

Canadian firms are entitled to a refund of the sales tax previously paid on unused goods sold to the U.S. government.

Department of National Revenue Memorandum D-17-17, dated 25 Oct. 1978 provides for the remission of Sales Taxes (in addition to Customs Duties and Excise Taxes) in cases where Canadian manufactured goods are shipped to the U.S. Military Services at sites in Canada. This applies even though the goods remain permanently or temporarily in Canada as long as the title or ownership is vested in the U.S. government. Certificates, stating that the goods in question are or will become the property of the U.S. government, and are to be used solely and exclusively in joint Canada-United States projects or U.S. establishments in Canada, and signed by an authorized representative, are required.

If the sale of the goods is by a Canadian manufacturer, licensed as such, or by a wholesaler holding a federal sales tax licence, it will not be necessary to pay the tax and then claim a refund. The sale may be effected without the application of sales tax provided the conditions outlined in the above paragraph are observed. If during the completion of a prime or sub-contract for the U.S. Services, inventory is used on which sales tax has already been paid, refund may be claimed provided it can be proved that the goods were used under exempt conditions as outlined above, and provided further that the claim is submitted within two years of the time the claimant sold the goods to the U.S. Government.

### **6.9 Canadian Provincial Sales Taxes**

Nine of the ten provinces, namely, British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario, Prince Edward Island, Quebec, and Saskatchewan levy sales tax established by provincial legislation and regulations. It is therefore impossible to give a general ruling on the applicability of provincial sales tax on Canadian goods sold directly or by sub-contracting to the U.S. acquisition agencies.