



Government
of Canada

Gouvernement
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ELIMINATING THE PENNY



ECONOMIC ACTION PLAN 2012

Canada

CANADA'S ECONOMIC
**ACTION
PLAN**





INTRODUCTION

- In [Economic Action Plan 2012](#), the Government announced it will eliminate the penny from Canada's coinage system.
- Over time, the penny's burden to the economy has grown relative to its value as a means of payment. It costs the Government 1.6 cents to produce each new penny. The estimated cost to the Government of supplying pennies to the economy is about \$11 million a year.
- Due to inflation, the penny's purchasing power has eroded over the years. Today it retains only about one-twentieth of its original purchasing power. Given its declining purchasing value, some Canadians consider the penny more of a nuisance than a useful coin.
- While the cent will remain Canada's smallest unit for pricing goods and services, the Royal Canadian Mint will no longer distribute pennies as of Fall 2012.
- The penny will retain its value indefinitely and can continue to be used in payments. However, as pennies are gradually withdrawn from circulation, price rounding on cash transactions will be required.
- In removing its lowest denomination coin, Canada will follow on the successful experiences of many other countries, including Australia, Norway, Switzerland and the United Kingdom.



Canadians can redeem pennies at their financial institutions. The Government encourages Canadians to consider donating them to charities.

Consumers can continue to use pennies indefinitely.



WHAT IT MEANS FOR CONSUMERS

- The Royal Canadian Mint will no longer distribute pennies as of Fall 2012.
- However, consumers can continue to use pennies for transactions indefinitely.
- When pennies are not available, cash transactions should be rounded to the nearest five-cent increment in a fair and transparent manner.
- Rounding on cash transactions should only be used on the final bill of sale after the calculation of GST/HST.
- Non-cash payments such as cheques, credit and debit cards will continue to be settled to the cent.
- Canadians can redeem their pennies at their financial institution. Financial institutions may require that pennies be properly rolled.
- Removal of one-cent coins in other countries, such as New Zealand and Australia, did not cause an increase in price inflation.

WHAT IT MEANS FOR BUSINESSES

- Businesses do not need to update cash registers for rounding, since prices and the final total payment will still be set at one-cent increments.
- GST/HST will be calculated on the pre-tax price, and not the rounded price. When customers do not have exact change, it is only the final total for cash payments that must be rounded.
- Electronic payments, such as credit and debit cards, will not be rounded and will still be paid to the nearest cent.
- Consumers can continue to use pennies for cash transactions indefinitely and businesses are encouraged to continue to accept the coin as a means of payment.
- Businesses are expected to round prices in a fair, consistent and transparent manner.
- Rounding guidelines will be adopted by all federal government entities for cash transactions with the Canadian public.
- Experience in other countries that have eliminated low denomination coins has shown that fair rounding practices have been respected.

For more information, visit: www.budget.gc.ca

ROUNDING

A rounding guideline that has been adopted in other countries, and that will be adopted by the federal government for cash transactions with the Canadian public, is:



The calculation of the Goods and Services Tax (GST) or Harmonized Sales Tax (HST) on purchases, whether for cash or non-cash transactions, will continue to be calculated to the penny and added to the price. It is only the total cash payment for the transaction that will be rounded.

Example of Rounding – Alberta



Coffee

\$1.80

\$0.09

GST (5%)

\$1.89

Final Total

Payment options:

**Cheque or
Credit Card/Debit Card**



No Rounding / No Change
Final Payment of **\$1.89**

Cash



Rounding up \$0.01
Final Payment of **\$1.90**

Example of Rounding – Ontario



Coffee	\$1.50
Sandwich	\$2.80
	<hr/>
	\$4.30
	\$0.56
	<hr/>
	\$4.86

Subtotal
HST (13%)

Final Total

Payment options:



Cheque or Credit Card/Debit Card



No Rounding / No Change
Final Payment of **\$4.86**

Cash



Rounding Down \$0.01
Final Payment of **\$4.85**

ECONOMIC ACTION PLAN 2012
JOBS, GROWTH AND LONG-TERM PROSPERITY



Find out what's in it for you

ActionPlan.gc.ca

1 800 0-Canada (1-800-622-6232)
1-800-926-9105 (TTY)



Ce document est également offert en français.

Budget measures are subject to parliamentary approval.