

Tax Tip

“Pennies for Heaven”

As originally announced in the 2012 Federal Budget, the Royal Canadian Mint will stop producing and distributing pennies to financial institutions on February 4, 2013.

Effective February 4, 2013, businesses are encouraged to begin rounding cash transactions to the nearest \$0.05 increment. The Goods and Services Tax (“GST”) and the Harmonized Sales Tax (“HST”) will be calculated on the pre-tax price not the rounded price.

For example, a transaction totaling \$1.02, including GST/HST, will be rounded down to \$1.00. A purchase of \$1.03 will be rounded up to \$1.05. A transaction totaling \$1.07 will be rounded down to \$1.05, while a purchase of \$1.08 will be rounded up to \$1.10.

Transactions with credit cards, debit cards and cheques will continue to be settled to the cent.

The amount gained or lost by a business on cash transactions due to rounding will be included in income for income tax purposes.

January 29, 2013

TAX TIP deals with a wide variety of issues and the information is general in nature. As each person’s circumstances are unique, readers are urged to consult W&P prior to acting on the basis of material in this Tax Tip.

If you have any questions regarding the content of this or any other Tax Tips, please contact the W&P Tax Group.