

## Eliminating the Penny

The Government of Canada has announced its intention to withdraw the Canadian penny from circulation due to its low purchasing power, 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 more generally. 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 However, as pennies are gradually withdrawn from circulation, price rounding on cash transactions will be required.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.



### What It Will Mean for Consumers

Canadians will be able to easily adapt to the elimination of the penny.

Pennies that are still in circulation or are held by Canadians will retain their value, and consumers can continue to use them indefinitely to make payments. Canadians can also redeem rolled pennies at their financial institutions. Canadians who have saved a substantial amount of pennies over the years can also consider donating these to charities.

The cent will remain the basic unit for all payments. Price rounding will only affect cash transactions (i.e., using coins and bank notes). Non-cash payments such as cheques, credit and debit cards will continue to be settled to the cent.

Price rounding will only be used for cash transactions after the calculation of the GST/HST. There should be no net gains or losses for either consumers or retailers. A 2005 Bank of Canada study<sup>2</sup> concluded that the inflationary effect of eliminating the penny would be small or non-existent.

### What It Will Mean for Businesses

As the penny will continue to remain the basic unit in the Canadian currency system, retailers and other businesses can continue to price goods and services in one-cent increments and there will be no need to reprogram cash registers.

When settling transactions in cash where pennies are not available, businesses are expected to round prices in a fair, consistent, and transparent manner.



### Example of Rounding – Ontario

	Coffee	\$1.50		
	Sandwich	\$2.80		
		<hr/>	\$4.30	
			\$0.56	
			<hr/>	<b>\$4.86</b>
			Subtotal	
			HST (13%)	
			<hr/>	
			<b>Final Total</b>	

**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**

The calculation of the GST or 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. If businesses round cash transactions to the nearest five-cent increment, any gains or losses relating to cash transactions (a maximum of two cents per transaction) will balance out over time

From Canada's Economic Action Plan, March 29, 2012