



# INFORMATION REPORT

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> February 11, 2013	
<b>SUBJECT/REPORT NO:</b> Elimination of the Canadian Penny (FCS13019) (City Wide)	
<b>SUBMITTED BY:</b> Mike Zegarac Acting General Manager Finance & Corporate Services	<b>PREPARED BY:</b> Brian McMullen (905) 546 2424 ext 4467
<b>SIGNATURE:</b>	

**Council Direction:**

Not applicable.

**Information:**

The Government of Canada plans to phase out the use of the penny in Canada and to cease distribution of the currency on February 4<sup>th</sup>, 2013. City of Hamilton staff have been discussing the issues and solutions to minimize the impact to taxpayers, ratepayers and customers with the phasing-out of the penny.

The guidelines provided by the Federal Government suggest that retailers round any cash payments received from customers as follows:

- Amounts ending in 1 cent and 2 cents are rounded down to the nearest 10 cents.
- Amounts ending in 3 cents and 4 cents are rounded up to the nearest 5 cents.
- Amounts ending in 6 cents and 7 cents are rounded down to the nearest 5 cents.
- Amounts ending in 8 cents and 9 cents are rounded up to the nearest 10 cents.
- Amounts ending in 0 cent and 5 cents remain unchanged.

Example:



Rounding is required on the total price that includes Harmonized Sales Tax (HST), where required.

Payments made by cheque or electronic payments using debit cards and credit cards and online payments are not affected by the phase out of the penny and these payments do not need to be rounded.

**Background:**

The Government of Canada announced its plan in the 2012 Budget and Economic Action Plan to phase out the use of the penny in Canada and to cease distribution of the currency by the fall of 2012.

The Federal Government's documents state that "The decision to phase out the penny was due to its excessive and rising cost of production relative to face value, the increased accumulation of pennies by Canadians in their households, environmental considerations, and the significant handling costs the penny imposes on retailers, financial institutions and the economy in general.

**The estimated savings for Canadian taxpayers from phasing out the penny is \$11 million a year.**

The cent will remain Canada's smallest unit for pricing goods and services. This will have no impact on payments made by cheque or electronic transactions - **only cash transactions will be affected.** Moreover, pennies can still be used in cash transactions indefinitely with businesses that choose to accept them."

(source: <http://www.budget.gc.ca/2012/themes/theme2-eng.html>)

On July 30<sup>th</sup>, 2012, the Minister of Finance announced that a new transition date of February 4<sup>th</sup>, 2013 has been set for the start of the phase-out of the penny. After that date, the Royal Canadian Mint will no longer be distributing pennies to financial institutions and it can be expected that the supply of pennies will begin to run out.

The Government of Canada's Department of Finance and the Canada Revenue Agency (CRA) have developed, and made public, information and educational material related to phasing out the penny.

**Current Status:**

The Government of Canada's Department of Finance has developed a "tool kit" for businesses to educate consumers, small businesses and retailers which can be found at <http://www.fin.gc.ca/1cent/toolkit-boite-a-outils-eng.asp>. Information has been reproduced in Appendix "A" and Appendix "B" to Report FCS13019.

Canada Revenue Agency has provided guidance for consumers and businesses regarding tax implications. The complete information can be found at <http://www.cra-arc.gc.ca/gncy/lmntnpny/menu-eng.html>.

The Royal Canadian Mint has information at:

<http://www.mint.ca/store/mint/learn/phasing-out-the-penny-6900002>

The Government of Canada's Department of Finance has indicated that a national public awareness campaign will continue in early in 2013.

RBC Royal Bank of Canada has advised us their clients will be able to order pennies for their operations until January 31<sup>st</sup>, 2013. Clients will be able to deposit pennies indefinitely. Where volumes warrant, pennies must be rolled. After February 4<sup>th</sup>, 2013, all financial institutions will no longer distribute pennies; however, they will continue to accept pennies indefinitely.

Staff of the City of Hamilton have been instructed to follow the rounding guidelines in cases when the customer does not have pennies to pay the exact amount or when the City does not have pennies to give the correct change. The potential impact of the rounding is expected to be a few hundred dollars annually. City of Hamilton staff are developing plans to address phasing out of the penny that include:

- **Communication:** A Notice to the public, attached as Appendix "C" to Report FCS13019, will be displayed in City of Hamilton buildings and facilities and on our website. Staff will be provided with instructions when accepting cash payments from customers and procedures for balancing their cash registers.
- **User fees:** There will be no change to 2013 User Fees. Rounding of 2014 User Fees to the nearest \$0.05 is being reviewed.
- **Systems and Processes:** Systems and processes are being reviewed to determine methods to adjust for rounding when customers pay with cash.

**Appendices:**

Appendix "A" to Report FCS13019 - Government of Canada Notice

Appendix "B" to Report FCS13019 - Government of Canada Frequently Asked Questions

Appendix "C" to Report FCS13019 - City of Hamilton Notice



Government  
of Canada

Gouvernement  
du Canada

## IMPORTANT NOTICE

The Government of Canada is phasing out the penny.

Starting February 4, 2013, pennies will no longer be distributed to businesses or financial institutions.

For cash payments and change owed, retailers will decide how to adjust the final cash amount, which may include rounding.

Here's an example of how the rounding works:

Round down		Round up	
\$1.01 or \$1.02	<b>\$1.00</b>	\$1.03 or \$1.04	<b>\$1.05</b>
\$1.06 or \$1.07	<b>\$1.05</b>	\$1.08 or \$1.09	<b>\$1.10</b>

Electronic transactions such as debit and credit cards don't need to be rounded, and will not be impacted.

### For further information:

Visit [actionplan.gc.ca/penny](http://actionplan.gc.ca/penny)  
or call 1 800 0-Canada.



## AVIS IMPORTANT

Le gouvernement du Canada élimine graduellement les pièces d'un cent.

À compter du 4 février 2013, ces pièces ne seront plus distribuées aux entreprises ou aux institutions financières.

Pour les paiements en espèces et pour la monnaie à rendre, il revient aux détaillants de prendre la décision de réajuster le montant final en espèces, y compris éventuellement celle d'arrondir ce montant.

Voici un exemple de la façon d'arrondir les montants :

Arrondir à la baisse		Arrondir à la hausse	
1,01 \$ ou 1,02 \$	<b>1,00 \$</b>	1,03 \$ ou 1,04 \$	<b>1,05 \$</b>
1,06 \$ ou 1,07 \$	<b>1,05 \$</b>	1,08 \$ ou 1,09 \$	<b>1,10 \$</b>

Les achats réglés par paiement électronique, par exemple par carte de crédit ou de débit, ne sont pas touchés et il n'est pas nécessaire d'arrondir les montants.

### Renseignements :

Consultez le site  
[plandaction.gc.ca/1cent](http://plandaction.gc.ca/1cent)  
ou composez le 1 800 0-Canada.



Elimination of the Canadian Penny  
Government of Canada - Frequently Asked Questions

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## **FREQUENTLY ASKED QUESTIONS: BUSINESSES**

### **WHY IS THE PENNY BEING PHASED OUT?**

The Government is phasing out the penny due to its rising cost of production relative to face value, the increased accumulation of pennies by Canadians in their households, environmental considerations, and the significant handling costs the penny imposes on retailers, financial institutions and the economy in general.

The estimated savings for taxpayers from phasing out the penny is \$11 million a year.

### **WHEN WILL THE GOVERNMENT STOP DISTRIBUTING THE PENNY?**

The Royal Canadian Mint will cease distribution of pennies to financial institutions on February 4, 2013. On this date, businesses will be encouraged to stop using pennies and begin rounding cash transactions in a fair and transparent manner. As financial institutions will no longer be receiving pennies from the Mint, they may not distribute pennies to consumers and businesses after February 4, 2013.

### **WHEN WILL THE SUPPLY OF PENNIES RUN OUT?**

The Government expects the existing supply of pennies available for circulation to be sufficient to supply cash transactions through to February 4, 2013.

### **ARE BUSINESSES REQUIRED TO ACCEPT PENNIES AFTER FEBRUARY 4, 2013?**

While businesses do not have a legal obligation to accept any particular Canadian coins or bank notes in a retail transaction, the penny will continue to be legal tender like all other Canadian coins, and businesses may accept the coin as a means of payment if they so choose.

### **AFTER FEBRUARY 4, 2013, ARE BUSINESSES ALLOWED TO MAKE CHANGE IN PENNIES IF THEY WISH?**

This is an individual business decision.

### **ARE BUSINESSES OBLIGATED TO FOLLOW THE SYMMETRICAL ROUNDING GUIDELINE PROPOSED BY THE GOVERNMENT OF CANADA?**

Businesses are expected to round the final amount (or equivalently, the change owed) of any cash payment in a fair, consistent and transparent manner.

Symmetrical rounding will be adopted by all federal government entities for cash transactions with the public.

Experience in other countries that have phased out low-denomination coins, such as Australia and New Zealand, has shown that fair rounding practices have been respected.

Elimination of the Canadian Penny  
Government of Canada - Frequently Asked Questions

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**SHOULD BUSINESSES ROUND THE PRICES OF INDIVIDUAL ITEMS?**

No. Only the final amount in a cash transaction (or equivalently, the change owed) should be subject to rounding. Individual items, as well as any duties, fees or taxes, should be tabulated in their exact amount prior to rounding. This includes the Goods and Services Tax/Harmonized Sales Tax (GST/HST).

**HOW WILL ACCEPTING FOREIGN CURRENCIES, GOVERNMENT CHEQUES, GIFT CARDS AND SPLIT PAYMENTS BE AFFECTED BY ROUNDING?**

Payments made using non-cash methods such as cheques and electronic payments—debit, credit and other payments cards such as gift cards and prepaid credit cards—do not need to be rounded, because they can be settled electronically to the exact amount.

They should be calculated in the same manner as before. For any cash payment, only the final amount (or equivalently, the change owed) should be subject to rounding. Individual items, as well as any duties, fees or taxes, should be tabulated in their exact amount prior to rounding.

In all cases, businesses are expected to round final totals in a fair, consistent and transparent manner.

**WHEN A CONSUMER REQUESTS A REFUND, IS THE AMOUNT SUBJECT TO ROUNDING?**

As is the case now, businesses can set their own policies regarding refunds. However, if a refund is paid out in cash and pennies are not used, businesses will be expected to round the final amount in a fair and transparent manner.

**WILL BUSINESSES NEED TO UPDATE CASH REGISTERS FOR ROUNDING?**

This is an individual business decision.

Rounding for cash payments occurs after any tabulation of duties, fees or taxes. Businesses may choose to update their cash registers to automatically calculate rounding for cash transactions and to provide greater transparency and clarity to their customers by showing the rounding on receipts.

**HOW WILL THE GST/HST BE CALCULATED WITHOUT A PENNY?**

The GST/HST should be calculated in the same manner as before. For any cash payment, only the final amount (or equivalently, the change owed) should be subject to rounding. Individual items, as well as any duties, fees or taxes, should be tabulated in their exact amount prior to rounding.

Again, payments made using non-cash methods such as cheques and electronic payments do not need to be rounded, because they can be settled electronically to the exact amount.

Elimination of the Canadian Penny  
Government of Canada - Frequently Asked Questions

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**WHERE CAN I FIND MORE INFORMATION ON THE IMPACT OF PHASING OUT THE PENNY ON GST/HST AND INCOME TAXES?**

Businesses should consult the Canada Revenue Agency website.

**HOW WILL ROUNDING RESULTING FROM PHASING OUT THE PENNY BE AFFECTED BY PROVINCIAL LAW?**

Provincial laws, as well as existing federal acts that relate to currency, consumer rights and protections, continue to apply.

**WILL BUSINESSES BE ABLE TO REDEEM PENNIES WITH THEIR FINANCIAL INSTITUTIONS?**

Businesses can continue to deposit pennies at their financial institutions. Some financial institutions may require large amounts of pennies to be rolled or wrapped for deposit. Businesses should consult their financial institutions in advance to determine how best to make deposits in large volumes.

**MY QUESTION ISN'T ANSWERED HERE. WHO SHOULD I ASK?**

Phasing out the penny is part of Economic Action Plan 2012. For more information on this and other Economic Action Plan measures, call 1-800-O-Canada (1-800-622-6232); TTY: 1-800-926-9105.



Elimination of the Canadian Penny  
Government of Canada - Frequently Asked Questions

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## **FREQUENTLY ASKED QUESTIONS: CONSUMERS**

### **WHY IS THE PENNY BEING PHASED OUT?**

The Government is phasing out the penny due to its rising cost of production relative to face value, the increased accumulation of pennies by Canadians in their households, environmental considerations, and the significant handling costs the penny imposes on retailers, financial institutions and the economy in general.

The estimated savings for taxpayers from phasing out the penny is \$11 million a year.

### **WHEN WILL THE GOVERNMENT STOP DISTRIBUTING THE PENNY?**

The Royal Canadian Mint will cease the distribution of pennies to financial institutions on February 4, 2013. On this date, businesses will be encouraged to begin rounding cash transactions in a fair and transparent manner. As financial institutions will no longer be receiving pennies from the Mint, they may not distribute pennies to consumers and businesses after February 4, 2013.

### **CAN I STILL USE PENNIES FOR BUYING GOODS AND SERVICES?**

Yes. The penny will retain its value indefinitely. As such, consumers can use pennies for cash transactions with businesses that choose to accept them.

### **WILL BUSINESSES ROUND PRICES EVEN IF I HAVE EXACT CHANGE?**

Consumers can use pennies for cash transactions with businesses that choose to accept them.

### **WHERE CAN I BRING MY PENNIES FOR REDEMPTION?**

Canadians may redeem their pennies at their financial institution. Financial institutions may require that pennies be properly rolled. Canadians may also consider donating them to charities.

### **ARE FINANCIAL INSTITUTIONS REQUIRED TO ACCEPT MY PENNIES?**

Canadians can continue to deposit pennies at their financial institution. Some financial institutions may require large amounts of pennies to be rolled or wrapped for deposit. Canadians should consult their financial institution in advance to determine how best to make deposits.

### **WILL I NEED TO ROLL ALL OF MY PENNIES?**

The standard practice is that pennies, like other coins such as dimes or nickels, are rolled or wrapped for deposit. Financial institutions and charities have the discretion to decide whether pennies must be rolled or not. Canadians should consult their financial institution or charity of choice to determine whether unrolled pennies will be accepted.

Elimination of the Canadian Penny  
Government of Canada - Frequently Asked Questions

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**HOW LONG WILL I HAVE TO TURN IN MY PENNIES?**

The penny will retain its value indefinitely. As such, there is no time limit for redeeming pennies.

**HOW WILL THE GOVERNMENT ENSURE THAT BUSINESSES ROUND FINAL TOTALS FAIRLY?**

The Government expects businesses will act in a fair and transparent manner.

Experience in other countries that have phased out low-denomination coins, such as Australia and New Zealand, has shown that fair rounding practices have been respected.

**WILL THE ROUNDING AFFECT THE GOODS AND SERVICES TAX/HARMONIZED SALES TAX (GST/HST) THAT I WILL HAVE TO PAY?**

No.

For any cash payment, only the final amount (or equivalently, the change owed) should be subject to rounding. Individual items, as well as any duties, fees or taxes, should be tabulated in their exact amount prior to rounding. This includes the GST/HST.

**MY QUESTION ISN'T ANSWERED HERE. WHO SHOULD I ASK?**

Phasing out the penny is part of Economic Action Plan 2012. For more information on this and other Economic Action Plan measures, call 1-800-O-Canada (1-800-622-6232); TTY: 1-800-926-9105.

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Source: Government of Canada's Website: <http://www.fin.gc.ca/1cent/faq1-eng.asp>

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# **NOTICE:**

## ***Elimination of the Penny***



The Government of Canada is phasing out the penny.

Effective February 4<sup>th</sup>, 2013 pennies will no longer be distributed to the public.

The City of Hamilton staff will be rounding change due on cash transactions when pennies are not available to make exact change.

Example:



Further information is available at the Government of Canada Department of Finance of Canada website at:

<http://www.budget.gc.ca/2012/themes/theme2-eng.html>