



TaxNewsFlash

Canada

GST and Other Indirect Taxes — Overview of 2024 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, retailers, and importers, must account for tax changes in 2024 and prepare for upcoming tax measures in 2025 as a result of recent 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 queries as the tax authorities continue to ramp up their audit activities. 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 2024 — Overview

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

Businesses — Tax status and rate changes

- Apply GST/HST holiday on qualifying goods
- Prepare for Nova Scotia's HST rate reduction

- Review recent B.C. PST changes for digital products and services

Importers and exporters

- Prepare for upcoming proposed tariffs on certain goods from China
- Prepare for potential 25% tariff on certain goods exported to the U.S.
- Consider supply chain labour risks in light of reporting obligations
- Consider changes to Canada's tariff preference programs

Digital platform operators

- Review filing obligations for new federal reports due January 31, 2025
- Review filing obligations for GST/HST and QST annual information returns
- Review filing obligations under B.C. PST rules for online marketplace facilitators

Digital businesses and other large businesses

- Register for the DST by January 31, 2025

Builders

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

Owners of residential property

- Review changes to the UHT rules and file UHT returns by April 30, 2025

Employers

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

Financial institutions

- Review recent GST/HST draft legislation for SLFIs
- Use the updated GST/HST and QST annual information returns

- Get details from investors by December 31 — For certain investment plans
- Review CRA's GST/HST policy on new home warranties issued by insurers

Businesses with cross-border insurance coverage

- Review 10% federal tax obligations on cross-border insurance premiums

Dental practices

- Prepare for changes to ITC claims

Businesses — Tax status and rate changes

Apply GST/HST holiday on qualifying goods

Businesses that sell goods that qualify for the temporary zero-rated measures under the new GST/HST holiday must ensure they have properly adjusted their systems. The GST/HST holiday, which started on December 14, 2024 and will end on February 15, 2025, also applies to imported qualifying goods. The CBSA recently issued guidance related to those imported qualifying goods.

Many businesses will face unique compliance challenges from the two-month GST/HST holiday, including retailers, employers, wholesalers and distributors. For example, retailers might have to create complex workarounds to their point-of-sale (POS) systems, while others may have to manually override some of their POS system to provide the GST/HST relief. In addition, employers must ensure they adjust the tax configuration of their employee reimbursement systems for qualifying goods, such as eligible food and beverages. Further, wholesalers and distributors may have to consider their payment terms when adjusting their invoicing systems and correct invoices if the consideration for the qualifying goods is paid after February 15, 2025, or if the qualifying goods are delivered after that date.

The temporary GST/HST holiday was enacted on December 12, 2024. Note that, because Québec has announced that it will not provide a similar holiday under the QST system, the QST continues to apply on qualifying goods.

For details, see *TaxNewsFlash-Canada 2024-46, “[Businesses — Prepare for Upcoming GST/HST Holiday](#)”*.

Prepare for Nova Scotia's HST rate reduction

Businesses that make taxable supply of goods or render taxable services subject to the HST in Nova Scotia will have to prepare to adjust their systems for the upcoming HST rate

reduction in Nova Scotia. The province announced that it will reduce the HST rate to 14% (from 15%) effective April 1, 2025 by reducing its provincial component.

The transitional rules related to Nova Scotia's HST rate reduction have not been released.

[Review recent B.C. PST changes for digital products and services](#)

Businesses must consider if any of their transactions are affected by recent changes that ensure that British Columbia's PST apply to a broad range of products and services delivered electronically. These significant changes, announced in the provincial 2024 budget, apply retroactively to 2013 and broaden certain definitions and the scope of the PST rules.

See *TaxNewsFlash-Canada 2024-22, “[B.C. Sales Tax Changes Target Digital Products and Services](#)”*.

Importers and exporters

[Prepare for upcoming proposed tariffs on certain goods from China](#)

Businesses should prepare for the possibility for upcoming new tariffs on certain goods from China that were announced in the 2024 Federal Economic Statement. The federal government intends to impose new tariffs on certain solar products and critical minerals from China in early 2025, and further intends to impose tariffs on semiconductors, permanent magnets and natural graphite from China beginning in 2026. Affected businesses may want to assess the effects of these new tariffs on their supply chains, and consider whether they may qualify for any relief under recent tariff remission processes.

See *TaxNewsFlash-Canada 2024-48, “[Highlights of the 2024 Federal Fall Economic Update](#)”*, and *TaxNewsFlash-Canada 2024-38, “[Importers — Finance Releases Details on Surtax Relief](#)”*.

[Prepare for potential 25% tariff on certain goods exported to the U.S.](#)

Businesses in Canada should consider how they may be affected if the United States moves ahead with 25% U.S. tariffs on goods they import into the United States. These changes could be introduced as early as January 20, 2025 and may significantly affect many Canadian businesses and industries. In particular, Canadian businesses that import goods into the United States may want to review their sales agreements and any supply chain opportunities to help assess the burden of any potential additional tariffs.

For details, see *TaxNewsFlash-Canada 2024-45, “[U.S. Vows 25% Tariffs on Imported Canadian Goods](#)”*.

[Consider supply chain labour risks in light of reporting obligations](#)

Canadian and foreign businesses that import goods into Canada and that meet certain asset or revenue thresholds will soon have to report specific details including steps they

have taken to help prevent and reduce the risk of forced labour through their supply chains. These businesses must provide these details no later than May 31, 2025.

Businesses should also keep in mind that the 2024 Federal Economic Statement announced the government's intent to introduce new measures related to fighting forced labour in supply chains. Finance has not yet released further details.

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

Consider changes to Canada's tariff preference programs

Importers of goods into Canada should consider whether they may benefit from customs tariff changes that will take effect on January 1, 2025. These changes relax the rules of origin for specific qualifying goods produced in specific countries that are eligible for reduced import duty rates under the General Preferential Tariff (GPT), the Least Developed Country Tariff (LDCT), and the Commonwealth Caribbean Countries Tariff (CCCT) programs. Importers may also want to follow the progress of other enhancements to the GPT program that are expected in the future, including changes to provide additional benefits to countries that meet international standards on human and labour rights and sustainable development under the GPT Plus program.

Digital platform operators

Review filing obligations for new reports due January 31, 2025

Qualifying digital platform operators are required to file their first reports with the CRA by January 31, 2025 in accordance with a new annual reporting obligation under the *Income Tax Act* rules. Specifically, affected platform operators must collect all the required data to meet their new annual reporting obligations under these new rules. In addition, qualifying platform operators must provide certain details to both the CRA as well as their online sellers no later than January 31, 2025.

See *TaxNewsFlash-Canada* 2024-31, "[Platform Operators — New Reports due January 31, 2025](#)".

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

Operators of electronic platforms should be aware of the annual GST/HST and QST filing obligations. The CRA has indicated that operators 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. However, these operators may still be required to file a QST annual information return no later than June 30, 2025 under similar QST rules. Operators should continue to monitor any potential changes to these filing requirements.

Review filing obligations under B.C. PST rules for online marketplace facilitators

Online marketplace facilitators must file their B.C. PST Annual Information Return online no later than August 31, 2025. Affected marketplace facilitators must ensure they have all the required data to file the online annual return.

See *TaxNewsNow*, “[Online Marketplaces — New B.C. PST Annual Information Return Due August 31, 2023](#)”.

Digital businesses and other large businesses

Register for the DST by January 31, 2025

Online marketplaces and other types of large businesses may be subject to the new 3% digital services tax (DST) on certain qualifying in-scope revenues. Under the DST rules, which were finalized in June 2024, affected businesses that earn specific types of online revenues and that meet certain revenue thresholds must register for the new DST by January 31, 2025, and may also have to file their first DST returns and pay the DST owing by June 30, 2025. Note that, when affected businesses file their first DST return, they must include DST owing on certain in-scope revenues earned since January 1, 2022. Affected businesses that do not meet their new registration, filing and other compliance obligations as required could face significant penalties and interest.

For details, see *TaxNewsFlash-Canada* 2024-49, “[Large Businesses — Register for DST by January 31](#)”.

Builders

Review enhanced GST rental rebate and related provincial measures

Builders should review new details on the enhanced GST rebate on qualifying new rental apartment buildings for which construction started after September 13, 2023. The government released regulations in July 2024. These builders should also consider whether they will be eligible for the relief measures announced by the HST-participating provinces that may help alleviate the provincial tax costs on the construction of qualifying buildings. New Brunswick is the last HST-participating province to announce a similar relief measure on December 9, 2024. Further details on New Brunswick’s new tax measure are expected soon.

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

Review proposed enhanced GST rental rebate for student residences

Eligible universities, public colleges and school authorities building new qualifying purpose-built rental student housing projects may want to review legislative proposals and provide any related comments to Finance by January 20, 2025. If enacted, the proposed enhanced GST rental rebate for student residences intends to offer a temporary enhanced 100%

GST rental rebate to eligible entities for new qualifying student housing projects that started after September 13, 2023, subject to various conditions.

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 that were announced in the 2023 Federal Fall Economic Update on November 21, 2023. 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 has not yet released further details on these proposals.

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

Owners of residential property

Review changes to the UHT rules and file UHT returns by April 30, 2025

Non-resident and certain Canadian owners of reportable residential property in Canada must file their 2024 Underused Housing Tax (UHT) return and remit a 1% UHT (unless they qualify for certain exemptions) by April 30, 2025 for each reportable property owned as of December 31, 2024.

Although Finance has recently eliminated the filing obligations for numerous owners of residential property resident in Canada and reduced the related penalties, affected owners of residential property should review the UHT rules, and confirm if they have any UHT obligations based on their own facts and circumstances.

Note that certain cities and provinces have 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](#)".

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, 2024. 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, 2025. 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 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 2020 or Employer Insurance (EI) premiums in 2021 must file a refund application by December 31, 2024. 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 recent GST/HST draft legislation for SLFIs](#)

Financial institutions should determine whether their 2024 filing obligations and their selected listed financial institutions (SLFIs) status will be affected by draft legislation released on August 12, 2024, August 4, 2023 and August 9, 2022. The GST/HST 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 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 the simplified version of these returns. 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.

Finance proposed to increase the annual income threshold required to file this annual information return to \$2 million (from \$1 million) in 2022. That increased annual income threshold measure was finalized and became law in 2024.

[Get details from investors by December 31 — For certain investment plans](#)

Distributed investment plans must annually collect specific details from many investors to update their systems and file their GST/HST and QST returns. Plans that do not have the required information by December 31, 2024 may have to allocate some of their investors’

data to the highest rate HST-participating provinces, which may translate to higher indirect tax costs.

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.

For details, see *TaxNewsFlash-Canada* 2024-36, “[Investment Plans & Investors — Meet Upcoming Deadlines](#)”.

Review CRA's GST/HST policy on new home warranties issued by insurers

Insurers should review the CRA's recent GST/HST policy on new home warranties issued by insurers. In a new Policy Statement, the CRA discusses how the GST/HST may apply to new home warranty products issued by insurers that are essentially offered on new homes.

Businesses with cross-border insurance coverage

Review 10% federal tax obligations on cross-border insurance premiums

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.

See *TaxNewsFlash-Canada* 2024-16, “[Cross-Border Insurance — Remit Federal Tax by April 30](#)”.

Dental practices

Prepare for changes to ITC claims

Dentists that are registrants under the GST/HST rules must consider the CRA's recent announcement that it will revoke its long-standing administrative arrangement on how eligible dentists may calculate and claim eligible input tax credits (ITCs). The revocation applies to GST/HST registrant's fiscal year that begins after 2024. Under the long-standing administrative arrangement, an eligible dentist could estimate its ITC claims during their fiscal year and adjust the amount of ITC claims with a fiscal year-end reconciliation. Dentists must now calculate and claim eligible ITCs based on the general ITC rules.

We can help

Your KPMG adviser can help you manage the impact of these and other recent indirect tax changes and upcoming deadlines 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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