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Guide to Administering Low-Value Amounts

1. Date of publication

This guide was published on May 29, 2018.

2. Application, purpose and scope

This guide applies to the organizations listed in section 6 of the [Policy on Financial Management](#).

The purpose of this guide is to provide departments with information on the collection and payment of low-value amounts.

This guide supports the requirements set out under the [Low-Value Amounts Regulations](#) (regulations). Examples are provided for illustrative purposes only and may not apply to all departments or situations.

Section 4 of this guide defines low-value amounts under the [Financial Administration Act](#) (FAA).

Section 5 of this guide further elaborates on the elements under the regulations, such as the application of thresholds and accumulations.

Section 6 of this guide discusses the accounting treatment of low-value amounts.

3. Overview of low-value amounts

On April 1, 2015, amendments to the FAA and the regulations came into force, establishing requirements on when the Government of Canada would not collect or pay low-value amounts in the interest of administrative efficiencies.

This guide describes specifics of the following:

- the two low-value thresholds (\$2.00 and \$0.99)
- what can be accumulated, for how long, and the exceptions
- cases where the low-value amounts legislation and regulations do not apply

4. Financial Administration Act: section 155.2, small amounts

According to subsection 155.2(1) of the FAA, if an appropriate Minister, or any person authorized in writing by that Minister, determines that an amount is small, in that it does not exceed the threshold(s) set by the Treasury Board, that amount is deemed to be nil and is not to be collected or paid, with some exceptions. The applicable threshold are set out under the regulations (see Section 5 of this guide for more details).

Delegation chart of spending and financial authorities for low-value amounts

The appropriate Minister, or any person authorized in writing by that Minister, determines whether the amount does not exceed the threshold. This requires a ministerial decision or a decision by someone authorized by the Minister. As a result, a department may choose to have a specific delegation in its delegation chart for such decisions. A person who has been authorized to sign off on sections 33 or 34 of the FAA may be an appropriate person, but it is up to the department to decide whether to have a delegation chart for low-value amounts and to decide what is appropriate under the circumstances.

A benefit of having a provision for low-value amounts in a department's delegation chart is that the notes to the chart can describe the rules that apply to the department, as set out in this guide.

4.1 Definition of “deemed to be nil”

The regulations specify that the amount owed is zero if “deemed to be nil.” An amount is deemed to be nil if an appropriate Minister, or any other person authorized by that Minister, determines the following are at, or below the threshold established by the regulations:

- an amount owing by a person to the government (for example, receivables), or
- an amount payable by the government to a person (including public sector employees)

For receivables, if the amount is zero, there is nothing to collect and nothing to write off. Therefore, the Debt Write-Off Regulations do not apply.

The same principles apply for payables. Any amount payable by the government that is deemed to be nil is zero.

Once an amount is deemed to be nil, it should be removed from accounting records according to the accounting instructions referred to in section 6 of this guide.

4.2 Terms and conditions deemed to be met for low-value amounts

In accordance with subsection 155.2(3) of the FAA, if a low-value amount is not collected or paid (receivable or payable) because it is deemed nil, any requirements related to that amount are considered to be met. For example, making no payment of a low-value amount is not considered to be in default of a contract. No interest is owed on a low-value amount that has been deemed nil, so no interest is collected or paid.

In accordance with subsection 155.2(4) of the FAA, if a low-value amount is not paid (for payables only) because it is accumulating, any requirements related to that amount are considered to be met while it is accumulating (see sections 5.2 to 5.4 of this guide). The amount is not subject to interest during the accumulation period.

4.3 Treatment of inconsistencies

In accordance with subsection 155.2(5) of the FAA, section 155.2 of the FAA and the regulations supersede any provision of any act of Parliament, regulation, order, contract or arrangement, to the extent of any inconsistencies between these instruments. For example, a department has a contract with a supplier that specifies all amounts

are to be paid. In accordance with section 155.2 of the FAA, low-value amounts at or below the applicable threshold would be deemed nil and not paid.

4.4 Exceptions

In accordance with subsection 155.2(6) of the FAA, certain amounts are not subject to the low-value amounts legislation as follows:

- amounts owed by a third party ¹ to a Crown corporation or amounts owed by a Crown corporation to a third party
- amounts related to public debt or interest on public debt
- amounts owed to or by the government under certain tax statutes ²

The regulations list other exemptions (see section 5.4 of this guide).

Application of low-value amount thresholds to interdepartmental settlement transactions

The thresholds do not apply to interdepartmental settlement transactions. The regulations only apply to payments by a person to the government, payments by the government to a person, and amounts payable between Crown corporations and the government. See subsection 155.2(1) and paragraph 155.2(6)(a) of the FAA.

4.5 Public debt

The regulations do not apply to public debt or interest on public debt. In the context of paragraph 155.2(6)(b) of the FAA, public debt refers to the payment of principal and interest related to Canada's

outstanding debt obligations and reflects the borrowing authorities outlined in Part IV of the FAA. For example, low-value amounts for Canada Savings Bonds are included in the definition of “public debt.” Therefore, related bond payables or bond interest amounts of \$2.00 or less must be paid. However, payments owed to suppliers, including any interest, are not covered in the definition of “public debt” and are subject to the \$2.00 threshold.

5. Low-Value Amounts Regulations

Under the authority of subsection 155.2(2) of the FAA, the Treasury Board made the regulations, effective April 1, 2015. The regulations cover thresholds, payment, accumulation of payments, and exemptions.

5.1 Thresholds for low-value amounts

The regulations establish two fixed thresholds for low-value amounts owed to or by the government as follows:

- \$0.99 for payments under the Canada Pension Plan, Employment Insurance Act, Old Age Security Act and any associated regulations made under these acts
- \$2.00 in any other case

5.2 Accumulation of low-value payables

An “accumulation of a payable” occurs when an amount at the applicable threshold or lower is held for a prescribed period of time until it:

- exceeds the threshold (due to the addition of the same type of payable for the same recipient) and is paid or
- does not exceed the threshold and is deemed nil

The regulations require specific types of payables to be accumulated when below the threshold over a period of time and paid, or thereafter deemed nil, as detailed below under section 5.3. There are no provisions in the regulations to accumulate low-value receivables. Apart from those specifically detailed in the regulations, all other payables and receivables should be deemed nil when they are at or below the applicable threshold.

According to the regulations, only specific types of payments must be accumulated, as detailed in the following table.

Table 1: accumulation of low-value amounts

Specific type of payment	Regulations reference	Applicable threshold	Period to accumulate and either: 1) pay within 30 days if threshold reached in period or 2) deem nil at end of the period
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Employment Insurance	N/A	N/A	Employee Insurance payments do not accumulate. In accordance with the Employment Insurance Act, payments are rounded to the nearest dollar and paid because they exceed the \$0.99 threshold.
Old Age Security: Pension and Guaranteed Income Supplement	3(1)(a)	\$0.99	Up to 12 months after the day on which the amount becomes payable *
Canada Pension Plan	3(1)(a)	\$0.99	Up to 12 months after the day on which the amount becomes payable
Veteran Affairs Canada: client benefits	3(1)(a)	\$2.00	Up to 12 months after the day on which the amount becomes payable

Public Services and Procurement Canada, the Royal Canadian Mounted Police (RCMP), and National Defence: pay, allowances and pension payments for current and retired public sector employees and members	3(1)(b) to (d)	\$2.00	Up to 12 months after the day on which the amount becomes payable or the end of calendar year in which the amount becomes payable, whichever comes first
<hr/> <p><u>*</u> Old Age Security, the Allowance and the Allowance for the Survivor are not accumulated but paid outright. In accordance with the Old Age Security Regulations, these payments are rounded to \$2.00 if under \$2.00 and are paid because they exceed the \$0.99 threshold.</p> <hr/>			

The following provides additional details on interest receivable and payable and also on the combination of low-value payables.

Application of threshold when interest is collected or paid separately from the principal invoice

No interest is payable on a principal amount if the principal amount is at or below the applicable threshold. This is because the principal amount is deemed nil.

Accumulation of interest receivable or payable below the \$2.00 threshold

Final interest, calculated after the principal invoice has been paid, that does not exceed \$2.00 is deemed nil.

Example

Principal invoice due on May 1: \$1,000.00

Monthly interest rate: 0.15%

Interest receivable for the month of May: \$1.50

Total principal invoice and interest receivable for the month of May: \$1,001.50 (\$1.50 interest collectible)

Principal invoice paid on June 5: \$1,000.00

Interest receivable for the month of June: \$0.24 (calculated at the end of the month = $[0.15\% / 31 \text{ days} * 5 \text{ days}] * \$1,001.50$)

Total principal invoice and interest receivable at the end of June: \$0.24 (interest is deemed nil)

When the principal invoice of \$1,000.00 is paid on June 5, the interest collectible of \$1.50 for the month of May is deemed nil as it is below the \$2.00 threshold.

The interest collectible of \$0.24 for June is calculated at the end of the month and is also deemed nil as it is below the \$2.00 threshold.

Combination of low-value amount with another payable

A low-value payable should be removed from the accounting records at the time it would normally be paid unless the regulations require this type of payable to be accumulated. However, if a department routinely makes a single payment for a number of invoices that are due within the same week, an invoice of \$2.00 or less ³ can be combined in the single payment. See the Directive on Payments, subsection 4.1.4.3.

5.3 Circumstances for accumulation

For amounts that are required to accumulate (see section 5.2 of this guide), only amounts payable to the same recipient that are of the same type or payable under the same program, legislation or regulation may accumulate.

For example, low-value amounts owed to John Smith have accumulated for the Canada Pension Plan (\$0.50) and the Old Age Security Guaranteed Income Supplement (\$0.55). Both types of low-value amounts accumulate as described in the regulations, paragraph 3(1)(a). However, during the accumulation periods, the two low-value amounts cannot be combined to exceed the \$0.99 threshold and paid, because they are not the same type of payment.

5.4 Exemptions

In addition to the exceptions listed in section 4.4 of this guide, the following items are exempt from the application of low-value amounts thresholds, as outlined in section 4 of the regulations:

- amounts payable by or to the Crown in currencies other than Canadian dollars (for example, an invoice of US\$0.50)

from a non-Canadian supplier would not be deemed nil and would be paid)

- service fees as defined by section 2 of the Service Fees Act
- immediate payments in exchange for goods and services
- amounts that are requested in writing by the recipient, if the request is sent to the appropriate Minister within 12 months after the day on which the amount becomes payable

5.5 Requests for payment by the recipient: regulations, paragraph 4(d)

In accordance with paragraph 4(d) of the regulations, a recipient may request payment of a low-value amount. The request must be made in writing to the appropriate Minister within 12 months after the day on which the amount becomes payable.

To satisfy the requirements of paragraph 4(d), it is sufficient if the request is addressed to the Minister and is sent to the Minister's department. It is up to the department to put in place any necessary departmental procedures to handle the written request once it is received by the Minister.

Public Services and Procurement Canada's Accounting, Banking and Compensation Branch has the exclusive authority for the Government of Canada to print cheques for requested low-value priority payments. The Receiver General Directive 2016-2 provides specific instructions for departments to request payment of low-value amounts in accordance with paragraph 4(d) of the regulations.

5.6 Circumstances when a low-value amount is collected or paid

A low-value amount can be collected or paid in the following circumstances:

- it is one of the exceptions or exemptions listed in sections 4.4 or 5.4 of this guide, including a payment being requested, as outlined in paragraph 4(d) of the regulations
- the type of payable is required to accumulate, and the accumulated amount exceeds the threshold within the accumulation period
- it is combined in a single payment of other invoices, due within the same week, with the total exceeding \$2.00
- the low-value amount is owed by one department to another department (an interdepartmental settlement)

6. Accounting for low-value amounts

Accounting for low-value amounts is currently included in the Receiver General Manual, Chapter 10, Accounting Entries, Section 10.13.

7. References

7.1 Legislation

- [Financial Administration Act](#), Subsection 155.2
- [Low-ValueAmounts Regulations](#)

7.2 Related policy and guidance instruments

- [Directive on Public Money and Receivables](#)
- [Directive on Payments](#)

7.3 Receiver General

- Receiver General Directive 2016-2, “Printing priority Receiver General cheques at departmental sites and Public Services and Procurement Canada’s print sites”
- Receiver General Manual, Chapter 10, Accounting Entries, Section 10.13

8. Enquiries

Members of the public may contact Treasury Board of Canada Secretariat Public Enquiries if they have questions about this guide.

Individuals from departments should contact their departmental financial policy group if they have questions about this guide.

Individuals from a departmental financial policy group may contact Financial Management Enquiries for interpretation of this guide.

Footnotes

- 1 Refers to any person, defined as: any word or expression descriptive of a person, includes a corporation
 - 2 Air Travellers Security Charge Act, the Excise Act, 2001, the Excise Tax Act, the Income Tax Act or the Softwood Lumber Products Export Charge Act, 2006
 - 3 Payable not yet deemed nil
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