



TaxNewsFlash

Canada

GST and Other Indirect Taxes — Overview of 2023 Changes

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Canadian and non-resident businesses should determine whether they are meeting all of their indirect tax obligations as the end of the year approaches. Many businesses, including certain platform operators and builders of qualifying new rental buildings, faced tax changes in 2023 as a result of developments related to GST/HST, QST, provincial sales tax (PST) and other indirect taxes. To help you consider these changes, as well as certain upcoming deadlines, we have summarized some of the significant developments and rules. In light of these measures, businesses should take proactive steps to manage their indirect tax compliance obligations, risks and unrecoverable tax costs.

In addition to these developments, businesses should be aware that they may face increased audit activities as the tax authorities clear previous backlogs that resulted from the pandemic. As a result, businesses should ensure they meet all their audit timelines and respond promptly to audit queries to help limit issues in reassessments.

Developments in 2023 — Overview

This *TaxNewsFlash-Canada* provides a quick overview of the following significant indirect tax rules and developments, among others:

Builders

- Review enhanced GST rental rebate and related provincial measures
- Get ready for proposed new GST/HST joint venture rules

Owners of residential property

- Review proposed changes to the Underused Housing Tax (UHT) rules

Digital platform operators

- Get ready for new reporting rules for certain platform operators effective January 1, 2024
- Review filing obligations for GST/HST and QST annual information returns
- Review changes to B.C. PST rules for online marketplace facilitators effective July 1, 2023

Digital businesses and other large businesses

- Prepare for the proposed Digital Services Tax

Vendors of vehicles, boats and aircraft

- Meet your Luxury Tax obligations

Employers

- Meet December 31 GST/HST and QST obligations related to your pension plans
- Check for CPP and EI overpayments

Financial institutions

- Review GST/HST treatment of payment card clearing services
- Review recent GST/HST draft legislation
- Use the updated GST/HST and QST annual information returns
- Get details from investors by December 31 — For certain investment plans
- Review systems related to new permanent relief of 15% RST on home insurance contracts in Newfoundland and Labrador

Importers and other trade chain partners

- Prepare for final phase of CARM coming May 2024
- Consider supply chain labour risks in light of Canada's new supply chain reporting legislation

Builders

Review enhanced GST rental rebate and related provincial measures

Builders may be eligible to claim the enhanced GST rebate on qualifying new rental apartment buildings for which construction started after September 13, 2023. More details about this rebate, which was recently enacted, is expected to be released in upcoming regulations. These builders should also consider whether they will be eligible for the proposed relief measures announced by certain provinces that may help alleviate the provincial tax costs on the construction of qualifying buildings.

See *TaxNewsFlash-Canada* 2023-38, "[Finance to Enhance GST Rebate for New Rental Apartments](#)".

Get ready for proposed new GST/HST joint venture rules

Builders should determine how they may be affected by Finance's proposed changes to the GST/HST joint venture rules. Among other changes, the proposals introduce an "all or substantially all commercial activities" condition. The proposals are expected to come into force on the day the Act enacting the new rules receives royal assent. Finance is currently holding a public consultation on the proposals and will accept comments until March 15, 2024.

See *TaxNewsFlash-Canada* 2023-47, "[Highlights of the 2023 Federal Fall Economic Update](#)".

Owners of residential property

Review proposed changes to the UHT rules

Certain residential property owners are required to file an Underused Housing Tax (UHT) annual return for each reportable residential property they own as of December 31, and may also have to pay the 1% UHT unless they qualify for certain ownership exemptions, by April 30 of the following year. These rules, which first applied for the 2022 calendar year, apply to Canadian citizens and permanent residents who own certain residential property in their capacity as a trustee of a trust or a partner of a partnership, as well as to non-residents and private Canadian corporations (including bare trustee corporations), among others. For affected owners who have not yet filed their UHT returns for the 2022 calendar year, or paid the related 1% UHT, where applicable, the CRA announced that it will waive penalties and interest for any late-filed 2022 UHT returns and related late-paid UHT, provided the affected owner files any required returns and pays any related UHT by April 30, 2024.

Residential property owners should also be aware of significant changes to the UHT proposed in the 2023 Fall Economic Update that may affect their UHT filing obligations for the 2023 and subsequent calendar years. Under these proposed measures, certain

additional property owners may qualify as “excluded owners”, and as such, may not have to file UHT returns starting from the 2023 calendar year.

Note that Quebec recently enacted rules that provide the framework for municipalities to enact their own local UHTs.

See *TaxNewsFlash-Canada* 2023-47, “[Highlights of the 2023 Federal Fall Economic Update](#)”. and *TaxNewsFlash-Canada* 2023-39, “[UHT — CRA Extends Penalty & Interest Relief to 2024](#)”.

Digital platform operators

Get ready for new reporting rules for certain platform operators effective January 1, 2024

Platform operators must collect all the required data to meet new annual reporting obligations under measures in the Income Tax Act which apply starting January 1, 2024. Under these rules, qualifying platform operators must provide certain details to both the CRA as well as their online sellers.

Review filing obligations for GST/HST and QST annual information returns

Operators of electronic platforms that are required to collect and remit GST/HST on certain taxable sales do not have to file a GST/HST annual information return until further notice, according to a CRA announcement. However, these operators may still be required to file the QST annual information return no later than six months after the end of the particular calendar year, under similar QST rules. Operators should continue to monitor any potential changes to these filing requirements.

Review changes to B.C. PST rules for online marketplace facilitators effective July 1, 2023

Online marketplace facilitators must apply certain PST changes related to the collection obligation of online marketplace facilitators and the taxation of certain online marketplace services, effective July 1, 2023.

See *TaxNewsFlash-Canada* 2022-45, “[Online Marketplaces — New B.C. PST Reporting and Collection](#)” and *TaxNewsNow*, “[Online Marketplaces — New B.C. PST Annual Information Return Due August 31, 2023](#)”.

Digital businesses and other large businesses

Prepare for the proposed Digital Services Tax (DST)

Online marketplaces and other types of large businesses that meet certain revenue thresholds may be subject to a proposed 3% digital services tax (DST) on certain qualifying revenues. Finance has confirmed that Canada intends to proceed with the new DST if Pillar One of the OECD/G20’s two-pillar plan related to tax reform is not in place. At this

time, although Finance has not confirmed the coming into force date, the new DST is currently set to apply to certain revenues earned since January 1, 2022 from online marketplaces, social media, online advertising and user data.

Businesses affected by the new DST should update their systems to capture the qualifying revenues that may be subject to the DST.

For details, see *TaxNewsFlash-Canada* 2023-47, “[Highlights of the 2023 Federal Fall Economic Update](#)” and *TaxNewsNow*, “[2023 federal budget bill #2 receives first reading](#)”.

Vendors of vehicles, boats and aircraft

Meet your Luxury Tax obligations

Many businesses that sell subject vehicles, boats and aircraft must remit federal Luxury Tax on qualifying “subject items” that meet certain price thresholds. Businesses affected by the new tax, including manufacturers, wholesalers, retailers and importers, should review measures announced in 2023 that clarify some of the rules related to certain agreements entered into before 2022, among other measures.

As a reminder, other types of businesses could also have obligations under the new Luxury Tax, such as where they import subject items or change the use of subject items that were originally non-taxable under the Luxury Tax.

Employers

Meet December 31 GST/HST and QST obligations related to your pension plans

Many employers that offer registered pension plans to their employees must meet extensive GST/HST and QST compliance obligations by December 31, 2023. Affected employers that have monthly GST/HST and QST reporting periods with a December 31 year-end, are required to remit amounts of GST/HST (and, if applicable, QST) related to pension plan rules by January 31, 2024. Employers should carefully review how the complex GST/HST and QST pension plan rules apply to their specific circumstances, which also extend to master trusts in pension plan structures, to avoid costly tax errors. Additionally, certain employers and master trusts must also determine if they may be affected by recent draft legislation that may change certain tax calculations and filing obligations.

For details, see *TaxNewsFlash-Canada* 2023-49, “[Employers and Pension Plans — Meet Dec. 31 GST Obligations](#)”.

Check for CPP and EI overpayments

Eligible employers that have overpaid contributions of Canada Pension Plan (CPP) in 2019 or Employer Insurance (EI) premiums in 2020 must file a refund application by December

31, 2023. For example, an employer may have overpaid contributions and premiums on amounts that were not subject to CPP or EI.

Businesses that have made such remittances, or have made payments on amounts that exceed the maximum insurable earnings or pensionable earnings, may be eligible to claim a refund if they file refund applications within specific time limits (i.e., no later than four years from the end of the year in which the CPP overpayment was made, and no later than three years from the end of the year in which the EI overpayment was made).

Financial Institutions

Review GST/HST treatment of payment card clearing services

Financial institutions should be aware that payment card clearing services provided by a payment card network operator are generally subject to the GST/HST. Finance released related draft regulations in August 2023 that clarify the treatment of these services. In general, these changes apply retroactively, subject to certain conditions.

See *TaxNewsFlash-Canada* 2023-18, "[2023 Federal Budget – Spotlight on Financial Services](#)".

Review recent GST/HST draft legislation

Financial institutions should determine whether their 2023 filing obligations and their selected listed financial institutions (SLFIs) status will be affected by recent draft legislation released on August 4, 2023 and August 9, 2022. The proposals include various changes to specific SLFI rules, including new rules to determine the SLFI status of certain entities and the calculations of certain adjustments.

Use the updated GST/HST and QST annual information returns

Financial institutions, and businesses deemed to be financial institutions, required to file GST/HST annual information returns must file simplified returns for fiscal years ending after December 31, 2021. As a reminder, affected financial institutions and businesses must use the simplified returns RC7291 "GST/HST and QST Annual Information Return for Selected Listed Financial Institutions" and GST111 "Financial Institution GST/HST Annual Information Return" for fiscal years that end after 2021.

Note that Finance has proposed to increase the annual income threshold required to file this annual information return to \$2 million (from \$1 million), but this measure is not yet enacted.

Get details from investors by December 31 — For certain investment plans

Distributed investment plans must collect specific details from many investors each year to update their systems and file their GST/HST and QST returns. In general, the affected plans must request these details by October 15 every year. However, these plans may need to follow up with investors who have not yet provided the requested data before the

end of the year. Plans that do not have the required information by December 31 may have to allocate some of their investors' data to the highest rate HST-participating provinces, which may translate to higher indirect tax costs.

For details, see *TaxNewsNow*, "[Investment Plans — Collect Details from Investors by October 15](#)".

Review systems related to new permanent relief of 15% RST on home insurance contracts in Newfoundland and Labrador

Insurers should ensure their systems reflect Newfoundland and Labrador's permanent elimination of the provincial 15% RST on home insurance. Previously, this temporary relief measure only applied to qualifying home insurance contracts entered into from April 7, 2022 to April 6, 2023.

For details, see *TaxNewsFlash-Canada* 2023-15, "[Highlights of the 2023 Newfoundland and Labrador Budget](#)".

Importers and other trade chain partners

Prepare for final phase of CARM coming May 2024

Importers, brokers and other trade chain partners should determine how their operations related to importing goods into Canada may be affected by the final phase of the CARM project, which is proposed to come into force in May 2024. The CARM project is intended to transform the collection of duties and taxes for goods imported into Canada, and will affect how importers interact with the Canada Border Services Agency (CBSA).

For details, see *TaxNewsFlash-Canada* 2023-36, "[Importers — Final CARM Release Delayed to May 2024](#)".

Consider supply chain labour risks in light of Canada's new supply chain reporting legislation

Canadian and foreign businesses that import goods into Canada and that meet certain asset or revenue thresholds will have to report specific details and steps they have taken to help prevent and reduce the risk of forced labour through their supply chain starting May 31, 2024.

For details, see "[Canada's new forced labour reporting Act, Canada's new Act against forced and child labour](#)".

We can help

Your KPMG adviser can help you manage the impact of these and other recent indirect tax changes that may affect your business. We can also help you determine how indirect tax rules in other jurisdictions apply to your business, and assist you in managing your related

compliance obligations and in ensuring that you are not missing refund opportunities. For details, contact your KPMG adviser.

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