TaxNewsFlash

Canada

Don’t Miss Upcoming Indirect Tax Deadlines

June 19, 2024
No. 2024-26

Businesses should ensure that they are properly tracking and meeting all of their tax filing deadlines under Canada’s indirect tax rules. In addition to filing their regular GST/HST and provincial sales tax (PST) returns, many businesses are also required to meet other compliance obligations throughout the year. Canada’s tax authorities have introduced many required registrations, tax changes, and additional tax filings in recent years as the tax rules continue to evolve. That’s why it is important for all affected businesses to understand and comply with their indirect tax filing requirements and compliance obligations to help minimize any penalties or interest.

Taxpayers that may have additional indirect tax requirements include:

- Financial institutions and other businesses deemed to be financial institutions
- Digital businesses and other businesses that participate in the digital economy
- Businesses that sell or import vaping products
- Importers
- Businesses that own real estate.

This TaxNewsFlash provides an overview of selected upcoming deadlines for Indirect Tax filings and compliance obligations, other than the regular GST/HST and provincial sales tax (PST) returns, as well as certain upcoming tax changes.

Financial institutions and other businesses deemed to be financial institutions

File annual GST/HST and QST returns by June 30, 2024

Many financial institutions, and other businesses deemed to be financial institutions, must file one or two annual GST/HST and QST returns by June 30, 2024.

Under these rules, an affected financial institution, or a business that is deemed to be a financial institution, must file the annual GST/HST information return no later than six months after their year-end. Businesses with more than $1 million of income from financial types of services, like interest, fees or other charge generated from lending money, money advances, granting credit or credit card operations, should determine if they may be deemed financial institutions under the GST/HST and subject to the annual GST/HST information return. The Department of Finance Canada proposes to increase the annual income threshold required to file this annual information return to $2 million (from $1 million), a measure that will apply retroactively to fiscal years ending after August 9, 2022. The annual information return is due no later than six months after the entity's fiscal year. For example, an affected financial institution with a December 31 year-end must file the GST111, "Financial Institution GST/HST Annual Information Return", or the combined RC7291, "GST/HST and QST Annual Information Return for Selected Listed Financial Institutions" by June 30, 2024 for its 2023 fiscal year. Some exceptions may apply.

Additionally, financial institutions that qualify as selected listed financial institutions (SLFIs) must file the annual GST/HST and QST final return for SLFIs no later than six months after their year-end. SLFIs that have a December 31 year-end must file the annual GST/HST and QST final return by June 30, 2024 for their 2023 fiscal year. In general, a financial institution qualifies as a SLFI if it has a permanent establishment in an HST province and in another province for GST/HST purposes, or in Quebec and in another province for QST purposes.

File ITC election by July 5, 2024

Financial institutions with a December 31 year-end that qualify as "qualifying financial institutions" (QFIs) under the GST/HST rules have until July 5, 2024, to elect to renew or change their input tax credit (ITC) allocation methods for 2025, which may help reduce unrecoverable GST/HST and QST costs.

Request details from investors by October 15, 2024

Distributed investment plans (DIPs), such as mutual fund trusts, investment corporations and other distributed investment plans, must request specific data in writing from many of their investors by October 15, 2024 to help limit their indirect tax costs. Under the GST/HST and QST information sharing rules, investors and security dealers are required to provide to the DIPs the requested data which will be used by the DIPs to calculate their own tax cost and tax adjustments in their GST/HST and QST returns.

Digital businesses and other businesses in the digital economy

File annual information return for QST by June 30, 2024

Many distribution platform operators must file the annual QST form "Information Return for Distribution Platform Operators" for the 2023 calendar year no later than June 30, 2024.

File annual information return for B.C. PST by August 31, 2024

Many online marketplace facilitators must file an annual information report for British Columbia's provincial sales tax (PST) for the period from July 1, 2023 to June 30, 2024 no later than August 31, 2024.

File new annual information reports for platform operators by January 31, 2025

Many platform operators must file new federal annual information reports to the CRA to share data related to sellers that use their platforms, including tax identification numbers and sales amounts, starting for the 2024 calendar year. Affected operators are also required to file specific individual reports to some of their sellers. Under these new compliance rules, these operators must collect data from their sellers, confirm the reliability of the data and file new reports. The reports for the 2024 calendar year are due January 31, 2025. These new compliance rules are found in the Income Tax Act. The CRA has previously indicated that because of these new income tax rules, and until further notice, platform operators do not have to file the GST/HST annual information returns for platform operators that were originally announced in 2021.

Register for the proposed DST by January 31, 2025

Digital businesses may have to register with the CRA no later than January 31, 2025 if the proposed Digital Services Tax (DST) rules come into effect in 2024. The coming into force date would be determined by an order of the Governor in Council (but not earlier than January 1, 2024). The government announced in its 2024 budget that it intends to move forward with the DST in light of the continued discussions to implement an international multilateral treaty (i.e., Pillar One of the OECD's two-pillar approach to tax reform).

Make first filing and payment under the proposed DST rules by June 30, 2025

Digital businesses may have to file their first DST return by June 30, 2025 if the proposed DST rules come into effect in 2024. The 3% DST is proposed to apply to specific digital revenues earned from January 1, 2022 to December 31, 2024.

Businesses that sell or import vaping products

Adjust systems for vaping tax increase on July 1, 2024

The vaping product excise duty rates are scheduled to increase effective July 1, 2024, as follows:

- *Non-participating jurisdictions* — $1.12 (increased from $1.00) per 2 ml or fraction thereof for the first 10 ml of vaping substance in the vaping device or immediate container, and $1.12 (increased from $1.00) per 10 ml or fraction thereof for amounts over the first 10 ml.

- *Participating jurisdictions under the federal coordinated vaping duty system* — $2.24 per 2 ml or fraction thereof for the first 10 ml of vaping substance in the vaping device or immediate container, and $2.24 per 10 ml or fraction thereof for amounts over the first 10 ml.

Prepare systems for four participating jurisdictions to join the federal coordinated vaping duty system on July 1, 2024

Four participating jurisdictions (i.e., Ontario, Quebec, the Northwest Territories and Nunavut) have agreed to join the federal coordinated vaping product taxation regime starting July 1, 2024. To prepare, manufacturers, importers and retailers of vaping products should review and apply the related rules, including the new stamps and transitional rules.

Prepare systems for more participating jurisdictions to join the federal coordinated vaping duty system on January 1, 2025

Manitoba, New Brunswick, Alberta, Yukon, and Prince Edward Island are expected to join the federal coordinated vaping product taxation regime on January 1, 2025.

Importers

Prepare for launch of CARM Release 2 on October 21, 2024

Importers, brokers and other trade chain partners have until October 2024 to prepare for substantial changes to import processes, rules and obligations. The Canada Border Services Agency (CBSA) recently announced that the CBSA Assessment and Revenue Management (CARM) Release 2 system will come into force for trade chain partners on October 21, 2024 (extended from May 13, 2024). As of that date, CARM will be the official system for the collection of duties and taxes for goods imported into Canada.

Gather data now to file reports under law against forced labour by May 31, 2025

Many businesses must report specific information by May 31, 2025 related to their efforts in their latest financial year to mitigate and prevent the risk of child labour and forced labour in their businesses’ activities and in their supply chains. Affected businesses subject to these reporting rules must take steps early to carefully review their supply chains to help ensure that their reports and related questionnaires are duly completed and filed on time, among other considerations. These businesses recently had to file their first reports and questionnaires by May 31, 2024 for the latest financial year ending before that date.

Businesses that own real estate

File UHT return and remit payment for 2024 calendar year by April 30, 2025

Non-resident and certain Canadian owners of reportable residential property in Canada must file an annual Underused Housing Tax (UHT) return by April 30 for each reportable property owned as of December 31. Under these rules, which first applied for the 2022 calendar year, affected owners are also liable for the 1% Underused Housing Tax (UHT), unless they qualify for certain exemptions. The returns for the 2024 calendar year, and UHT (if applicable), are due by April 30, 2025.

Businesses with cross-border insurance coverage

Remit 10% federal tax on cross-border insurance premiums by April 30, 2025

Businesses may be required to self-assess and remit a 10% federal tax by April 30, 2025 where they purchased insurance coverage from insurers outside Canada in 2024, or had insurance coverage from a global insurance policy that was acquired by an affiliated company in 2024 from insurers outside Canada. Businesses may also have to remit PST and insurance premium taxes throughout the year if they have insurance coverage purchased from insurers that are not registered or licensed in certain provinces where they operate. As a reminder, insurance purchased from insurers over electronic distribution platforms may be subject to these taxes.

Manufacturers and retailers

Collect GST/HST and QST on masks and face shields

Manufacturers and retailers must collect the GST/HST and QST on supplies of qualifying masks and face shields starting May 1, 2024 now that the temporary GST/HST and QST zero-rating measures that applied to qualifying masks and face shields has ended, effective after April 2024. As a result of the tax measure, many health care practitioners may see their related costs increase as they cannot generally recover the GST/HST and QST paid on their supplies.

Other upcoming tax changes
In addition to making any required tax filings, businesses that have indirect tax obligations should also stay abreast of other important upcoming changes to federal and provincial indirect tax regimes to determine how they may be affected.

Businesses should be aware that British Columbia and Saskatchewan recently announced upcoming changes to their penalty regimes under the PST rules. British Columbia has announced it is expanding the application of the current 25% penalty under the PST rules, and introducing certain new penalties effective July 1, 2024. In particular, British Columbia is introducing a new penalty for not filing a return or providing required information, as well as a penalty for misrepresentation by a third party.

In addition, Saskatchewan's PST penalties are also set to change on October 1, 2024. Specifically, Saskatchewan will introduce new penalties for failing to produce books and records, or for failing to complete details on any return. Saskatchewan also said it intends to eliminate the $500 maximum threshold for the current 10% penalty for failing to pay the tax owing.

We can help

For more information on any of these deadlines and how they may affect your business, please contact your KPMG advisor.

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