale in the ordinary course of business;
- cash registers designed with the capability of calculating and recording sales taxes imposed by more than one jurisdiction;
- equipment designed to convert a cash register or similar sales recording device to one having the capability of calculating and recording sales tax imposed by more than one jurisdiction;
- ancillary electronic equipment for use by retailers and wholesalers in recording sales and controlling inventory;
- sales recording devices similar to cash registers, designed with the capability of calculating and recording sales taxes imposed by more than one jurisdiction, sold to, or imported by a person, for use by the person in a retail or wholesale outlet, primarily for recording sales and controlling inventory.

Exempt - not eligible for an FST rebate, except where tax-paid

Chain Saws and Chain-saw Parts

Group 1:

- professional chain saws, excluding gasoline-powered professional chain saws with a capacity of over 40 cc;
- semi-professional chain saws;
- electrical and hydraulic chain saws;
- casual chain saws, and chain-saw parts.

Taxable - Tax Factor 8.1%, Schedule I

***Goods Listing for FST
Inventory Rebate Claims***

or designed for repeated use, are exempt of FST, including the following:

- barrels and boxes for fish, lobster crates and scallop bags;
- barrels, boxes, baskets and crates for packaging fruits and vegetables;
- bottles and cans for milk and cream;
- boxes, crates and cartons for eggs;
- butter and cheese boxes;
- cans and insulated bags for ice cream;
- corrugated paper boxes for bread;
- drums and cans for honey;
- flour bags;
- crates, cages and boxes for transportation of live poultry;
- bottles for food or drink; and
- articles and materials for the manufacture of the above goods.

Exempt - not eligible for an FST rebate

Diesel Fuel

Please see *Fuels, Petroleum Products and Electricity*

Draperies, Curtains, Blinds and Furniture Covers

- all articles for covering, accenting, decorating or otherwise treating windows and all coverings for furniture, except linens and domestics. These include curtains, venetian and vertical blinds of any material, sheers, valances, furniture throws and doilies.



Taxable - Tax Factor 8.1%, Schedule I

***Goods Listing for FST
Inventory Rebate Claims***

- aural, nasal, mastectomy and other medical or surgical prostheses, ileostomy, colostomy and urinary appliances, and their parts and accessories;
- canes and crutches and their attachments, accessories and parts, designed for use by the handicapped;
- blood glucose monitors and meters and parts and accessories, blood sugar testing strips, blood ketone testing strips, urinary sugar testing strips, reagents and tablets and urinary-ketone testing strips, reagents and tablets.

Exempt - not eligible for an FST rebate

Equipment for Buildings

Equipment designed for permanent installation in buildings, includes the following:

- ash-handling and fuel-handling equipment, blowers, circulating pumps, fuel tanks, furnaces, stokers, oil or gas burners, hot water and steam radiators, thermostats and regulators;
- ducts for warm air, ventilating and air-conditioning systems for buildings;
- electrical heating equipment designed for use on a system using 200 or more volts;
- elevators and escalators and their parts.

This does not include humidifiers, dehumidifiers, dust collectors, space heaters or other equipment not designed to be permanently attached to buildings.

Taxable - Tax Factor 5.6%, Schedule VII

Fabrics and Textiles (Dry Goods) and Other Related Goods

Group 1:

- fabrics, textiles and other dry goods and related articles for incorporation into clothing, but not ready-to-wear clothing, carpeting or other textile floor coverings. These include yarns of silk, wool, or other fibres, natural or synthetic, animal fur and leather, buttons, belt buckles, and other ornaments and buckles for clothing.

Exempt - when for incorporation into clothing, not eligible for an FST rebate.

Group 2:

- fabrics, textiles and other dry goods and related articles which are not for incorporation into clothing.

Taxable - Tax Factor 8.1%, Schedule I

Farm and Forest Products

Products that are the result of farming, trapping, agricultural or forestry operations, including:

- live animals, live poultry, bees;
- farm produce such as fruit and vegetables;
- round, unmanufactured timber, sawdust and wood shavings;
- raw furs;
- raw and salted hides;
- wool; and
- casein.

Exempt - not eligible for an FST rebate

Hardware

- all tools, equipment or other articles commonly known as hardware, including saws, hammers, wrenches, goods commonly known as power tools, workbenches, paint brushes and other painting supplies, etc., except when purchased by manufacturers or producers for use directly and primarily in the manufacture or production of goods.

Taxable - Tax Factor 8.1%, Schedule I

Housewares, Tableware and Small Electrical Appliances

- all china, glassware, porcelain and ceramic housewares, cooking and serving wares, tableware and small electrical appliances, including dishes, flatware, stoneware, bone china, teapots, kettles, toasters, toaster ovens, toothbrush holders, planters, figurines and ornaments.

Taxable - Tax Factor 8.1%, Schedule I

Industrial Equipment and Supplies

- equipment and supplies designed and marketed for industrial or commercial purposes, including industrial pumps, commercial air-conditioning equipment, commercial or industrial refrigeration equipment, bakery ovens, plant or laboratory equipment, packaging or wrapping machinery, pulleys, winches and lifts, other than those included as construction equipment, etc.

Taxable - Tax Factor 8.1%, Schedule I

Jewellery and Accessories

- jewellery, watches, clocks and related parts and accessories, including fashion jewellery and accessories, watch batteries, stop watches, etc. but not including gold- or silver-plated ware for preparing or serving food or drink.

Taxable - Tax Factor 8.1%, Schedule I

Lighting Fixtures and Supplies

- includes wall and ceiling fixtures, ceiling fans, combination lighting and ceiling fan fixtures, decorative outlet plates designed to support light fixtures and office utility poles (pacpoles).

Taxable - Tax Factor 8.1%, Schedule I

Linens and Domestics

- goods commonly known as linens and domestics, including bath towels, bedspreads, bedsheets, tablecloths, napkins, place mats, tea towels and dishcloths, etc.

Taxable - Tax Factor 8.1%, Schedule I

Luggage

- luggage and briefcases of any material, wallets and other similar items.

Taxable - Tax Factor 8.1%, Schedule I

Marine and Fishery Equipment and Supplies

Group 1:

Certain goods designed for use in the commercial fishing industry, but not for use in sport fishing, such as:

*Goods Listing for FST
Inventory Rebate Claims*

- fishing nets and netting, except nets for sport fishing;
- specially designed needles for use in repairing fishing nets;
- metal panel devices for use in keeping fish nets open;
- metal swivels;
- jiggers over two ounces in weight;
- lures and artificial baits, other than those designed for use in sport fishing;
- sinkers and fishing floats, including trawl kegs, but not sinkers and floats for sport fishing;
- carapace measures;
- fish hooks, size 3/0 and higher, which are sold in bulk, but not treble hooks;
- nylon mending threads in 1/4 to 1/2 pound rolls, ranging from 1/4 milligram to 1/2 milligram in thickness;
- hanging or mounting twine, mending twine, nylon seine twine, lacing twine and ganging twine;
- single-strand monofilament fishing lines - 35 to 200 pounds test, all braided or twisted fishing lines, crab lines, cork lines, weed lines, gill net, lead core lead line;
- cordage used for lacing nets and for hanging cork and lead lines. Type used is spun and braided nylon, gauges 9 to 33;
- boats purchased by commercial fishermen;
- carrageen or Irish moss;
- cotton duck and cotton sail twine for use in the manufacture of equipment for ships;

Modular building unit means a building component or unit, the manufacture and assembly of which is completed or substantially completed before delivery to a construction site. It has been designed for installation on a foundation and is composed of at least one room or area with finished walls, a finished floor and a finished ceiling, including installed plumbing, heating and electrical equipment appropriate to that room or area, and that when installed on a foundation at the site, with or without other similar manufactured and assembled components or units, forms a complete residential, commercial, educational, institutional or industrial building. It does not include any free-standing appliances or furniture sold with the unit.

Taxable - Tax Factor 2.8%, Schedule VIII

Money (currency) and Postage Stamps

- coins or currency issued for use as the currency of any country or postage stamps.

Exempt - not eligible for an FST rebate

Motor Vehicles for Highway Use

Also see *Transportation Equipment.*

Motor vehicles means new motor vehicles, or their chassis, designed for highway use, and includes goods such as automobiles, station wagons, vans and trucks.

Taxable - Tax Factor 11.1%, Schedule III

Motor Vehicles for Off-highway Use

Also see Transportation Equipment.

- includes motor vehicles such as snowmobiles, dirt/mud bikes, all-terrain vehicles and golf carts.

Taxable - Tax Factor 8.1%, Schedule I

Musical Instruments, Equipment and Supplies

- all musical instruments, equipment and supplies of any kind, including clarinets, electric organs and pianos, fairground organs and mechanical street organs, and equipment and supplies such as carrying cases, tuning forks and strings for musical instruments.

Taxable - Tax Factor 8.1%, Schedule I

Paper Products and Stationery

- gift wrapping, greeting cards, stationery, envelopes, postcards, posters, paper napkins, paper tablecloths, paper towels, toilet tissue, facial tissue and other similar goods not included in another category.

Taxable - Tax Factor 8.1%, Schedule I

Pets

Exempt - not eligible for an FST rebate

Pet Supplies

- pet supplies, such as pet food, cat litter, dog collars, bird cages, etc.

Taxable - Tax Factor 8.1%, Schedule I

Photographic Equipment and Supplies

- all equipment and supplies used for photographic purposes, up to and including the processing of finished photographs. These include cameras, camera stands, flashes and lighting systems, light meters, photo albums, film, processing equipment and chemicals.

Taxable - Tax Factor 8.1%, Schedule I

Propane

Please see Fuels, Petroleum Products and Electricity.

Records, Compact Discs, Cassette Tapes and Other Recording Media

- includes all pre-recorded and blank audio and video medium of any type, including video cassettes, audio tape, records, etc., as well as goods for the maintenance of these items, such as cleaning kits and cassette-carrying cases.

Taxable - Tax Factor 8.1%, Schedule I

Rugs and Carpets

Also see Furniture and Home Furnishings.

- all carpeting (sisal, reversible or latex-backed), carpet underlay, rugs, etc.

Taxable - Tax Factor 8.1%, Schedule I

Scientific Apparatus and Equipment

- tools, devices, vessels, containers or other articles designed for use in discovering principles of science, for performing scientific observations or for recording, measuring, testing or some other useful operation related to the study or research in any field of science - but does not include computers, computer software or associated equipment.

Taxable - Tax Factor 8.1%, Schedule I

Sporting Equipment and Supplies

Group 1:

This group includes all sports, fitness, camping, fishing, playground and similar equipment and supplies used for sporting purposes, for example:

- sleeping bags, exercise bikes, golf clubs, ski equipment, bowling-alley equipment, gymnastic equipment, animal traps of all kinds, sailboards, sailboats and other recreational boats not included as transportation equipment. It does not include firearms of any kind.

Taxable - Tax Factor 8.1%, Schedule I

Group 2:

- bicycles and tricycles.

Exempt - not eligible for an FST rebate

Tobacco and Tobacco Products

- includes all cigars, cigarettes, manufactured tobacco and raw-leaf tobacco.

Taxable - Tax Factor 8.1%, Schedule I

Toys, Games and Hobby Supplies

- toys, games, scale models for recreation, puzzles and all other goods for recreation or amusement, including parts and accessories, doll carriages, wagons, dolls, doll clothing, electric trains, toy musical instruments, video games used with a television receiver (e.g., Nintendo and Sega brand names), other electronic games, playing cards and board games, but not bicycles, tricycles or sporting equipment and supplies.

Taxable - Tax Factor 8.1%, Schedule I

Transportation Equipment

Also see *Motor Vehicles for Highway Use* and *Motor Vehicles for Off-Highway Use*.

- all transportation equipment, except motor cars and other motor vehicles principally designed for the transportation of passengers, including station wagons, racing cars and recreational vehicles.

The following are considered to be transportation equipment:

- highway truck tractors, highway trucks designed primarily for the carriage of freight, with a gross vehicle mass rating of 7250 kilograms or more;
- truck tractors, tractor trailers and semi-trailers designed for the carriage of freight, with a gross vehicle mass rating of 7250 kilograms or more;
- fifth-wheel dollies designed for use in converting tractor trailers or semi-trailers to full trailers for highway towing purposes;

*Goods Listing for FST
Inventory Rebate Claims*

- railway locomotives and railway rolling stock, including equipment specifically designed for movement on railway tracks;
- re-usable cargo containers with a capacity of 14 cubic metres or greater, and their refrigeration and heating units;
- school buses designed to carry 12 or more passengers.
- air cushion vehicles and tracked vehicles specially designed to transport 12 or more passengers or 3629 kilograms or more of freight.

Exempt - not eligible for an FST rebate

Other Exemptions

In addition to the exemptions listed above, the following are also exempt of FST:

- phonograph records and audio tapes authorized by a department of education of any province, for instruction in the English or French language;
- astronomical, geographical and topographical globes;
- goods, other than spirits or wines, manufactured more than 100 years prior to date;
- botanical and entomological specimens;
- mineralogical specimens;
- skins of birds or animals not native to Canada, for taxidermic purposes;
- fish skins;
- anatomical preparations and skeletons, and parts thereof;

*Goods Listing for FST
Inventory Rebate Claims*

- identification tags or labels for designating the grades or quality of meat, poultry, fish, eggs, fruit and vegetables;
- radium;
- tanks for collecting milk;
- sodium chloride;
- ice;
- amusement riding devices designed for use at agricultural exhibitions or commercial fairs, but not including coin-operated devices;
- menageries, carriages equipped to be animal drawn and their harnesses;
- all articles specially designed for use by the blind on the order or certificate of the Canadian National Institute for the Blind;
- memorials or monuments erected in memory of members of the Armed Forces who lost their lives in the service of their country; and
- baler twine.

Notes

Inside Back Cover

Back Cover

APPENDIX VI

Appendix VI

Appendix to the Minister's Statement

CONSUMPTION TAX REFORM SUMMARY TABLE

	FULL REFORM : 1992	TRANSITION PERIOD : 1991
1. ADMINISTRATION OF THE GST	<ul style="list-style-type: none"> ◆ Québec assumes the administration of the GST within its borders 	<ul style="list-style-type: none"> ◆ Federal government administers the GST
2. HARMONIZATION OF CONSUMPTION TAXES WITH THE GST		
Retail sales tax	<ul style="list-style-type: none"> ◆ Broadening to all goods and services subject to the GST ◆ Exclusion of purchases for resale and component goods ◆ Refund of taxes paid on purchases made as part of a business activity ◆ Rate reduced to 7 % 	<ul style="list-style-type: none"> ◆ Broadening to all movable goods ◆ The tax will not apply to services currently exempt and to real property ◆ Purchases for the purposes of resale, and components will be excluded ◆ Rate reduced to 8 %
Current rate : 9 %		
Tax on telecommunications	<ul style="list-style-type: none"> ◆ Integration into the sales tax ◆ Rate reduced to 7 % 	<ul style="list-style-type: none"> ◆ Tax maintained in 1991 ◆ Rate reduced to 8 %
Current rate : 9 %		
Meals and hotels tax	<ul style="list-style-type: none"> ◆ Integration into the sales tax ◆ Rate reduced to 7 % ◆ Elimination of the notion of establishment 	<ul style="list-style-type: none"> ◆ Integration into the sales tax ◆ Rate reduced to 8 % ◆ Elimination of the notion of establishment
Current rate : 10 %		
Tobacco and fuel taxes	<ul style="list-style-type: none"> ◆ Products included in the sales tax base and taxed at 7 % ◆ Reduction of specific taxes to avoid excessive price increases for these products <p>GASOLINE : reduction to maintain same general price level</p> <p>FUEL OIL : application of same tax as that on gasoline</p> <p>TOBACCO : reduction of rates to limit the increase to 1 cent per cigarette</p>	<ul style="list-style-type: none"> ◆ Products included in the sales tax base and taxed at 8 % ◆ Specific taxes reduced to maintain a constant overall taxation of these products
The sales tax does not currently apply to these products. Specific taxes are levied.		
Taxes and duties on alcoholic beverages	<ul style="list-style-type: none"> ◆ Increase in the specific tax and duty per litre and reduction in the duty rate to 7 % : price increases of 1.4 cents per bottle of beer and 6 cents per bottle of wine 	<ul style="list-style-type: none"> ◆ Adjustment to the specific taxes and duties to offset the reduction of the sales tax rate to 8 %
Special sectors		
Public sector institutions	<ul style="list-style-type: none"> ◆ Partial refund to maintain a constant tax burden ◆ Refund of 50 % of the tax 	
Charitable and non-profit organizations	<ul style="list-style-type: none"> ◆ Measures to be announced to maintain interprovincial competitiveness of these institutions ◆ Maintenance of current system of taxation of insurance premiums 	<ul style="list-style-type: none"> ◆ Maintenance of current system of taxation of insurance premiums
Financial institutions		
Residential construction	<ul style="list-style-type: none"> ◆ Refund of 2.5 percentage points to limit price increase for new housing 	
Businesses		
Tax on profit, tax on capital, and contribution to the Health Services Fund	<ul style="list-style-type: none"> ◆ Increase in rates : rise of \$297 000 000 in tax burden of businesses 	
3. FAIRER TAX SYSTEM		
Protection of purchasing power of low-income households	<ul style="list-style-type: none"> ◆ Implementation of a refundable tax credit and equivalent compensation for households receiving income security e.g. : \$230 for a couple with two children ◆ 4.5 % indexation of essential needs recognized in the tax system and transfer programs 	<ul style="list-style-type: none"> ◆ Immediate implementation of a refundable tax credit and equivalent compensation for households receiving income security e.g. : \$230 for a couple with two children
Against the impact of changes to consumption taxes		
Against inflation not related to changes in taxes		

Examples of items that will become taxable in 1991 and 1992

Movable property that will become taxable in 1991 (8%)

- ☐ Furniture
- ☐ Kitchen ranges and refrigerators
- ☐ Household linen (tablecloths, serviettes, etc.)
- ☐ Clothing and shoes
- ☐ Books, newspapers, etc.
- ☐ School supplies
- ☐ Soap and other cleaning products
- ☐ Firewood
- ☐ Ice
- ☐ Tampons and sanitary napkins
- ☐ Child restraint systems for use in motor vehicles
- ☐ Snack foods, potato chips, etc
- ☐ Meals costing \$3.25 or less

Goods and services that will become taxable in 1992 (7%)

- ☐ Real property
- ☐ Transportation services:
 - plane, train, taxi, etc., bus with the exception of public municipal transportation
- ☐ Personal services:
 - beauty care, hairstyling, dry cleaning, etc.
- ☐ Recreational and cultural services:
 - skiing, physical fitness, theatre tickets, etc.
- ☐ Repairs to household appliances, motor vehicles, etc.
- ☐ Hotel and motel rooms, etc.

Consumption Tax Reform Summary Table

	CURRENT SITUATION : 1990	TRANSITION PERIOD : 1991	FULL REFORM : 1992
1. ADMINISTRATION OF THE GST	<ul style="list-style-type: none"> Non applicable 	<ul style="list-style-type: none"> Federal government temporarily administers the GST in Québec 	<ul style="list-style-type: none"> Québec assumes the administration on the GST within its borders
2. HARMONIZATION OF CONSUMPTION TAXES WITH THE GST			
Retail sales tax	<ul style="list-style-type: none"> Current rate: 9 % 	<ul style="list-style-type: none"> Rate reduced to 8 % Broadening to all movable goods The tax will not apply to services currently exempt or to real property 	<ul style="list-style-type: none"> Rate reduced to 7 % Broadening to all goods and services subject to the GST
Tax on telecommunications	<ul style="list-style-type: none"> Current rate: 9 % 	<ul style="list-style-type: none"> Rate reduced to 8 % 	<ul style="list-style-type: none"> Rate reduced to 7 %
Meals and hotels tax	<ul style="list-style-type: none"> Current rate: 10 % 	<ul style="list-style-type: none"> Rate reduced to 8 % 	<ul style="list-style-type: none"> Rate reduced to 7 %
Special sectors Residential construction	<ul style="list-style-type: none"> Taxation of building materials and of inputs used to produce them 	<ul style="list-style-type: none"> Taxation of building materials and of inputs used to produce them 	<ul style="list-style-type: none"> The 7 % tax will apply to new houses Refund of 2.5 percentage points to limit price increase
3. FAIRER TAX SYSTEM			
Protection of purchasing power of low-income households			
Against the impact of changes to consumption taxes	<ul style="list-style-type: none"> Non applicable 	<ul style="list-style-type: none"> Immediate implementation of a refundable tax credit and equivalent compensation for households receiving benefits under the Financial Support, EI and PWA programs e.g. : \$230 for a couple with two children 	<ul style="list-style-type: none"> Refundable tax credit and equivalent compensation for households receiving benefits under the Financial Support, EI and PWA programs e.g. : \$230 for a couple with two children
Against inflation not related to changes in taxes	<ul style="list-style-type: none"> Indexation of 4.9 % announced in the 1989-1990 Budget Speech 	<ul style="list-style-type: none"> Indexation of 4.8 % announced in the 1990-1991 Budget Speech 	<ul style="list-style-type: none"> 4.5 % Indexation of tax system, family allowances and income security programs

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