

GST/HST Technical Information Bulletin

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AMENDMENTS TO THE POINT-OF-SALE REBATE FOR PRINTED BOOKS

The information in this bulletin does not replace the law found in the *Excise Tax Act* and its Regulations, the *Sales Tax Act* and its Regulations of the province of Nova Scotia, the *Harmonized Sales Tax Act* and its Regulations of the province of New Brunswick or the *Tax Agreement Act* and its Regulations of the province of Newfoundland and Labrador. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to these Acts or their Regulations, or contact a Canada Revenue Agency (CRA) GST/HST Rulings Centre for more information. These centres are listed in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres*. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287.

If you are located in Quebec, please contact Revenu Québec by calling the toll-free number 1-800-567-4692.

This bulletin reflects amendments to the *Deduction for Provincial Rebate (GST/HST) Regulations* under the *Excise Tax Act* proposed by the Department of Finance on October 6, 2006. Any commentary in this bulletin should not be taken as a statement by the CRA that such amendments will in fact be made in their current form.

This bulletin also reflects amendments proposed to the Regulations under the *Harmonized Sales Tax Act* outlined in the Press Release issued on August 18, 2006, by the Department of Finance of New Brunswick. At the time of publication, the Government of New Brunswick has not enacted these proposed amendments. Any commentary in this publication should not be taken as a statement by the CRA that such amendments will in fact be enacted into law in their current form.

As well, this bulletin reflects the Regulations under the *Sales Tax Act* that have been amended by the Government of Nova Scotia on August 17, 2006, and the Regulations under the *Tax Agreement Act* that have been amended by the Government of Newfoundland and Labrador on August 31, 2006.

The point-of-sale rebate for printed books

The governments of the participating provinces provide a point-of-sale rebate of the 8% provincial component of the HST to all purchasers of printed books and other qualifying property. The term “qualifying property” includes property that is a printed book, an update of a printed book, an audio recording all or substantially all of which is a spoken reading of a printed book, or a bound or unbound printed version of scripture of any religion.


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Canada Revenue
Agency

Agence du revenu
du Canada

La version française du présent document s'intitule
*Modifications proposées au remboursement de la
TVH au point de vente pour les livres imprimés.*



The term “printed book” is defined in the *Excise Tax Act* (Act) to include its ordinary meaning subject to specific listed exclusions such as colouring books and books designed primarily for writing on. The current legislation does not specifically provide a rebate for electronic versions of books or for printed books packaged together with CD-ROMs or website access codes.

Expanding the point-of-sale rebate for printed books

The rebate is being expanded to include a new category of qualifying property, called composite property. This change will apply to sales made on or after September 1, 2006.

Composite property consists of a printed book and a read-only medium (and/or a right to access a website under certain conditions) that is wrapped, packaged or prepared for sale as a single product. A read-only medium is a tangible medium that is designed for the read-only storage of information and other material in digital format. A medium that is designed to allow removal or replacement of the information stored on it such as a storage device or an MP3 player would not meet this definition.

A printed book and a read-only medium purchased at the same time by a customer would not be composite property if the publisher prepared them for sale as separate products. In this case, the rebate may be applied to the printed book, but the read-only medium would be subject to the full 14% HST.

Composite property is eligible for the point-of-sale rebate under two situations:

- a) A printed book and a read-only medium sold together as a single product qualifies for the rebate if all or substantially all of the value of the material on the read-only medium is reasonably attributable to
 - (i) a reproduction of the printed book, and/or
 - (ii) material that makes specific reference to the printed book and its content, and that supplements and is integrated with that content.
- b) A printed book and a read-only medium and/or the right to access a website sold together as a single product qualifies for the rebate when the product is specially designed for use by students enrolled in a qualifying course and the read-only medium and/or website contain material that is related to the subject matter of the printed book.

A course is a qualifying course if the service of instructing individuals in that course is an exempt supply included in Part III of Schedule V to the Act or that would be included if the supplier had not made an election under a section of that Part to make the supply GST/HST taxable. Most elementary, secondary and university level courses as well as certain professional accreditation and vocational courses are qualifying courses. Refer to GST/HST Memorandum 300-4-3, *Educational Services*, for more information on supplies included in Part III of Schedule V to the Act.

Under the first situation, all or substantially all of the material on the read-only medium must be either (i) a reproduction of the printed book or (ii) material that supplements and is integrated with the printed book and its content. Material on the read-only medium that does not make specific reference to the printed book and its content would not meet the second of these conditions. As well, the printed book must be the primary component of the package, and the material on the read-only medium must be supplementary to it.

Under the second situation, the material on the read-only medium or the website must be related to the subject matter of the printed book. Material on the same subject matter would meet this test even if it did not specifically integrate with and supplement the content of the printed book.

Normally, the supplier pays or credits the rebate to the purchaser when qualifying property is sold, and deducts this amount when determining its net tax remittance. If the supplier does not pay or credit the rebate at the time of the sale, the recipient would have to claim the rebate from the CRA using Form GST189, *General Application for Rebate of GST/HST*. The recipient would have to make the rebate claim within four years from the time HST became payable on the qualifying property.

A registrant recipient would only be entitled to claim the rebate using Form GST189. The registrant would not be entitled to claim the rebate as an input tax credit.

Under proposed amendments to the *Deduction for Provincial Rebate (GST/HST) Regulations*, registrants would be allowed to deduct from their net tax determination an amount equal to the point-of-sale rebate that they pay or credit to purchasers of the newly eligible products (i.e., composite property) on or after September 1, 2006.

Example 1

A book publisher sells a textbook on biology that includes a CD-ROM with chapter summaries and interactive quizzes based on the subject material in the book. The book is designed for secondary level biology courses.

The product consisting of the printed book and CD-ROM qualifies for the point-of-sale rebate because it meets the second situation in the definition of composite property.

Example 2

A bookstore sells a classic novel that includes a copy of the full text of the novel on CD-ROM.

The product consisting of the printed book and CD-ROM meets the first situation in the definition of composite property and will be eligible for the point-of-sale rebate.

Example 3

A bookstore sells a hardcover novel that includes the full text of other novels by the same author on CD-ROM.

The product does not meet the definition of composite property because all or substantially all of the value of the material on the CD-ROM is not attributable to a reproduction of the printed book or to material that makes specific reference to the printed book and its content. The product consisting of the printed book and CD-ROM will not be eligible for the point-of-sale rebate.

Example 4

A bookstore sells a computer book that teaches how to use a computer program along with a CD-ROM that includes chapter reviews and source code for the examples from the book.

The product consisting of the printed book and the CD-ROM meets the first situation in the definition of composite property and will be eligible for the point-of-sale rebate.

Example 5

A bookstore sells a computer book that teaches how to use a computer program along with a CD-ROM that includes a compiler for that program as well as source code for the examples from the book.

The product does not meet the definition of composite property because the compiler has value and it is not material that makes specific reference to the printed book or its content. The product consisting of the printed book and the CD-ROM will not be eligible for the point-of-sale rebate.

Example 6

A book publisher sells an encyclopedia that includes a copy of the full text of the encyclopedia along with video and sound clips on CD-ROM that relate to and enhance the text entries.

The product consisting of the printed book and CD-ROM meets the first situation in the definition of composite property and will be eligible for the point-of-sale rebate.

Example 7

A bookstore sells a textbook that includes a password for a website that includes interactive summaries and quizzes based on the subject matter of the textbook. The book is designed for university level biology courses.

The product consisting of the printed book and the right to access the website meets the second situation in the definition of composite property and will be eligible for the point-of-sale rebate.

Example 8

A bookstore sells a movie on DVD in a box set with the novel on which the movie is based.

The product does not meet the definition of composite property since the movie on the DVD has value and is not supplementary to the printed book. The product consisting of the printed book and the DVD will not be eligible for the point-of-sale rebate.

Additional information

The text of the proposed amendments to the *Deduction for Provincial Rebate (GST/HST) Regulations* is available on the Department of Finance website under the heading *Proposed Regulatory Changes in Support of Harmonized Provinces*. For more general information on the rebate for printed books, refer to GST/HST Memorandum 13.4, *Rebates for Printed Books, Audio Recordings of Printed Books and Printed Versions of Religious Scriptures*.

ENQUIRIES

If you wish to make a technical enquiry on the GST/HST by telephone, please call one of the following toll-free numbers:

1-800-959-8287 (English service)
1-800-959-8296 (French service)

General enquiries about the GST/HST should be directed to Business Enquiries at one of the following toll-free numbers:

1-800-959-5525 (English service)
1-800-959-7775 (French service)

If you are in the Province of Quebec, please call the following toll-free number:

1-800-567-4692 (Revenu Québec)

All GST/HST Technical Information Bulletins, as well as other publications, are available in the CRA Web site www.cra-arc.gc.ca.