



Canada Revenue
Agency

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du Canada

GST/HST Policy Statement P-192: SUPPLIES OF PRECIOUS METALS

Obsolete: (May 6, 1999) Please refer to GST/HST Memoranda Series, Chapter 17, Memorandum 17.1, *Definition of "Financial Instrument"*

Date of Issue:

November 11, 1995 (Final September 1996)

Subject:

Supplies of precious metals

Legislative Reference(s):

Definitions "financial instrument," "financial service" and "precious metal", subsection 123(1) of the *Excise Tax Act* (the "Act")
Section 1, Part VII, Schedule V to the Act
Section 3, Part IX, Schedule VI to the Act

National Coding System File Number(s):

11585-0; 11590-4; 11590-5; 11590-9; 11600-7

Effective Date:

January 1, 1991

Issue and Decision:

The definition "precious metal" in subsection 123(1) of the Act requires that, in the case of gold and platinum, these metals be refined to a purity level of at least 99.5% or, in the case of silver, the metal be refined to a purity level of at least 99.9%, as well as being in the form of a bar, ingot, coin or wafer.

With respect to the bar, ingot and wafer forms, it is the Department's position that in order to meet the requirements of the definition "precious metal":

- (1) gold, silver or platinum bars, ingots or wafers must be in the required purity levels and
- (2) they must be generally recognized and accepted for trading on Canadian financial markets.

Typically, these products will bear markings that indicate the purity level of the metal and have an identification mark of the issuing financial institution or refinery.

With respect to the form "coin", only those metals at the required purity levels that have been issued by a government authority and that may be used as currency will qualify as "coins".

SAMPLE RULING #1

Our understanding of the facts and proposed transactions is as follows:

Statement of Facts

1. A registrant jeweller purchases a bona fide precious metal in the form of a 400 troy ounce London Good Delivery gold bar from the local branch of a leading Canadian bank.
2. A customer approaches the jeweller and requests that a chain be made that will contain one ounce of 99.5 percent pure gold.

Proposed Transactions

1. The jeweller will cut from the London Good Delivery bar a one-ounce piece in the shape of a bar and will give it to the customer. The jeweller will then make out an invoice for \$530 for the ounce of gold and takes the position that the sale is exempt of GST on the grounds that it is a sale of a precious metal.
2. The customer will immediately return the gold to the jeweller and the jeweller will thereafter prepare a second invoice in the amount of \$100 for the service of making a gold chain from the customer's gold. The jeweller will charge the seven percent GST on the supply of the jewellery-making service.

Ruling Requested

The supply of the cut gold by the registrant jeweller to the customer is a supply of a financial service for GST purposes by virtue of paragraph (d) of the definition "financial service" in subsection 123(1) of the *Excise Tax Act* (the "Act") and, accordingly, is an exempt supply pursuant to section 1 of Part VII of Schedule V to the Act.

Ruling Given

Based on the facts and proposed transactions set out above, the Department rules that the supply of gold by the jeweller to the customer is not a supply of a "precious metal" within the meaning of that term set out in subsection 123(1) of the Act and, therefore, is not a supply of a "financial service" for GST purposes. Accordingly, the supply of the gold by the jeweller to the customer is a "taxable supply" within the meaning of that term set out in subsection 123(1) of the Act and is subject to the GST pursuant to subsection 165(1) of the Act.

This ruling is subject to the general limitations and qualifications outlined in section 1.4 of the GST Memoranda Series. We are bound by this ruling provided that none of the above issues above is under audit, objection or appeal, that there is no relevant changes in the future to the *Excise Tax Act*, and that you have fully described all necessary facts and transaction for which you requested a ruling.

Rationale

It is the Department's position that the jeweller has made a single supply of a custom made chain for consideration equal to the combined amount of the two invoices issued in respect of the supply (i.e., \$630).

SAMPLE RULING #2

Our understanding of the facts and transactions is as follows:

Statement of Facts

A registered coin dealer offers for sale a Government of Canada silver maple leaf coin that bears marks to indicate that it has a purity of 99.99 percent silver and that may be used as currency. The coin does not bear the stamp of a refiner or any serial number, but the coin dealer is planning on selling it exempt of the GST on the basis that the coin qualifies as a precious metal for GST purposes.

Ruling Requested

The silver maple leaf coin is a "precious metal" within the meaning of that term set out in subsection 123(1) of the *Excise Tax Act* (the "Act"). Therefore, the supply of the silver maple leaf coin by the registrant coin dealer to the customer is a supply of a "financial service" for GST purposes by virtue of paragraph (d) of the definition "financial service" in subsection 123(1) of the *Excise Tax Act*. Further, the supply of the silver maple leaf coin is an exempt supply pursuant to section 1 of Part VII of Schedule V to the Act.

Ruling Given

Based on the facts set out above, we rule that the silver maple leaf coin is a "precious metal" within the meaning of that term set out in subsection 123(1) of the *Excise Tax Act* because it meets the purity requirements for silver and because the coin was issued by a government authority and may be used as currency. Therefore, the supply of the silver maple leaf coin by the registrant coin dealer to the customer is a supply of a "financial service" for GST purposes by virtue of paragraph (d) of that term set out in subsection 123(1) of the Act. Further, the supply of the silver maple leaf coin is an exempt supply pursuant to section 1 of Part VII of Schedule V to the Act.

This ruling is subject to the general limitations and qualifications outlined in section 1.4 of the GST Memoranda Series. We are bound by this ruling provided that none of the above issues above is under audit, objection or appeal, that there is no relevant changes in the future to the *Excise Tax Act*, and that you have fully described all necessary facts and transaction for which you requested a ruling.

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