

## Rate of Interest on Overpayments of Tax

### Introduction

Effective July 1, 2006, Ontario is changing the method of calculating the interest rate to be paid on overpayments of tax (i.e., refunds and surplus instalments).

### What will the change be?

The rate used to calculate interest paid on overpayments of tax and certain electricity charges (i.e., Debt Retirement Charge and Gross Revenue Charge) will be changed from the base rate minus 2 per cent to the **base rate minus 3 per cent**.

### What will not change?

There will be no changes to the method of calculating the interest rate to be charged on tax shortfalls. That method is the base rate plus 3 per cent.

The method of calculating the interest rate to be paid on tax refunded following a successful objection or appeal will remain unchanged. That rate is the base rate.

For the base rate, Ontario will continue to use the mean, rounded to the nearest whole percentage, of the prime rates of the Royal Bank of Canada, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Bank of Montreal, and TD Canada Trust.

A base rate of interest is established by Ontario quarterly on January 1, April 1, July 1 and October 1 of each year. It is based on the calculated mean rate on the 15<sup>th</sup> day of the first month of the previous quarter. For example, the base rate of interest on July 1, 2006 will be the mean of the prime rates of the listed banks on April 15, 2006.

### What is the effective date of this change?

Regulations have been filed that establish the new method of calculating the interest rate to be paid as of July 1, 2006.

Interest paid on tax overpayments and certain electricity charges cited above that arose before July 1, 2006 will be calculated in accordance with the previous method, being the base rate minus 2 per cent, for the portion accrued prior to July 1, 2006.

### Statutes Affected by Measure

The following statutes are affected by this measure:

*Commercial Concentration Tax Act*  
*Corporations Tax Act*  
*Electricity Act, 1998 – certain electricity charges*  
*Employer Health Tax Act*  
*Fuel Tax Act*  
*Gasoline Tax Act*  
*Income Tax Act (Ontario) – Ontario administered programs only*

*Land Transfer Tax Act*  
*Mining Tax Act*  
*Provincial Land Tax Act*  
*Race Tracks Tax Act*  
*Retail Sales Tax Act*  
*Small Business Development Corporations Act*  
*Succession Duty Act*  
*Tobacco Tax Act*

### For further information:

Please contact the nearest Ontario Ministry of Finance Tax Office, listed under Taxes – Provincial (Retail) Sales Tax in the blue pages of the telephone directory, call our TAX FAX Service at 1-877-4-TAX-FAX (1-877-482-9329), call the Ministry's Information Centre at 1-800-263-7965 (English), 1-800-668-5821 (French) or visit our website at [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca).

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