

Election or Revocation of an Election to Use a Production Proxy to Report the Recapture of Input Tax Credits

This form is to be completed by any person that is a large business and that meets the following eligibility criteria:

- the business must recapture input tax credits (ITCs) for the provincial part of the harmonized sales tax (HST) on specified energy;
- in the business's last fiscal year, its Canadian production activities were carried on primarily (more than 50%) in Ontario or Prince Edward Island;

- the business's most significant business activity falls within one of the eligible categories (see "Production proxies" on page 4); and
- the business wants to use a production proxy to determine the part of the specified energy that it did not use directly in the production of tangible personal property that is intended for sale in Ontario or Prince Edward Island and is therefore subject to the recapture of input tax credits (RITC) requirements.

For more information, see "General Information" on pages 3 and 4.

A Identification of the business

Name of business

GST/HST account number

R T

B Production proxy

Enter the business's most significant activity: _____

Enter the category code for the business's most significant activity (see "Production proxies" on page 4):

Type of production proxy (Check the appropriate box after referring to "Production proxies" on page 4.)

- A 4% production proxy
- B 13% production proxy
- C 30% production proxy

C Election

Check the appropriate box.

- The business is electing to use the production proxy above to determine the part of the specified energy acquired for use in Ontario and not used directly in the production of tangible personal property intended for sale. In the last fiscal year, the business's Canadian production activities were carried on primarily (**more than 50%**) in **Ontario**. This election will remain in effect until it is revoked or until the business no longer meets the eligibility criteria.
- The business is electing to use the production proxy above to determine the part of the specified energy acquired for use in Prince Edward Island and not used directly in the production of tangible personal property intended for sale. In the last fiscal year, the business's Canadian production activities were carried on primarily (**more than 50%**) in **Prince Edward Island**. This election will remain in effect until it is revoked or until the business no longer meets the eligibility criteria.

This election takes effect on the first day of the recapture period that begins on

D Revocation of election

- The business revokes the election to use a production proxy to determine the part of the specified energy not used in Ontario directly in the production of tangible personal property intended for sale.
- The business revokes the election to use a production proxy to determine the part of the specified energy not used in Prince Edward Island directly in the production of tangible personal property intended for sale.

The revocation of the election takes effect on

Note

The election can be revoked only if it has been in effect for at least one recapture period. A recapture period begins on July 1 of a particular calendar year and ends on June 30 of the following calendar year.



E Certification

I certify that the information provided on this form is, to the best of my knowledge, accurate and complete.

I understand that the election to use a production proxy remains in effect for at least one year, unless the business no longer meets the eligibility criteria. I also understand that once this election has been revoked, at least one recapture period must elapse before the election to use this method can be made again.

First and last names of authorized person (please print)

Signature

Position or title

Date

Personal information is collected under the *Excise Tax Act* to administer tax, rebates, and elections. It may also be used for any purpose related to the administration or enforcement of the Act such as audit, compliance and the payment of debts owed to the Crown. It may be shared or verified with other federal, provincial/territorial government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the *Privacy Act*, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source at canada.ca/cra-info-source, Personal Information Bank CRA PPU 241



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General Information

Definitions

Large business

For the purposes of the recapture of input tax credits (RITC) requirements, a person is considered a large business during a particular recapture period if it is a GST/HST registrant and:

- the person's RITC threshold amount (see below) for that recapture period is more than \$10 million; or
- the person is (or is related to) one of the following financial institutions:
 - a bank;
 - a legal person that is licenced or authorized to offer to the public its services as a trustee;
 - a credit union;
 - an insurer or any other person whose principal business is providing insurance;
 - a segregated fund of an insurer;
 - an investment plan; or
 - the Canada Deposit Insurance Corporation.

Exceptions

The following are not considered to be large businesses:

- public service bodies;
- government entities that are not listed in Schedule I to the *Federal-Provincial Fiscal Arrangements Act*;
- departments as defined in section 2 of the *Financial Administration Act*; or
- entities of the government of a province that are eligible for a GST/HST rebate pursuant to a provision of a sales tax harmonization agreement with that province;
- a person whose main source of income is farming, within the meaning of the *Income Tax Act*, provided the person is acquiring or bringing into Ontario or Prince Edward Island a specified property or service for use or consumption in the person's farming activities.

Recapture period

A recapture period means a one-year period that:

- begins on July 1 of a particular calendar year and ends on June 30 of the following calendar year; and
- falls within the period during which the RITC requirements are in effect.

RITC threshold amount

The RITC threshold amount includes:

- (a) the total of all consideration for taxable supplies made by the business in Canada or outside Canada through a permanent establishment in Canada that became due, or that was paid without having become due, in the last fiscal year of the business that ended before the recapture period;
- (b) the total of all consideration for taxable supplies made in Canada or outside Canada through a permanent establishment in Canada of the business that is operated by an associate of the business, that became due, or that was paid without having become due, in the last fiscal year of the associated person that ended before the recapture period; and

- (c) if, at any time in the twelve-month period before the current recapture period, the business purchased a business from a person that is a large business, without reference to the taxable supplies of its associates and, under the agreement for the supply, it acquired all or substantially all the property necessary for it to carry on the activities of the business it purchased, the consideration for the taxable supplies it made in Canada or outside Canada through that business for the time period after the end of the last fiscal year and before the beginning of the current recapture period. For information on how to calculate this amount, see GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia*, available at canada.ca/taxes.

In calculating the amount of consideration described in (a), (b) and (c) above, include:

- any amount by which the consideration for a supply is reduced because of a trade-in of tangible personal property by the recipient of the supply;
- the consideration attributable to a supply of property or a service made by a specified member of a qualifying group to another specified member of the same group, to the extent that the supply is deemed under the *Excise Tax Act* (federal statute) to have been made for no consideration; and
- the fair market value of any supply made between two persons not dealing at arm's length, to the extent that the consideration for the supply is less than the fair market value.

However, in calculating the amount of consideration described in (a), (b) and (c) above, do **not** include:

- any amount attributable to the GST/HST or to a provincial tax prescribed for the purposes of the *Excise Tax Act* (for example, a provincial retail sales tax);
- any amount attributable to a supply by way of sale of real property that is capital property of the supplier;
- any amount attributable to a supply of a financial service; or
- any amount attributable to goodwill supplied as part of the supply of a business.

In calculating the amount of consideration described in (b) above, include the amount of the consideration attributable to the taxable supplies made by an associated person that is not considered to be a large business.

If the business's fiscal year is shorter or longer than 365 days, the \$10 million RITC threshold amount must be adjusted to reflect the length of the fiscal year.

Effect of the election

If the business makes this election, it will not have to track the amount of specified energy it uses in production. Instead, it will be deemed to have used a production proxy (see "Production proxies" on the next page) to determine the part of the specified energy not used directly in the production of tangible personal property intended for sale. It will be required to recapture ITCs only for the part of its specified energy expenses that is determined using the production proxy.

Filing deadline

The business can make the election as follows:

- If the business is a large business, it can make the election effective on the first day of the next recapture period (July 1). The election must be filed on or before the due date of the return that includes the month of July (the beginning of the recapture period) and will be effective on the first day of that recapture period.
- If the business becomes a large business during the recapture period (for example, through association), it cannot elect to use the production proxy until the first day of the next recapture period.



Duration of the election

The election remains in effect until it is revoked or until the business no longer meets the eligibility criteria.

Production proxies

Type A

The production proxy is 4% for large businesses whose most significant business activity falls into one of the following categories in the last fiscal year:

- 113 – forestry and logging
- 211 – oil and gas extraction
- 212 – mining and quarrying (except oil and gas)
- 322 – paper manufacturing
- 324 – petroleum and coal product manufacturing
- 325 – chemical manufacturing
- 327 – non-metallic mineral product manufacturing
- 331 – primary metal manufacturing

Type B

The production proxy is 13% for large businesses whose most significant business activity falls into one of the following categories in the last fiscal year:

- 311 – food manufacturing
- 312 – beverage and tobacco product manufacturing
- 313 – textile mills
- 314 – textile product mills
- 321 – wood product manufacturing
- 326 – plastics and rubber products manufacturing
- 332 – fabricated metal product manufacturing

Type C

The production proxy is 30% for large businesses whose most significant business activity falls into one of the following categories in the last fiscal year:

- 315 – clothing manufacturing
- 316 – leather and allied product manufacturing
- 323 – printing and related support activities
- 333 – machinery manufacturing
- 334 – computer and electronic product manufacturing
- 335 – electrical equipment, appliance and component manufacturing
- 336 – transportation equipment manufacturing
- 337 – furniture and related product manufacturing
- 339 – miscellaneous manufacturing

Note

Only one election per legal entity is permitted. Branches or divisions cannot make their own elections.

Effet of revoking the election

If the business revokes the election, it will have to recapture ITCs in the usual way and track the specified energy expenses it uses directly in the production of tangible personal property intended for sale.

Deadlines

After making an election

Once the business has made the election, at least one recapture period must elapse before the election can be revoked.

After revoking an election

If the business revokes the election, it cannot make the election again until the start of the following recapture period.

Supplies for which ITCs are recaptured

ITCs are recaptured on the following supplies that are acquired or brought into Ontario or Prince Edward Island, when purchased by large businesses for consumption or use by those businesses;

- specified energy (certain exceptions apply);
- specified telecommunication services (except Internet and toll-free numbers);
- qualifying motor vehicles (including certain parts and services) and fuel to power those vehicles (except diesel fuel); and
- specified meals and entertainment.

ITC recapture rates

ITC recapture rates for Ontario are as follows:

- 100% for the periods from July 1, 2010, to June 30, 2015;
- 75% for the period from July 1, 2015, to June 30, 2016;
- 50% for the period from July 1, 2016, to June 30, 2017;
- 25% for the period from July 1, 2017, to June 30, 2018; and
- 0% for the periods after June 2018.

ITC recapture rates for Prince Edward Island are as follows:

- 100% for the periods from April 1, 2013 to March 31, 2018;
- 75% for the period from April 1, 2018 to March 31, 2019;
- 50% for the period from April 1, 2019 to March 31, 2020;
- 25% for the period from April 1, 2020 to March 31, 2021; and
- 0% for the periods after April 1, 2021.

Filing this form

Send this form, duly completed, to Revenu Québec at one of the following addresses:

- 3800, rue de Marly
Québec (Québec) G1X 4A5
- C. P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

For more information

Refer to GST/HST Technical Information Bulletin B-104, *Harmonized Sales Tax – Temporary Recapture of Input Tax Credits in Ontario and British Columbia*, at canada.ca/taxes.

You can also go to revenuquebec.ca or call Revenu Québec's client services, at 418 659-4692 (Québec City area), 514 873-4692 (Montréal area) or, toll-free, 1 800 567-4692 (elsewhere).



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