

GST/HST ANNOUNCEMENT

July 2003 - This announcement supersedes the June 1999 announcement entitled "Designation process for barter exchange networks".

DESIGNATION PROCESS FOR BARTER EXCHANGE NETWORKS

Section 181.3 of the *Excise Tax Act* provides for the designation of barter exchange networks and the GST/HST treatment of transactions involving the provision of barter units.

A "barter exchange network" is a group of persons who have agreed in writing to accept credits (referred to as "barter units") on accounts of the group members (which are maintained by a single administrator), in exchange for property or services traded among the members.

The "administrator" of a barter exchange network is the person who is responsible for administering, maintaining or operating a system of members' accounts to which barter units may be credited.

The effect of subsection 181.3(5) is to relieve members of designated barter exchange networks from having to pay tax on barter units accepted in exchange for their supplies of property or services. The members, if registrants, would continue to have to charge tax on their taxable supplies of the property or services provided for the barter units. The tax on such property or services is calculated on the exchange value of the barter units accepted as consideration.

For example, A and B are registrants and members of a designated barter exchange network. A provides professional legal services to B in exchange for barter units having a value of \$100. A would have to charge tax on the supply of legal services, calculated on \$100, whereas B would not have to charge tax on the provision of the barter units pursuant to subsection 181.3(5).

If the barter exchange network is not designated, tax would generally be payable on the supply of the barter units themselves, when supplied by a registrant.

Procedure for Designation

Subsection 181.3(2) permits the administrator of a barter exchange network to apply to have the network designated for the purposes of applying subsection 181.3(5) to members' transactions involving barter units.

An application received after October 20, 2000, i.e. the date of Royal Assent, could be approved with an effective date of October 20, 2000, if requested, provided that the barter exchange network has been operating since that date.

If the effective date of designation of the barter exchange network were October 20, 2000, section 181.3 would apply to a supply of a barter unit, by a member of the network or the administrator, from that date forward. Section 181.3 would also apply to a supply of a barter unit at any earlier time, provided that no amount as or on account of tax was actually collected on that supply of the barter unit.

If the effective date of designation of the barter exchange network is a date after October 20, 2000, section 181.3 would apply to a supply of a barter unit, by a member of the network or the administrator, from that date forward.

A letter applying for designation is required, signed by the administrator (or an authorized individual), containing the following information:

1. Name of the barter exchange network.
2. Name, address, telephone number, trading name and Canada Customs and Revenue Agency Business Number of the administrator of the barter exchange network.
3. Effective date requested (cannot be earlier than the later of the date of establishment of the barter exchange network and October 20, 2000).
4. A copy of the standard membership agreement of the barter exchange network describing the responsibilities of the members and the administrator.
5. A statement from the applicant stating that it meets the definition of "administrator" of a barter exchange network in subsection 181.3(1).
6. A statement from the applicant that certifies that the information given in the application, and any document attached, is true, correct and complete, signed by the administrator or an individual authorized to sign on behalf of the administrator.

Administrators located outside the Province of Quebec should submit their requests for designation to:

Director
Public Service Bodies and Governments
Excise and GST/HST Rulings Directorate
Policy and Legislation Branch
Canada Customs and Revenue Agency
Ottawa, Ontario
K1A 0L5

Administrators located in the Province of Quebec should submit their requests for designation to the Ministère du revenu du Québec (MRQ), since the MRQ administers the GST/HST in the Province of Quebec on behalf of the federal government. Requests should be submitted to:

Directeur
Direction des lois sur les taxes, le recouvrement et l'administration
Ministère du revenu du Québec
3800, rue de Marly
Sainte-Foy (Québec)
G1X 4A5