



Phasing Out of the Penny

This info sheet illustrates the rounding that will take place for cash transactions as a result of the phasing out of the penny.

As part of the *Economic Action Plan 2012*, the Government announced that it will phase out the penny from Canada's coinage system.

While the cent will remain Canada's smallest unit for pricing goods and services, the Royal Canadian Mint will no longer distribute pennies as of February 4, 2013.

As pennies are gradually withdrawn from circulation, price rounding on cash transactions will be required. This will have no impact on cheque payments or electronic payments, such as credit and debit cards, only cash transactions will be affected.

What does this mean?

Where pennies are not available, cash transactions will need to be rounded to the nearest five-cent increment in a fair and transparent manner.

The Government of Canada will be adopting the following rounding guideline for its cash transactions with the Canadian public. It is expected that businesses will apply this rounding guideline in a fair and transparent manner. This rounding guideline has been used successfully by other countries that have eliminated low denomination coins.



Rounding on cash transactions should **only** be used on the final amount payable **after** the calculation of any applicable duties or taxes such as the goods and services tax (GST)/harmonized sales tax (HST).

GST/HST will be calculated on the value of the consideration in the normal manner.

The phasing out of the penny has no impact on the calculation or reporting of the GST/HST.

Information for consumers

Note: In the following examples, all purchases are subject to GST/HST as illustrated.

Payment made by credit/debit card or cheque/bank draft – no impact

Example 1

Mr. Brown purchases supplies at the local hardware store. The place of supply is in Ontario.

100 screws @ \$1.79 ea	\$179.00
HST @ 13%	\$ 23.27
Total	\$202.27

Amount paid by credit card \$202.27

Example 2 (tax included in the price)

Ms. Smith pays for parking over the weekend at the airport in Toronto, Ontario.

2-day parking fee	\$48.00
Total (HST included)	\$48.00

Amount paid by debit card \$48.00

HST paid on this transaction is: $13/113 \times \$48.00 = \5.52

La version française de la présente publication est intitulée *Élimination graduelle de la pièce d'un cent*.



Example 3

Mr. Séguin lives in Alberta and receives an invoice for natural gas for heating purposes. He writes a cheque to pay the invoice.

Natural gas	\$128.84
GST @ 5%	<u>\$ 6.44</u>
Total	\$135.28

Amount paid by cheque \$135.28

Payment made by cash (pennies available) – no impact

Example 4

Mr. Brown purchases supplies at the local hardware store. The place of supply is in Ontario:

100 screws @ \$1.79 ea	\$179.00
HST @ 13%	<u>\$ 23.27</u>
Total	\$202.27

Amount paid \$202.27

Example 5 (tax included in the price)

Adrian purchases 52 centerpiece holders for \$2.39 each tax included. The place of supply is in Alberta.

52 holders @ 2.39 ea	\$124.28
Total (GST included)	\$124.28

Amount paid \$124.28

GST paid on this transaction is:
 $5/105 \times \$124.28 = \5.92

Example 6

Mr. Séguin receives an invoice for natural gas for heating purposes. On his way into the city, he stops off at the utility company and pays the invoice in cash. The place of supply is in Alberta.

Natural gas	\$128.84
GST @ 5%	<u>\$ 6.44</u>
Total	\$135.28

Amount paid \$135.28

Payment made by cash (no pennies available) – rounding will be required but no impact for GST/HST

The rounding guideline for cash transactions with no pennies available is the following:

Round Down		Round Up	
\$1.01 or \$1.02	\$1.00	\$1.03 or \$1.04	\$1.05
\$1.06 or \$1.07	\$1.05	\$1.08 or \$1.09	\$1.10

Example 7

Mr. Brown purchases supplies at the local hardware store. The place of supply is in Ontario.

100 screws @ \$1.79 ea	\$179.00
HST @ 13%	<u>\$ 23.27</u>
Total	\$202.27

Amount paid \$202.25 (rounded)

In this case, the total amount paid is rounded down to the nearest five-cent increment after the calculation of the HST.

Example 8 (tax included in the price)

Adrian purchases 52 centerpiece holders from a retailer in Alberta for \$2.39 each, tax included.

52 holders @ 2.39 ea	\$124.28
Total (GST included)	\$124.28

Amount paid \$124.30 (rounded)

GST paid on this transaction is:
 $5/105 \times \$124.28^* = \5.92

In this case, the total amount paid is rounded up to the nearest five-cent increment after the calculation of the GST.

* Note that the GST is calculated on the total payable **before** rounding.

Example 9

Mr. Séguin receives an invoice for natural gas for heating purposes. On his way into the city, he stops off at the utility company and pays the invoice in cash. The place of supply is in Alberta.

Natural gas	\$128.84
GST @ 5%	<u>\$ 6.44</u>
Total	\$135.28

Amount paid \$135.30 (rounded)

In this case, the total amount paid is rounded up to the nearest five-cent increment after the calculation of the GST.

Payment made using a gift card – no impact

Example 10

Sarah uses a store gift card received on her birthday to pay for her purchase. The place of supply is in Nova Scotia.

2 Blouses	\$141.89
HST @ 15%	<u>\$ 21.28</u>
Total	\$163.17

Amount deducted from gift card: \$163.17

Partial payment made using a gift card

Example 11

Mr. Brown purchases supplies at the local hardware store in Ontario. He has a gift card with a balance that he would like to clear.

100 screws @ \$1.79 ea	\$179.00
HST @ 13%	<u>\$ 23.27</u>
Total	\$202.27

Amount applied from gift card \$ 54.99

Balance owing \$147.28

Paid by cash with pennies \$147.28

Example 12

Mr. Brown purchases supplies at the local hardware store in Ontario. He has a gift card with a balance that he would like to clear.

100 screws @ \$1.79 ea	\$179.00
HST @ 13%	<u>\$ 23.27</u>
Total	\$202.27

Amount applied from gift card \$ 54.99

Balance owing \$147.28

Paid by cash, no pennies \$147.30 (rounded)

In this case, the total amount paid is rounded up to the nearest five-cent increment after the calculation of the HST.

Example 13

Mr. Brown purchases supplies at the local hardware store in Ontario. He has a gift card with a balance that he would like to clear.

100 screws @ \$1.79 ea	\$179.00
HST @ 13%	<u>\$ 23.27</u>
Total	\$202.27

Amount applied from gift card \$ 54.99

Balance owing \$147.28

Paid by debit card or any other form of electronic payment \$147.28

Additional information for businesses and persons claiming GST/HST rebates

Note: All purchasers and suppliers in these examples are registered for GST/HST purposes.

Payment made by credit/debit card or cheque/bank draft – no impact

Example 14

A contractor purchases supplies in New Brunswick.

100 screws @ \$1.79 ea	\$179.00
HST @ 13%	<u>\$ 23.27</u>
Total	\$202.27

Amount paid \$202.27

HST collected for the supplier's net tax calculation: \$23.27

HST for the purchaser's input tax credit (ITC) calculation: \$23.27

HST for the purpose of any GST/HST rebate calculation, such as the public service body rebate: \$23.27

Example 15 (tax included in the price)

A contractor purchases two sheets of drywall in New Brunswick.

2 sheets of drywall	\$48.00
Total (HST included)	\$48.00

Amount paid	\$48.00
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HST collected for the supplier's net tax calculation:
 $13/113 \times \$48.00 = \5.52

HST for the purchaser's ITC calculation:
 $13/113 \times \$48.00 = \5.52

HST for the purpose of any GST/HST rebate calculation, such as the public service body rebate: \$5.52

Example 16

A contractor purchases two sheets of drywall in New Brunswick.

2 sheets of drywall @ \$21.12 ea	\$42.24
HST @ 13%	<u>\$ 5.49</u>
Total	\$47.73

Amount paid	\$47.73
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HST collected for the supplier's net tax calculation: \$5.49

HST for the purchaser's ITC calculation: \$5.49

HST for the purpose of any GST/HST rebate calculation, such as the public service body rebate: \$5.49

Payment made by cash (pennies available) – no impact

Example 17

A retailer purchases coffee mugs for its inventory. The place of supply is in Newfoundland and Labrador.

50 mugs @ 2.39 ea	\$119.50
HST @ 13%	<u>\$ 15.54</u>
Total	\$135.04

Amount paid	\$135.04
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HST collected for the supplier's net tax calculation: \$15.54

HST for the purchaser's ITC calculation: \$15.54

HST for the purpose of any GST/HST rebate calculation, such as the public service body rebate: \$15.54

Example 18 (tax included in the price)

Company ABC Inc. is invoiced management fees for the building maintenance. The place of supply is in Newfoundland and Labrador.

Management fee	\$789.97
Total (HST included)	\$789.97

Amount paid	\$789.97
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HST collected for the supplier's net tax calculation:
 $13/113 \times \$789.97 = \90.88

HST for the purchaser's ITC calculation:
 $13/113 \times \$789.97 = \90.88

HST for the purpose of any GST/HST rebate calculation, such as the public service body rebate: \$90.88

Example 19

Company XYZ Inc. is invoiced for plumbing repairs. The place of supply is in Ontario.

Repairs to pipes	\$689.93
HST @ 13%	<u>\$ 89.69</u>
Total	\$779.62

Amount paid	\$779.62
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HST collected for the supplier's net tax calculation: \$89.69

HST for the purchaser's ITC calculation: \$89.69

HST for the purpose of any GST/HST rebate calculation, such as the public service body rebate: \$89.69

Payment made by cash (no pennies available) – rounding will be required but no impact for GST/HST

The rounding guideline for cash transactions with no pennies available is the following:

Round Down		Round Up	
\$1.01 or \$1.02	\$1.00	\$1.03 or \$1.04	\$1.05
\$1.06 or \$1.07	\$1.05	\$1.08 or \$1.09	\$1.10

Example 20

A retailer purchases coffee mugs for its inventory. The place of supply is in Newfoundland and Labrador.

50 mugs @ 2.39 ea	\$119.50
HST @ 13%	<u>\$ 15.54</u>
Total	\$135.04
Amount paid	\$135.05 (rounded)

In this case, the total amount paid is rounded up to the nearest five-cent increment after the calculation of the HST.

HST collected for the supplier's net tax calculation:
\$15.54

HST for the purchaser's ITC calculation: \$15.54

HST for the purpose of any GST/HST rebate calculation, such as the public service body rebate:
\$15.54

Example 21 (tax included in the price)

Company ABC Inc. is invoiced management fees for the building maintenance. The place of supply is in Newfoundland and Labrador.

Management fee	\$789.97
Total (HST included)	\$789.97
Amount paid	\$789.95 (rounded)

In this case, the total amount paid is rounded down to the nearest five-cent increment after the calculation of the HST.

HST collected for the supplier's net tax calculation
 $13/113 \times \$789.97^* = \90.88

HST for the purchaser's ITC calculation
 $13/113 \times \$789.97 = \90.88

HST for the purpose of any GST/HST rebate calculation, such as the public service body rebate:
\$90.88

* Note that the HST is calculated on the total payable **before** rounding.

Example 22

Company XYZ Inc. is invoiced for plumbing repairs. The place of supply is in Ontario.

Repairs to pipes	\$689.93
HST @ 13%	<u>\$ 89.69</u>
Total	\$779.62

Amount paid \$779.60 (rounded)

In this case, the total amount paid is rounded down to the nearest five-cent increment after the calculation of the HST.

HST collected for the supplier's net tax calculation:
\$89.69

HST for the purchaser's ITC calculation: \$89.69

HST for the purpose of any GST/HST rebate calculation, such as the public service body rebate:
\$89.69

This info sheet does not replace the law found in *the Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation* explains how to obtain a ruling and lists the GST/HST rulings offices. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario, New Brunswick and Newfoundland and Labrador, 15% in Nova Scotia, and 12% in British Columbia. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, you may refer to GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province*.

Effective April 1, 2013, the 12% HST in British Columbia will be replaced by the 5% GST and a provincial sales tax. It is also proposed that, effective April 1, 2013, the provincial sales tax and the 5% GST currently in effect in Prince Edward Island will be replaced by a 14% HST.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec at 1-800-567-4692. You may also visit the Revenu Québec Web site to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthsttech.