



Issue Date: <b>May 2008</b>	Effective Date: <b>May 20, 2008</b>	Responsible Agency: <b>Financial Operations, Department of Finance</b>	Directive No: <b>917</b>
Chapter: <b>Control of Revenues</b>			
Directive Title: <b>WRITE-OFF, FORGIVENESS AND REMISSION - GENERAL</b>			

## 1. POLICY

All write-offs of assets, debts or obligations must comply with S.24 of the *Financial Administration Act (FAA)*. Any forgiveness of debts or obligations must comply with S.25 of the *FAA*. The remission of any taxes or penalties must comply with S.26 of the *FAA*.

## 2. DEFINITIONS

### 2.1. Allowance for Doubtful Accounts

An allowance for doubtful accounts is an account established to offset expected bad debts. It is the best estimate of the amount of a debt, for which there is not reasonable assurance of collection considering all relevant factors. The allowance provides for a valuation of receivables at their net realizable value. It does not represent a write-off of the accounts receivable.

### 2.2. Debt

Debt is an obligation or liability to pay or render something to the Government. It represents amounts owing to the Government.

### 2.3. Forgiveness

An agreement by the Government to cancel all or part of a debt that is rightly due to the Government. Forgiveness cancels the debt and the Government's right to collect. It may be conditional or unconditional.

Forgiveness shall not apply to a debt resulting from a tax or penalty. For a tax or penalty, remission is required.

### 2.4. Penalty

A payment imposed or incurred for a violation of law or rule. i.e. penalty imposed for late or non payment of taxes.

**2.5. Remission**

Remission is waiving of the liability to pay or the refunding of a tax or penalty imposed or authorized to be imposed pursuant to an Act. Similar to forgiveness, a remission extinguishes the debt and the right to collect. It may be conditional or unconditional.

**2.6. Tax**

A tax, interest, fee, impost or toll payable under any enactment.

**2.7. Write-off**

A write-off of assets occurs when the asset can no longer provide any economic benefit to the Government. This may be because it has been damaged, lost, stolen, become obsolete or for some reason no longer has any economic value. The asset may or may not physically exist. Write-offs tend to be caused by involuntary acts and usually do not involve any judgment on the part of the public official.

A write off does not include the revaluation of financial assets, allowances for doubtful accounts or recording impairment in value of a tangible capital asset.

Unlike forgiveness or remission, a write-off of a receivable does not cancel the debt or the Government's right to collect.

**3. DIRECTIVE**

The 917 series of directives applies to all departments of the Government. Public Agencies listed in Schedule A, B or C of the *FAA* are governed by the appropriate sections under Part IX of the Act; or other enabling legislation.

**4. PROVISIONS**

4.1. Any change to an allowance for doubtful accounts must be allocated to an appropriation in the department that generated the receivable. The allocation of the change among departments must be determined on a basis that is fair and equitable.

4.2. A change to an allowance for doubtful accounts is not considered a write-off for the purpose of S. 24 of the *FAA*.

4.3. The reduction in the carrying value of a tangible capital asset to reflect the estimated future economic benefit of the asset is not considered a write-off and the 917 series of directives does not apply to these situations.



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- 4.4. Directive 917-2 - Forgiveness and Directive 917-3 - Remission do not apply to those student loans which are forgiven or remitted in accordance with the *Student Financial Assistance Act* and the Student Financial Assistance Regulations.
  
- 4.5. Directive 917-2 – Forgiveness does not apply to amounts owing under S.10 of the *Social Assistance Act* that are under \$500 and have been forgiven by the Minister responsible for administering the *Social Assistance Act*.