



Issue Date: <b>June 2007</b>	Revised Date: <b>August 15, 2019</b>	Responsible Agency: <b>Office of the Comptroller General</b>	Directive No: <b>803-4</b>
Chapter: <b>Control of Expenditures</b>			
Directive Title: <b>PAYMENT OF INTEREST</b>			

## 1. POLICY

Payment of interest by the Government may be allowed in particular circumstances. All interest payments must be properly recorded. Unnecessary interest payments on overdue payables should be avoided by an appropriate timing of payments.

## 2. DIRECTIVE

The Government shall pay interest only when legally required to do so by contractual agreement, legislation, judicial requirement, or with written approval from the Comptroller General or delegate.

This directive applies to all government departments and public agencies that make payments on behalf of the Government.

## 3. PROVISIONS

### 3.1. Payment of Interest

Unless stipulated otherwise in this directive, interest must not be paid on monies owing by the Government:

- a) where the Government holds money in the capacity of an agent or trustee;
- b) under a judgment without awarding interest;
- c) from one department to another department;
- d) to public agencies of the Government;
- e) on salaries, wages, employment benefits or expense reimbursements owed to employees of government departments or public agencies;
- f) on contract security deposits and holdbacks;

- g) where a valid agreement or an enactment specifically prohibits the payment of interest by the Government;
  - h) to any party that refuses to pay interest to the Government; or
  - i) if late payment results from improperly prepared or addressed invoices.
- 3.2. A government department or public agency may pay interest on final payments for completed construction contracts following satisfactory completion, providing contracts include a clause approved by the Department of Justice setting forth the terms and conditions under which interest will be paid.
- 3.3. Interest on overdue credit card balances may be paid. This interest will be paid in accordance with the interest rates stated in the signed agreement between the Government and the credit card provider.
- 3.4. Interest must be charged as expenditure against the budget appropriation of the responsible government department or public agency and identified with the applicable program.
- 3.5. Unless legally required to do so otherwise, interest on money owed by the Government must be calculated on a simple interest basis regardless of how long the payable has been outstanding.
- 3.6. In the absence of a pre-approved interest rate on an overdue payment, as stipulated in a contract, the interest is paid at the payment on due date (PODD) interest rate used by the Receiver General for Canada and quoted on the Government of Canada website. The interest rate shall be reviewed semi-annually on April 1 and October 1. The current interest rate is indicated in Appendix A to this directive.
- 3.7. Unnecessary interest payments on overdue accounts payable should be avoided by complying with Financial Administration Manual Directive 803-3 Account Verification – Timing of Payments.
- 3.8. Government departments and public agencies must record all interest payments and enter them in their electronic accounting system.
- 3.9. The Office of the Comptroller General shall be consulted for resolution of any issues that arise in determining whether interest must be paid.

### APPENDIX A

The interest rate to be paid on amounts payable by the Government is reviewed semi-annually on April 1 and October 1 of each year. The Comptroller General will periodically review the interest rates Appendix A.

<u>Effective date</u>	<u>Rate</u>
April 1, 2019	5.00%

#### Prior period rates:

The rates below are provided for calculation of interest for payables that have been outstanding from prior periods. The applicable interest rate should be used for calculation of interest for the period during which that interest rate was effective.

<b>Effective Date</b>	<b>PODD Rate</b>
October 1, 2018	4.75 %
April 1, 2018	4.50 %
October 1, 2017	4.21 %
April 1, 2017	3.75 %
October 1, 2016	3.75 %
April 1, 2016	3.75 %
October 1, 2015	3.75%
April 1, 2015	4.00%
October 1, 2014	4.25%
April 1, 2014	4.25%
October 1, 2013	4.25%
April 1, 2013	4.25%

Government of Canada website:

<http://www.tpsgc-pwgsc.gc.ca/recgen/txt/tipp-ppir-eng.html>