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TaxNewsFlash
CANADA

Deadlines, Deadlines — Year-End GST and QST Filings and Other Key Dates

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With the end of 2015 only weeks away, your business can take action now to manage upcoming GST/HST, QST and payroll deadlines and other compliance obligations. Businesses, including those in the financial services sector, can take proactive steps to identify the indirect tax deadlines that apply to their activities and to manage their tax compliance obligations, risks and unrecoverable tax costs. The GST/HST, QST and other indirect tax rules associated with some of these compliance obligations continue to get more complicated and tax authorities across Canada appear to be increasing their audit and enforcement activities.

Key deadlines at a glance — Checklist
Many of the following key deadlines and important dates apply for businesses with a December 31 year-end. Other deadlines can apply for other year-ends.

November 30, 2015

- ☐ Investment fund managers – File monthly QST form related to your TATE elections with investment plans

December 31, 2015

- ☐ Pension plans — Claim GST/HST and QST rebates
- ☐ Investment fund managers — Determine your new “blended rates”
- ☐ Distributed investment plans — Follow-up with unit holders for missing information
- ☐ All employers — Claim overpaid CPP contributions and EI premiums
- ☐ Corporations and partnerships — File closely related group election forms

January 1, 2016

- ☐ Businesses – Determine effect of new 15% HST rate in Newfoundland and Labrador

January 31, 2016

- ☐ Employers with pension plans — Calculate and remit GST/HST and QST on deemed supplies

February 29, 2016

- ☐ All employers — Calculate and remit GST/HST and QST related to taxable benefits

April 30, 2016

- ☐ Businesses — Determine whether you have to self-assess 10% on cross-border insurance premiums

June 30, 2016

- ☐ Selected listed financial institutions — File GST/HST and QST final returns
- ☐ Registered financial institutions – File GST/HST and QST annual information returns, if applicable
- ☐ Large businesses — Prepare your systems for next phase-out step of Ontario HST recaptured input tax credits

November 30, 2015

Investment fund managers – File monthly QST form related to your TATE election with investment plans

Many investment fund managers that are not registered for QST, are not selected listed financial institutions (SLFIs) and have investors in their funds located in Quebec have to start to remit QST monthly or quarterly (instead of annually) starting in November. Under new rules, managers that meet these conditions and that have tax adjustment transfer elections (TATE) with their investment plans have to file QST form VD-406.2 on the same basis as the managers' GST/HST reporting periods. Managers subject to these new rules that are monthly GST/HST filers must file QST form VD-406.2 for the October reporting period no later than November 30, 2015. Also, these managers were required to file these QST returns for the outstanding 2015 reporting periods of January to September by November 23, 2015. Revenue Quebec had verbally confirmed that the deadline had been extended to Monday, November 23, 2015 (from November 21, 2015) due to the deadline falling on a Saturday.

As a reminder, managers that qualify as SLFIs must remit any GST/HST and QST amounts to the CRA. If the managers are not SLFIs, the QST remittances will vary depending on whether the managers are QST registered. Where the managers are QST registered, any QST amounts transferred under a TATE must be included in their regular QST returns. Managers that are not QST registered are required to file QST form VD-406.2 to remit QST amounts transferred under a TATE based on the same reporting periods as their GST/HST reporting periods.

For more information, see *TaxNewsFlash-Canada* 2015-28 "Investment Fund Managers — Don't Miss New Deadline for Filing QST Returns by November 20".

December 31, 2015

Pension Plans — Claim GST/HST and QST rebates

Certain pension entities that have a December 31 year-end and are not registered for GST/HST and QST purposes have one last chance until December 31, 2015 to file GST/HST and QST pension entity rebate applications for the claim period of July 2013 to December 2013. Generally, these entities must not have claimed any GST/HST and QST pension entity rebate in an application for that claim period in the past.

Under the GST/HST pension plan rules, qualifying pension entities of registered pension plans may be eligible to claim a 33% rebate for the GST/HST they have paid to suppliers and for the GST/HST that they are deemed to have paid under those rules. A qualifying pension entity may file only one rebate application for any particular claim period.

If the pension entity is registered for GST/HST, the claim period of the entity is its normal GST/HST reporting period. The entity must claim its rebate for a particular period within two years of the day it must file its GST/HST return for the claim period.

If the pension entity is not registered for GST/HST, the entity's claim periods are the first six months of its fiscal year and the last six months. In this case, the entity must file its rebate application within two years of the last day of the claim period.

In general, depending on the pension entity's circumstances, the deadline to file these rebates could be either December 31, January 31 or June 30.

Similar pension plan rules apply for QST purposes. For more information, see *TaxNewsFlash-Canada* 2015-36, "Employers and Pension Plans — Prepare Now for GST/HST and QST December 31 Deadline".

Investment fund managers — Determine your new "blended rates"

Some investment fund managers must determine their new 2016 "blended rates" by January 1, 2016. Specifically, managers that have TATE elections with qualifying investment plans collect the GST/HST and the QST from their funds based on complicated calculations known in the industry as the "blended rates". The TATE election effectively helps investment plans to meet their compliance obligations as well as to manage cash flow related to the GST/HST and the QST. The blended rates take into consideration the GST/HST and the QST that apply on the managers' services based on the general place of supply rules as well as the tax adjustment amounts transferred from the investment funds to the managers throughout the year.

Investment fund managers must carefully calculate these blended rates to help limit errors that could result in assessments of uncollected tax and interest that may not be recoverable from their investment plan clients. While managers may use blended rates to collect the

correct amount of taxes from their investment plans, they must account and report these amounts of GST/HST and QST separately.

For more information, see *Canadian Tax Adviser* "Mutual and Segregated Fund Managers – Common GST/HST and QST Issues" and *TaxNewsFlash-Canada* 2015-28 "Investment Fund Managers — Don't Miss New Deadline for Filing QST Returns by November 20".

Distributed investment plans — Follow up with unit holders for missing information

Distributed investment plans must collect information from investors that hold their units to fulfill their GST/HST and QST compliance obligations by December 31, 2015. The annual requirement to provide this information to distributed investment plans is regulated by law and requires certain investors to provide the information after receiving a written request from the distributed investment plans or by November 15, 2015 even if they don't receive a request from the plans in certain circumstances.

Distributed investment plans should follow-up with unit holders to collect any missing data to ensure they have all the required information by December 31, 2015. Some calculations relating to distributed investment plans' GST/HST obligations are based in part on information collected from their investors as well as other details that they know as of December 31, 2015. Similar rules apply for QST purposes.

All employers — Claim overpaid CPP contributions and EI premiums

Employers that overpaid contributions of Canada Pension Plan (CPP) or of Employment Insurance (EI) may be eligible to apply for a refund by December 31, 2015 where the overpayment is in excess of the maximum amounts required other than within the current year. For CPP contributions, qualifying employers must file the refund application no later than four years from the end of the year in which it made the overpayments. For example, an employer has one last chance to file a refund application by December 31, 2015 for eligible overpaid CPP contributions in the year 2011. For EI premiums, the deadline is three years from the end of the year in which the overpayment occurred.

Corporations and partnerships — File closely related group election

Many qualifying corporations and partnerships that have closely related group elections have until December 31, 2015 to file the election form RC4616 with the CRA for elections that applied before January 1, 2015 that were still in place on that date. Entities that have not yet filed these forms since January 1, 2015, have until December 31, 2015 to do so based on a transitional rule.

Previously, corporations and partnerships did not have to file this election form with the tax authorities. Since these elections now have to be filed, the CRA may easily identify errors and raise potential audit issues if applicable.

All new closely related group elections must also be filed with the CRA, starting January 1, 2015. The deadline to file the forms for these new elections vary based on the reporting periods of the qualifying entities making the elections.

Similar new rules also apply for QST purposes. Revenue Quebec released the prescribed form FP4616 for these elections.

See *TaxNewsFlash-Canada* 2015-33, "Corporate Groups — File GST closely Related Elections by December 31".

January 1, 2016

Businesses — Determine the effect of new 15% HST rate in Newfoundland and Labrador

Newfoundland and Labrador is intending to increase the HST to 15% (from 13%) on January 1, 2016. On its website, the province provided general descriptions of transitional rules related to the tax increase, including rules for builders, tangible personal property, and services. Businesses must determine how the transitional rules apply to their transactions and what processes and systems must be adjusted to reflect the upcoming rate increase.

At the time of writing, it is not yet known whether the results of the upcoming provincial election on November 30, 2015 could affect the upcoming HST rate increase.

For more information, see *Canadian Tax Adviser* "Newfoundland and Labrador Releases Transitional rules for Upcoming HST Rate Increase".

January 31, 2016

Employers with pension plans — Calculate and remit GST/HST and QST on deemed supplies

Many employers with a December 31 year-end that offer pension plans to their employees are deemed to have made taxable supplies and must calculate and remit tax related to these supplies in their December 2015 GST/HST and QST returns, which are due no later than January 31, 2016 if they have monthly reporting periods. These employers are deemed to have made these taxable supplies to the pension entities of the registered pension plans on December 31, 2015.

Under the GST/HST and QST pension plan rules, qualifying employers with registered pension plans are deemed to make taxable supplies to the pension entities of their pension plans on the last day of their fiscal year and to have collected the GST/HST and QST, if applicable. The CRA's position is that there is an actual supply as well as a deemed supply from the employer to the pension entity if pension plan-related expenses are paid out of the pension entity. This position effectively creates double taxation. However, the pension plan

rules include complex calculations and potential elections to help reduce the liability resulting from both an actual supply and a deemed supply to the pension entity.

Some pension plan structures also include master trusts which may raise questions related to the GST/HST and QST pension plan rules. A careful review of the facts can help determine how the rules apply to all the entities in the pension plan structures and how to manage unrecoverable tax costs.

For more information, see *TaxNewsFlash-Canada* 2015-36, "Employers and Pension Plans — Prepare Now for GST/HST and QST December 31 Deadline".

February 29, 2016

All employers — Calculate and remit GST/HST and QST related to taxable benefits

Employers that provide taxable benefits to employees must calculate an amount of GST/HST on many of these benefits by February 29, 2016. These yearly tax calculations generally depend on the tax status of the benefit for GST/HST purposes (i.e., taxable or exempt) and the province in which the employee ordinarily reports for work.

Employers are required to include the GST/HST related to employees' taxable benefits in their GST/HST returns for the reporting period that include the last day of February. Similar rules apply for QST purposes.

Other rules apply to shareholders' taxable benefits.

April 30, 2016

Businesses — Determine whether you have to self-assess 10% tax on cross-border insurance premiums

Businesses that acquire insurance coverage for certain risks in Canada with an insurer that is not authorized under the Canadian law or provincial law to write insurance in Canada must self-assess and pay a 10% excise tax on taxable insurance premiums by April 30, 2015.

Many provincial tax systems also include a tax on insurance premiums. The taxes and rules, including deadlines and penalties for non-compliance, vary by provinces.

For more information, see *Canadian Tax Adviser* "Cross-Border Premium Tax - April 30 Deadline Looming".

June 30, 2016

Selected listed financial institutions — File GST/HST and QST final returns

Many financial institutions and some pension entities with a December 31 year-end must file a GST/HST (and QST) final return for selected listed financial institutions (SLFI) (forms

RC7294 or GST494) by June 30, 2016. SLFIs must file a RC7294 or GST494 return no later than six months after their year-end.

A SLFI is generally a listed financial institution that has a permanent establishment in an HST-participating province and one in another province for GST/HST purposes, and in Quebec and in another province for QST purposes. The meaning of "permanent establishment" varies by type of financial institution. SLFIs should carefully review the RC7294 (or GST494) return before filing with the tax authorities to help ensure that the returns take into account all the required information and adjustments.

For more information, see *Canadian Tax Adviser* "SLFI Final Returns Due June 30 - Last Chance for Missed ITCs and SAM Deductions".

Registered financial institutions – File GST/HST and QST annual information return, if applicable

Many financial institutions, including most SLFIs, must also file a GST/HST (and QST) annual information return for financial institutions (forms RC7291 or GST111) by June 30, 2016. In general, a financial institution, including an entity deemed to be a financial institution, that is registered for GST/HST purposes and has more than $1 million of annual income must file a GST111 or RC7291 annual information return no later than six months after its year-end. Similar rules apply for QST purposes.

The annual information return requires a significant amount of detailed information on different items, including sales, purchases and imports. Failing to file this return or misreporting amounts could lead to significant penalties. The information included on annual information returns should be linked to the information on the entity's GST/HST and QST returns, income tax returns and transfer pricing information, if applicable.

Note that eligible investment plans, including eligible pension entities, that qualify as SLFIs do not have to file a RC7291 or GST111 return. However, pension entities that are not SLFIs are not required to file a RC7294 or GST494 return but may still have to file a GST111 return.

Revenue Quebec also has a specific GST/HST and QST annual information return for financial institutions under its jurisdiction.

For more information, see *Canadian Tax Adviser* GST/HST and QST Annual Information Returns for FIs - Don't Miss June 30 Deadline.

Large businesses — Prepare your systems for next phase-out step of Ontario recaptured input tax credits

Large businesses should review and prepare their systems to help ensure they are ready for the upcoming second phase of the three year phase-out period of the recaptured input tax credits (ITCs) under the Ontario HST, which continues on July 1, 2016. The recaptured ITC rate is expected to drop to 50% (from 75%) as of July 1, 2016. The phase-out period started on July 1, 2015 when the Ontario HST recapture ITC rate dropped to 75% (from 100%).

Under the Ontario HST, large businesses must repay to the CRA the provincial component of the Ontario HST claimed as ITCs on four types of specified property and services: energy, telecommunications, meals and entertainment expenses and some motor vehicles. These recaptured ITCs were introduced with the Ontario HST on July 1, 2010.

For more information, see Canadian Tax Adviser "Have You Gotten Your Systems Ready for Phase-Out Starting July 1, 2015?".

We can help

Your KPMG adviser can help you manage the impact of these compliance obligations and other federal or provincial indirect tax deadlines and changes that may affect your business. We can assist you in meeting your GST/HST and QST compliance requirements, reducing related risks and costs as well as providing an opportunity for you and your team to work on more value-added business activities.

We can help you manage your indirect tax compliance obligations in all relevant jurisdictions and also help you ensure that you are not missing refund opportunities. For details, contact your KPMG adviser.