

GST Rate Change

This is a reminder that the GST rate will change from 7% to 6% for all supplies made after June 30, 2006.

It will be crucial to ensure that transactions are properly documented and the correct rate of tax is used. The timing of a supply is determined by four factors. The supplier must report GST based on the earliest of:

- the payment due date;
- the invoice date;
- the date the invoice is issued; and
- the actual payment date.

Generally, invoices issued after June 30, 2006 should include GST at 6%.

The new residential housing rebates will remain at 36% of tax paid on qualified property, with the maximum rebate decreasing from \$8,750 to \$7,560. For property valued over \$350,000, the rebate progressively decreases and it decreases to \$0 for property valued over \$450,000.

The new 6% rate will apply to a sale of real property if, under an agreement of purchase and sale entered into after May 2, 2006, both ownership of the property, and possession of the property under the agreement, are transferred to the buyer after June 30, 2006. For real estate sales where the agreement of purchase and sale was entered into on or before May 2, 2006, GST will apply at 7%, but where possession and title transfer occur after June 30, 2006, there is a special 1% GST rebate available. In order to claim the 1% rebate, the purchaser will have to file a form with Canada Revenue Agency.

The GST to be remitted on taxable benefits will change, with a 0.5% reduction for the 2006 tax year, and 1% thereafter. For example, the prescribed rate for calculating the GST on the automobile operating expense benefit was 5% in 2005, it will be 4.5% in 2006, and 4% in 2007.

Registrants using one of the "Quick" methods for GST reporting must use a new rate for supplies made after June 30, 2006. For supplies made on or before June 30, 2006, for businesses that mainly provide services, the Quick Method Remittance Rates are 4% on the first \$30,000 of revenue (including GST) and 5% on revenue (including GST) from \$30,000 to \$200,000. For supplies made after June 30, 2006, for businesses that mainly provide services, the new Quick Method Remittance Rates will be 3.3% on the first \$30,000 of revenue (including GST) and 4.3% on revenue (including GST) from \$30,000 to \$200,000. If your businesses annual revenue (including GST) is over \$200,000, your business cannot use the Quick Method.

Canada Revenue Agency has compiled a list of questions and answers related to the change in the GST rate. You can access those Questions and Answers by clicking on the following link <http://www.cra-arc.gc.ca/agency/budget/2006/gstrateqa-e.html>

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