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TaxNewsFlash Canada

Pension Plans — GST/HST Filing Deadlines Fast Approaching

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Many pension entities of registered pension plans must soon file their GST/HST and QST annual final returns and their annual information returns and rebate applications. For a pension entity with a December 31 fiscal year-end, the deadline to file these returns is June 30, 2016.

A pension entity's GST/HST selected listed financial institution (SLFI) and/or QST SLFI status determines its reporting requirements. For some entities, this status could change from year to year. Pension entities that are SLFIs must file a GST/HST and/or QST annual final return. The 2015 annual final return is the last chance for SLFIs to claim certain missed ITCs from prior periods (e.g., GST paid on costs related to zero-rated activities). Also, pension entities that qualify as a "reporting institution" must file a GST/HST and/or QST annual information return.

Eligible pension entities should also ensure that they have properly claimed their pension entity rebates. Pension entities have until June 30, 2016 to file missed rebate applications for past claim periods or make changes to some previously filed pension entity rebate applications, since may be their last opportunity to do so.

Before you start, check for changes

Certain changes during the year may affect a pension entity's GST/HST and QST indirect tax returns and the pension entity rebate calculations. These changes may include situations where:

- New plan members and employers have joined the registered pension plans
- Plan members have left the registered pension plans
- Plan members have moved to another province or to another country
- Registered pension plans have been altered
- Master trust agreements have been amended
- There are new expenses related to the pension entities incurred by the employers, the pension entities or the master trusts
- The employer has filed during the year elections related to employer' taxable supplies with the CRA.

Many corporations' tax directors and pension plan administrators help pension entities of their registered pension plans (pension plans) meet all their tax obligations. In order to do so, they must first determine whether the pension entity of a pension plan meets certain definitions, including the SLFI definitions, and which GST/HST and QST rules may apply.

Different rules and calculations for different types of pension entities

Pension entities that qualify as SLFIs are generally pension entities with members that reside in an HST province and in another province for GST/HST purposes, or resident in Quebec and in another province for QST purposes. Some exceptions may apply for small pension entities. This determination must be made every year for each pension entity.

File your duly completed GST/HST and QST returns on time

SLFIs — GST/HST and QST annual final return

Pension entities across Canada that qualify as SLFIs must file the annual GST/HST and/or QST final return for SLFIs within six months of their fiscal year-end, regardless of whether they are registered for GST/HST and QST purposes. As such, SLFIs with a December 31 year-end must file an annual final return by June 30, 2016.

In order to complete the final return, SLFI pension entities must use a complicated formula known as the special attribution method (SAM). The SAM formula essentially calculates tax adjustments (credits and/or liabilities) related to the provincial component of the HST in each HST province or related to the QST in Quebec, even where the entity does not have a physical presence in the province.

KPMG observations

Because many errors can arise when making these calculations, SLFIs should ensure that they review their SAM calculations, as well as their ITC allocation methods, before their filing deadlines. Many GST/HST and QST provisions can also affect the SAM calculations.

SLFI pension entities should also carefully determine whether they are required to use form GST494 "Goods and Services Tax/Harmonized Sales Tax (GST/HST) Final Return for Selected Listed Financial Institutions" or form RC7294 "Goods and Services Tax/Harmonized Sales Tax (GST/HST) and Quebec Sales Tax (QST) Final Return for Selected Listed Financial Institutions".

For details, see Canadian Tax Adviser "SLFI Final Returns Due June 30 - Last Chance for Missed ITCs and SAM Deductions" (March 8, 2016).

Reporting institutions — GST/HST and QST annual information return

In general, a pension entity that qualifies as a "reporting institution" must file a GST/HST annual information return no later than six months after its year-end. For a reporting institution with a December 31 year-end, the deadline to file the annual information return for the 2015 fiscal year is June 30, 2016.

Whether a pension entity is considered a reporting institution for GST/HST purpose depends mainly on three factors:

- Type of entity — The pension entity is not a SLFI for GST/HST purpose
- Registration status — The pension entity is a registrant for GST/HST purposes
- Total income — The pension entity's annual income exceeds $1 million.

Similar rules apply for QST purposes, and an exemption for QST SLFI pension entities is expected. However, some pension entities qualify as a SLFI only for HST or for QST purposes. As such, some of these pension entities may still be required to file an annual information return for GST/HST or QST.

Pension entities that are required to file annual information returns must determine whether to use form GST111, "Financial Institution GST/HST Annual Information Return" or the combined form RC7291 "GST/HST and QST Annual Information Return for Selected Listed Financial Institutions". Similar rules apply for QST purposes. If the entity is required to file the return with Revenue Quebec, it must file form FP-2111 "Financial Institution GST/HST and QST Annual Information Return".

For details, see Canadian Tax Adviser "GST/HST and QST Annual Information Returns - Do You Have to File by June 30 Deadline?" (March 8, 2016).

Don't miss out on your pension entity rebates

Under the GST/HST and QST pension plan rules, many pension entities are eligible to claim a rebate of 33% of the GST/HST and QST paid on goods and services purchased or acquired from employers and third party suppliers as well as on the tax they are deemed to have paid under the GST/HST and QST pension plan rules. The upcoming June 30, 2016 deadline is the last chance for some entities to file rebate applications for certain past claim periods or make changes to previously filed rebate applications. A qualifying pension entity may file only one rebate application for any particular claim period.

File rebate applications by deadline

The rebate calculations differ for SLFI and non-SLFI pension entities. In general, the timing of the two-year deadline to claim the rebate is determined by an entity's GST/HST registration status and, if registered, by its reporting periods. Where pension entities are not registered for GST/HST purposes, June 30, 2016 is the last chance to file or amend rebate applications for the claim period January 1, 2014 to June 30, 2014. For GST/HST registered pension entities with an annual reporting period, this deadline applies for rebates for the claim period January 1, 2013 to December 31, 2013. The QST pension plan rules have a similar two-year limitation to claim QST pension entity rebates.

Make sure rebate calculations are correct

In general, calculating the pension entity rebate considers the tax paid on actual supplies and the tax deemed paid by the entity on deemed supplies. The CRA's administrative position is that expenses incurred by an employer that are paid out of the plan trust assets are considered actual supplies that the employer makes to the pension entity. However, if the employer and pension entity have made the appropriate election before the beginning of the year, the rebate calculations generally only include tax paid to third-party suppliers and tax deemed paid by the pension entity.

In general, when making these rebate calculations, SLFI pension entities should only include the GST and the federal component of the HST paid or deemed paid. Eligible SLFI pension entities may generally include tax adjustments related to the QST paid and the provincial component of the HST paid or deemed paid in their SAM calculations in the subsequent year, or may elect to transfer the related rebate to a qualifying employer. Also, SLFI pension entities that have not made the election related to the actual supplies with the employers may be required to make additional tax adjustments and payments to the government.

KPMG observations

Pension entities are required to obtain the proper documentation from employers to help substantiate their GST/HST and QST pension entity rebate related to the tax pension entities are deemed to have paid on the employers' deemed taxable supplies. The CRA's administrative policy on expenses paid out of master trusts (as opposed to plan trust assets) can create additional tax calculations and possible additional unrecoverable tax costs.

For more information on pension entity rebates and employers' obligations, including actual supplies, deemed supplies and related elections, see *TaxNewsFlash-Canada* 2015-36 "Employers and Pension Plans — Prepare Now for GST/HST and QST December 31 Deadline".

We can help

Your KPMG adviser can help pension entities fulfill their indirect tax obligations and file their pension entity rebates. We can help pension entities determine their GST/HST and QST SLFI status, file their indirect tax returns, and also help them ensure that they are not missing refund opportunities. For details, contact your KPMG adviser.