Details

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Employers - Remit GST/HST and QST on Employees' 2015 Taxable Benefits by March 31, 2016

Canadian Tax Adviser

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Many employers that offer taxable benefits to their employees will have to remit amounts of GST/HST and QST related to these benefits by March 31, 2016. These amounts, which are due each year, are an actual cost to employers since they are not collected from the employees. When determining the proper amounts to remit, employers should remember that some of their 2015 calculations may be different from last year calculations due to beginning of the phase-out period of the recaptured input tax credits (RITC) under Ontario's HST.

Different rules apply for shareholders' taxable benefits. In general, the amounts of GST/HST and QST owing on shareholders' taxable benefits are deemed to be collected on the last day of the corporation's taxable year in which the benefit was provided to the shareholders. For example, if the corporation has monthly GST/HST filing period and a December 31 year-end, the corporation must include the GST/HST owing on shareholders' taxable benefits in its December GST/HST return that is due by January 31.

Background

Employers have various tax responsibilities related to the taxable benefits provided to their employees. For example, employers are required to identify all "taxable benefits" they provide to their employees, determine the appropriate value (which may include GST/HST, QST and PST), calculate and remit the required payroll deductions, and report these benefits on employees' T4 slips (or T4A slip). Employers must annually calculate and remit GST/HST and QST if applicable on some of these taxable benefits, and are actually deemed to have collected these amounts of taxes. Taxable benefits take many shapes and forms which can complicate some of the reporting requirements.

Remitting the correct amount of GST/HST and QST

While salaries, wages, and other cash remuneration are not subject to GST/HST, many employers provide taxable benefits which are subject to GST/HST and for which they have to remit GST/HST based on the value of the benefit and certain reimbursements. Employers may wish to review the following questions to help determine the amounts of GST/HST that they are deemed to have collected:

- Is the value of the benefit included in the employee's income for income tax purposes?
- Did the employee reimburse all or part of the benefit?
- What is the nature of the benefit and is the benefit a taxable good or service for GST/HST purposes?
- Which tax rate or tax percentage must be used to calculate the appropriate GST/HST amount?

The percentages that employers must use to calculate the amounts of GST, HST and QST is generally determined based on the last establishment where the particular employee ordinarily worked or to which the employee ordinarily reported in the year. The percentages can vary due to the various tax applicable across Canada as well as the types of benefits, the RITC rules and other restrictions.

As a reminder, similar rules apply for QST purposes.

Upcoming deadlines

Generally, the GST/HST and QST owing on employees' taxable benefits are deemed to have been collected at the end of February of the year after the year the benefits were provided. Employers must include these amounts of taxes in their reporting period that include the last day of February. As such, an employer with a monthly GST/HST reporting period that provided taxable benefits to its employees in 2015 must include GST/HST owing on those benefits in its February GST/HST return, which is due by March 31, 2016.

In addition, a corporation with a monthly GST/HST filing period and a December 31 year-end must include the GST/HST owing on shareholders' taxable benefits in its December GST/HST return that is due by January 31.

Upcoming change for 2016 employees' taxable benefits

Publications

Canadian companies may be interested in these recent publications:

- TaxNewsFlash
- Global Tax Adviser
- Canadian Tax Adviser
- Transfer Pricing Highlights
- Trade Matters
- These publications, among many others, are available at www.kpmg.ca.

FEEDBACK

Employers that are subject to the recaptured ITC rules should keep in mind that the amounts of Ontario HST owing on taxable benefits for the year 2016 may be affected by the gradual elimination of those rules. The next phase-out period is due to take effect on July 1, 2016.

We can help

KPMG's indirect tax professionals can help employers meet their upcoming GST/HST and QST deadlines and other obligations related to employee taxable benefits, including the proper identification and calculation of taxable benefits to help ensure they have not underpaid or overpaid CPP contributions, EI premiums or other payroll taxes on those benefits.

For more information, contact your KPMG adviser.

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