



## TRANSITIONAL YEAR ELECTION OR REVOCATION OF AN ELECTION FOR A QUALIFYING INSTITUTION TO DETERMINE INPUT TAX CREDITS ON RESIDUAL INPUTS

Use this form if you are a financial institution that is a qualifying institution for the first fiscal year that begins after March 2007 (the transitional year) and you are electing under subsection 141.02(7) of the *Excise Tax Act* (transitional year election) to use the method or methods in the same manner as methods previously assessed by the Canada Revenue Agency (CRA) for determining the operative extent and the procurative extent of all residual inputs. Also use this form to revoke an election you previously made under subsection 141.02(7).

Indicate the fiscal year to which the election applies (the transitional year):

From: 

Year	Month	Day

 To: 

Year	Month	Day

To make an election, complete Parts A, B, C, and E. To revoke an election, complete Parts A, D, and E.

This election is based on proposed changes to the *Excise Tax Act* (the Act) announced on January 26, 2007. All legislative references are to the Act as proposed to be amended unless otherwise specified.

Part A – Identification of qualifying institution		
Legal name	Business Number	
Trading name (if different from legal name)		
Business address		
City	Province	Postal code
Mailing address (if different from business address)		
City	Province	Postal code
Contact person	Title	Telephone number

Part B – Eligibility														
To which prescribed class of financial institution will you belong in the transitional year?	Bank <input type="checkbox"/>	Insurer <input type="checkbox"/> Securities dealer <input type="checkbox"/>												
Was your tax credit amount to which the transitional year election applies for each of the two fiscal years immediately preceding the transitional year equal to or greater than \$500,000?	Yes <input type="checkbox"/> No <input type="checkbox"/>													
Indicate the tax credit amount for each of the two immediately preceding fiscal years (the first preceding year is the fiscal year immediately preceding the transitional year and the second preceding year is the fiscal year immediately preceding the first preceding year). For the first preceding year only, an estimated amount can be provided if actual amounts are not available. Tick the grey box next to the line if the amount you enter is an estimated amount.*	<input type="checkbox"/> \$ _____ \$ _____ <div style="display: flex; justify-content: space-around; font-size: small;"> <span>first preceding year</span> <span>second preceding year</span> </div>													
Was your tax credit rate for each of the two fiscal years immediately preceding the transitional year equal to or greater than the prescribed percentage for your prescribed class of financial institution? The prescribed percentage is 12% for banks, 10% for insurers, and 15% for securities dealers.	Yes <input type="checkbox"/> No <input type="checkbox"/>													
Indicate the tax credit rate for each of the two immediately preceding fiscal years (the first preceding year and the second preceding year). For the first preceding year only, an estimated rate can be provided if the actual rate is not available. Tick the grey box next to the line if the rate you enter is an estimated rate.*	<input type="checkbox"/> _____ % _____ % <div style="display: flex; justify-content: space-around; font-size: small;"> <span>first preceding year</span> <span>second preceding year</span> </div>													
Indicate the reporting period selected for the transitional year election (the selected reporting period). The selected reporting period must be included in one of the four fiscal years immediately preceding the transitional year.	From <table style="display: inline-table; border-collapse: collapse;"><tr><td style="border: 1px solid black; width: 20px; text-align: center;">Year</td><td style="border: 1px solid black; width: 20px; text-align: center;">Month</td><td style="border: 1px solid black; width: 20px; text-align: center;">Day</td></tr><tr><td style="border: 1px solid black; width: 20px; text-align: center;"> </td><td style="border: 1px solid black; width: 20px; text-align: center;"> </td><td style="border: 1px solid black; width: 20px; text-align: center;"> </td></tr></table> To <table style="display: inline-table; border-collapse: collapse;"><tr><td style="border: 1px solid black; width: 20px; text-align: center;">Year</td><td style="border: 1px solid black; width: 20px; text-align: center;">Month</td><td style="border: 1px solid black; width: 20px; text-align: center;">Day</td></tr><tr><td style="border: 1px solid black; width: 20px; text-align: center;"> </td><td style="border: 1px solid black; width: 20px; text-align: center;"> </td><td style="border: 1px solid black; width: 20px; text-align: center;"> </td></tr></table>		Year	Month	Day				Year	Month	Day			
Year	Month	Day												
Year	Month	Day												
With respect to the selected reporting period, have you been assessed for net tax?	Yes <input type="checkbox"/> No <input type="checkbox"/>													
Did the result of the above assessment reflect no inappropriateness with respect to the method or methods used for determining input tax credits (ITCs) for all residual inputs?	Yes <input type="checkbox"/> No <input type="checkbox"/>													
Would the methods you used in the selected reporting period for determining ITCs for all residual inputs be fair and reasonable if used in the same manner in the transitional year?	Yes <input type="checkbox"/> No <input type="checkbox"/>													

\* You must use your best efforts to provide the most accurate information possible in completing this form.

**Part C – Election**

I elect to use the same methods that were used in the selected reporting period to determine the operative extent and the procurative extent of each residual input for the transitional year.

**Part D – Revocation of election**

I revoke the transitional year election. I understand that I am required to use the prescribed percentage for my prescribed class of financial institution.

Effective date of revocation: 

Year	Month	Day
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**Part E – Certification**

I, \_\_\_\_\_, certify that the information given on this form and in any documents attached is, to the best of my  
Print name

knowledge, true, correct, and complete in every respect. I certify that the methods that I used in the selected reporting period for determining ITCs for all residual inputs would be fair and reasonable if used in the same manner in the transitional year for the purposes of determining the operative and procurative extent of all residual inputs. I am authorized to sign this document for the qualifying institution identified in Part A.

Signature of authorized person 

Year	Month	Day
_	_	_

 Title

**Definitions**

**Bank**, in respect of a fiscal year, means a bank or an authorized foreign bank within the meaning of section 2 of the *Bank Act*, but does not include an insurer (as defined below).

**Insurer**, in respect of a fiscal year, means a person who is licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada an insurance business or under the laws of another jurisdiction to carry on in that other jurisdiction an insurance business and carries on, at any time in the fiscal year, an insurance business as its principal business in Canada.

**Operative extent** of property or a service means the extent to which the consumption or use of the property or service is:  
• for the purpose of making taxable supplies for consideration; or  
• for purposes other than making taxable supplies for consideration.

**Procurative extent** of property or a service means the extent to which the property or service is acquired, imported, or brought into a participating province:  
• for the purpose of making taxable supplies for consideration; or  
• for purposes other than making taxable supplies for consideration.

**Qualifying institution**, for a particular fiscal year, means a financial institution that meets the following requirements in the fiscal year:  
• The financial institution is of a prescribed class at any time in the particular fiscal year. The following are prescribed classes: banks, insurers, and securities dealers.  
• In each of the two fiscal years immediately preceding the particular fiscal year, the financial institution had a tax credit amount equal to or exceeding the prescribed amount for the prescribed class of the financial institution. The prescribed amount for each prescribed class of financial institution is \$500,000.  
• In each of the two fiscal years immediately preceding the particular fiscal year, the financial institution had a tax credit rate equal to or exceeding the prescribed percentage for the prescribed class of the financial institution. The prescribed percentage is 12% for banks, 10% for insurers, and 15% for securities dealers.

**Residual input** means a direct input or a non-attributable input.

**Securities dealer**, in respect of a fiscal year, means a person who:  
• is not a bank or an insurer (as previously defined) at any time in the fiscal year;  
• carries on at any time in the fiscal year a business as a trader or dealer in, or as a broker or salesperson of, securities as the principal business of the person in Canada; and  
• is registered under the laws of Canada or a province to carry on in Canada at any time in the fiscal year a business as a trader or dealer in, or as a broker or salesperson of, securities.

**Tax credit amount**, for a fiscal year, generally means:

- where the person has made an election to use a prescribed rate in respect of the fiscal year, the total of all amounts each of which is an ITC for the fiscal year that the person would, in the absence of having made the election, be entitled to claim in respect of a residual input for which tax in respect of the supply, importation, or bringing into a participating province of the residual input became payable during the fiscal year without having been paid before the fiscal year or was paid during the fiscal year without having become payable;
- where the person is a qualifying institution for the fiscal year and has not made a transitional year election and has not received authorization to use particular methods in respect of the fiscal year, the total of all amounts each of which is an ITC for the fiscal year that the person would, if the person were not a qualifying institution for the fiscal year and did not make an election to use a prescribed rate in respect of the fiscal year, be entitled to claim in respect of a residual input for which tax in respect of its supply, importation, or bringing into a participating province became payable during the fiscal year without having been paid before the fiscal year or was paid during the fiscal year without having become payable; and
- in any other case, the total of all amounts each of which is an ITC for the fiscal year that the person is entitled to claim in respect of a residual input for which tax in respect of its supply, importation, or bringing into a participating province became payable during the fiscal year without having been paid before the fiscal year or was paid during the fiscal year without having become payable.

**Tax credit rate**, for a fiscal year, generally means the percentage that is determined by dividing the tax credit amount for the fiscal year by the total of all amounts each of which is an amount of tax in respect of a supply, importation, or bringing into a participating province of a residual input that became payable during the fiscal year without having been paid before the fiscal year or was paid during the fiscal year without having become payable.

For more information, see GST/HST Technical Information Bulletin B-097, *Determining Whether a Financial Institution Is a Qualifying Institution for Purposes of Section 141.02*, and GST/HST Technical Information Bulletin B-098, *Application of Section 141.02 to Financial Institutions That Are Qualifying Institutions*.

## General information

### Who should complete this form?

You should complete this form if you are a qualifying institution and you wish to use previously assessed methods for the purpose of determining the operative extent and procurative extent of all residual inputs in the transitional year.

The election is for the legal entity. Branches or divisions cannot make their own elections under subsection 141.02(7).

### Am I eligible to make this election?

You can make the election if you meet all of the following conditions:

- You are a qualifying institution for the transitional year.
- Your net tax has been assessed for the selected reporting period which is included in any of the four fiscal years immediately preceding the transitional year.
- The result of the assessment for the selected reporting period reflected no inappropriateness with respect to the methods you used for the purpose of determining ITCs for all residual inputs.
- The methods used for determining ITCs for all residual inputs in the selected reporting period would be fair and reasonable if used in the same manner in the transitional year.

### How do I make an election?

Complete Parts A, B, C, and E of this form if you are making a transitional year election. Your election must be filed on or before the day you are required to file your GST/HST return for the first reporting period of the fiscal year to which the election applies.

### What is the effect of the election?

While the election is in effect (i.e., during the transitional year), you are not required to use the prescribed percentage for your prescribed class of financial institution for the purpose of determining the operative extent and the procurative extent of all residual inputs. Instead, you will use the same methods that you used in the selected reporting period for determining ITCs in respect of residual inputs in the transitional year.

It is your responsibility to ensure that the methods you are electing to use in the transitional year would be fair and reasonable if used in the same manner as in the selected reporting period.

### How do I revoke this election?

Complete Parts A, D, and E of this form if you wish to revoke the transitional year election. Your notice of revocation must be filed on or before the day on which you are required to file your GST/HST return for the first reporting period of the fiscal year to which the revocation applies (the transitional year). The effective date of revocation is the first day of the transitional year.

### Where do I send this form?

Send this form to the Assistant Director of Audit of the Tax Services Office for your head office no later than the day you must file a GST/HST return for your first reporting period of the fiscal year to which this election or revocation applies. For more information, visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca) or call us at **1-800-959-8287**.