CRA/TEI

Commodity Taxes Liaison Meeting 2013

Questions & Answers

The Canada Revenue Agency (CRA) welcomes the opportunity to discuss the following questions on commodity tax issues with representatives of the Tax Executives Institute, at TEI's liaison meeting on December 3, 2013.

The following answers to the questions posed by the TEI represent our general views with respect to the subject matter and do not replace the law found in the *Excise Tax Act* (the ETA) and its regulations. These general comments are provided for your reference and do not bind the CRA with respect to a particular situation. Since our comments may not completely address a TEI member's particular situation, the member may wish to refer to the ETA or appropriate regulation, or contact any CRA GST/HST Rulings Centre for additional information.

A ruling should be requested for certainty in respect of any particular GST/HST matter; reference may be made to GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*. To make a technical enquiry on the GST/HST by telephone, call 1-800-959-8287.

For TEI members located in the province of Quebec, who wish to make a technical enquiry or request a ruling related to the GST/HST, can contact Revenu Québec by calling 1-800-567-4692.

Exception: Since January 1, 2013, the CRA has been administering the GST/HST and the QST for listed financial institutions that are selected listed financial institutions (SLFIs) for GST/HST and/or QST purposes whether or not they are located in Quebec. If you wish to make a request for a ruling related to the GST/HST or QST and these types of listed financial institutions in respect of any particular matter; reference may be made to GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*. To make a technical enquiry related to these types of listed financial institutions by telephone, call 1-855-666-5166.

QUESTION # 1: Provincial Matters and the Harmonized Sales Tax

a. One issue of particular concerns remains the BC HST which has continued to be charged by many registrants in British Columbia after April 1, 2013, instead of the normally expected GST and BC PST. It is the experience of our members that once legislation has been abolished, taxes paid in error become very difficult to recover as tax authorities require from the registrant claiming that such taxes were paid in error proof that the taxes charged were actually remitted by the supplier. Could CRA confirm that in the case of BC HST invoiced in error, CRA will not require recipients to obtain proof from suppliers that such taxes

wrongly charged were remitted to CRA and the applicability of section 261 of the *Excise Tax Act* (ETA) will not be challenged by CRA auditors?

b. There exist some differences with respect to the GST and QST, for example a factor to claim back the QST paid in lieu of the actual ITR will no longer be allowed for reimbursement of employee expenses in Quebec as of January 1, 2014. Although the QST legislation is allowed to deviate up to a certain threshold from the ETA, one issue that is raising concerns with respect to the QST is the fact that Revenu Québec is now requesting in many cases recipients claiming ITRs to obtain proof that the QST has been remitted by its suppliers. Such administrative position is not warranted by reading of the QST legislation nor under the ETA. What steps are being taken by CRA to ensure that a consistent interpretation as to entitlement of ITC and ITR is administered by Revenu Québec, i.e., that the burden of verifying that QST paid to suppliers was remitted to Revenu Québec is not interpreted as imposed on the recipient claiming an ITR?

CRA Comments

a. The issue at hand is whether or not the CRA will require recipients to obtain proof from suppliers that wrongly charged tax was remitted to the CRA.

   Where a person has paid an amount as or on account of tax (e.g., BC HST invoiced and paid in good faith, in error) where the amount was not payable by the person and the supplier has not credited the person for the tax, a rebate may be paid by the CRA to the person under section 261 of the *Excise Tax Act* (ETA), subject to the restrictions in subsections 261(2) and (3) of the ETA, and depending on the facts of the particular situation. To date, the CRA has not required a person to provide proof that the supplier has remitted the tax to the Receiver General.

b. For the administration of GST/HST in Quebec, Revenu Québec should be following CRA policies etc. In terms of QST, it should be administered in a manner that produces identical results.

   The CRA meets with officials from Revenu Québec a few times per year, and has the opportunity to formally address concerns with Revenu Québec at that time. As other issues arise, the CRA will also address its concerns with Revenu Québec on an "*as needed*" basis. It would help if TEI could provide a few examples if there are areas of concern.

   In terms of the actions being taken by the CRA to ensure the consistent interpretation relating to the entitlement of ITCs and ITRs, there is a "Modalité" that outlines how Revenu Québec will administer the GST/HST for the CRA.

With respect to Revenu Québec's administration of the GST/HST, Revenu Québec is to follow the CRA's policies, procedures, standards and practices when it audits files (refer to paragraph 9 of the Modalité):

> 9. *"MRQ follows CRA's policies, procedures, standards and practices when it audits files. These policies, procedures, standards and practices are forwarded to MRQ to ensure that the GST/HST is applied in a consistent and uniform manner. MRQ can, however, provide CRA with operational policies, practices, standards or procedures in writing for comments and discussion that it would like to use instead of CRA's."*

With respect to Revenu Québec's administration of the QST, paragraph 14 of the *Canada-Quebec Comprehensive Integrated Tax Coordination Agreement* (CITCA) states that, (subject to the exceptions described in the Agreement), Quebec will ensure that the Amended QST has a tax base, as well as administrative, structural and definitional parameters, that produce results that are identical to the results produced under the GST/HST and are administered in a manner that produces identical results.

Source: http://www.finances.gouv.qc.ca/documents/Autres/en/AUTEN_Tax-agreement.pdf

QUESTION # 2: Returned Goods

Section 232 of the *Excise Tax Act* (ETA) permits a supplier to refund, adjust, or credit GST/HST when a supplier has collected or charged an excess amount of tax or when the consideration for a supply is reduced after GST/HST has been charged or collected in respect of a supply. GST/HST Memoranda Series 12.2, *Refund, Adjustment, or Credit of the GST/HST under Section 232 of the Excise Tax Act*, provides additional guidance on the application of this rule. Specifically, paragraph 10 of that publication reads as follows:

> "A reduction in consideration is not considered to have occurred if the goods are sold back to the original supplier. To be considered a reduction of consideration, it must be evident that the goods are being returned to the supplier rather than being sold to the supplier."

Despite this explanation, it remains difficult in some situations to distinguish between a return of goods and a sale of goods back to the supplier. For purposes of the following questions, please consider the following example: A supplier and a recipient have entered into a supply and purchase agreement pursuant to which the recipient has purchased goods from the supplier and legal title to the goods has transferred to the recipient.

a. *Time Interval Before Return to the Supplier*. Does CRA impose a time limit from the date of original sale after which goods cannot qualify as returned but will be treated as sold back to the supplier?

b. *Price Change Since Original Sale*. Does CRA require that returned goods be credited at the original sales price in order for a transfer back to the supplier to be treated as a return of goods and not as goods being sold back to the supplier (*e.g.*, where the supplier and recipient agree that the market value of goods initially sold at $100 per unit has decreased by 10%, and supplier refunds only $90 per unit)?

CRA Comments

a. The CRA does not impose a time limit for the return of goods beyond which a good will be treated as being sold back to the supplier. Generally, the return policies are the rules that suppliers establish to manage the process by which customers can return or exchange unwanted or defective goods that they have purchased previously. The return of a good and the sale of a good back to the supplier are two separate matters. As indicated in paragraph 10 of GST/HST Memorandum 12.2, to be considered a reduction of consideration, it must be evident that the goods are being returned to the supplier rather than being sold to the supplier.

   Generally, in the case of certain property such as vehicles, the property may not be returned to the supplier for a refund or credit, but may be sold back to the supplier. In these cases, the agreement for the purchase and sale of the property, and the registration of ownership under provincial legislation would support the fact that the property is sold back to the supplier. In addition, the supplier may establish separate terms and conditions to buy back the property. For example, the consideration payable to buy back the property is a matter of negotiation between the parties.

b. In the case of returned goods, the CRA does not require that the full amount be refunded in order to apply the provisions of subsection 232(2) of the ETA. There are various circumstances under which a supplier who accepts a returned good may not refund the entire amount originally paid by the recipient. For example, a supplier may accept a returned good without a receipt and only refund an amount equal to the current discounted price for the good and the corresponding GST/HST. Another example is where the supplier refunds the original amount paid less a restocking fee in respect of the returned good. It remains a question of fact whether the good is returned for a reduced amount, or whether the good is sold back to the supplier for an amount determined by the parties that may take into account current market conditions or the use of the property during the period that the property was in the recipient's possession.

QUESTION # 3: Demurrage and Layover Fees

Under section 162.1 of the *Excise Tax Act* (ETA), an amount paid as or on account of demurrage is deemed not to be consideration for a supply, and therefore not subject to GST/HST. Paragraph 52 of GST/HST Memoranda Series 28.2, *Freight Transportation Services* provides further guidance:

> "Any demurrage fees and any penalty paid by one railway corporation to another railway corporation for delay in returning railway rolling stock are deemed not to be consideration for a supply. They are therefore not taxable. Demurrage fees are amounts that a shipper pays a carrier for the detention of a ship, freight car or other cargo conveyance during loading or unloading beyond the scheduled time of departure."

While this language provides helpful guidance, the application of section 162.1 to some layover charges remains unclear. For example, assume a carrier and a shipper enter into a freight transportation service agreement (that does not include a charter component for the carrier's truck and trailer) for the carrier to provide a taxable domestic freight transportation service. The agreement allows the carrier to add a layover charge if the cargo being shipped is not ready at the agreed time of delivery of the goods to the carrier.

In some instances, the carrier's invoice for the freight transportation service will label this layover charge as a demurrage fee. Given that it is related to a supply of a taxable domestic freight transportation service, it is unclear whether the layover charge in this instance would be relieved of GST/HST by virtue of section 162.1. We invite CRA to provide its view on the treatment of the demurrage rules to layover fees such as the one described in our example.

CRA Comments

Paragraphs 162.1(a) and 182(3)(c) of the ETA refer to amounts paid "as or on account of demurrage". For the purposes of these provisions, the CRA considers demurrage to be an amount that a shipper pays to a carrier for the detention of a ship, freight car or other cargo conveyance during loading or unloading beyond the scheduled time of departure.

Since demurrage is a form of liquidated damages under the common law, the payment of the amount from the shipper to the carrier must be pursuant to the terms of the agreement between them and meet the other common law requirements for liquidated damages as well. Where the payment is not pursuant to the terms of the agreement between them or does not meet the other common law requirements for liquidated damages, the CRA will not consider it to be demurrage.

A payment that meets the above requirements will be considered to be as or on account of demurrage even if the parties characterize the amount using a term other than demurrage. On the other hand, a payment that does not meet the above requirements will not be considered to be as or on account of demurrage even if the parties characterize it as demurrage.

Where a damage payment is not made as or on account of demurrage, it will be necessary to determine whether the payment is consideration for a supply, in which case it will be subject to the normal taxing provisions, or whether it is subject to section 182, in which it will be subject to certain deeming provisions. GST/HST Policy Statement P-218R, *Tax Status of Damage Payments, Whether or Not Within Section 182 of the Excise Tax Act*, provides guidance on this issue.

In your example, we do not have sufficient factual information to determine whether the layover charge is paid as or on account of demurrage.

QUESTION # 4: Transitional Rules for GST/HST Rate Changes (Finance only)

QUESTION # 5: Joint Ventures

a. *Joint Venture Activities – Exploring or Exploiting a Mineral Deposit*

Under the *Excise Tax Act* (ETA), a joint venture (JV) is different from a partnership because the JV is not included in the definition of a "person" and thus cannot register and account for the GST/HST in its own right. Section 273 of the *Excise Tax Act* (ETA) provides for a simplified remittance and compliance process for JVs engaged in "the exploration or exploitation of mineral deposits, or a prescribed activity." Under this provision, a joint election can be made by the JV participants to elect one party as the JV "operator" who accounts for the GST/HST collected by the JV and claims the ITCs in relation to the taxable expenditures of the JV (the JV Election).

In *Dunbar v. The Queen*, 2005 TCC 769 (November 29, 2005), the Tax Court of Canada interpreted the phrase "the exploration for or exploitation of petroleum, natural gas, minerals or other similar resources" in the context of the overseas employment tax credit included in the *Income Tax Act.* The court held that "[e]xploitation means more than simply extracting and selling.... [A]ll stages necessary to take the natural resource to its maximum value for the pursuit of profit is [sic] part of the exploitation process."

During our liaison meeting last year, CRA noted that it was "currently reviewing its interpretation of the term 'exploitation' in subsection 273(1) of the ETA, and the term 'exploit'

in paragraph 162(2)(a) of the ETA in light of the Tax Court of Canada's Dunbar decision. Please be assured that your comments will be taken into consideration in that review." Has CRA reached any conclusions in this regard since our last meeting?

b. *Joint Venture Election – Other Commercial Activities (Finance Only).*

CRA Comments

a. The review of the administration of the terms "explore" and "exploit" for purposes of sections 162 and 273 of the *Excise Tax Act* (ETA) in light of the Tax Court of Canada decision in *Dunbar v The Queen* is in progress.

   As part of this process, we have entered into consultations with stakeholder industries beginning with the pipeline industry which would appear to be the most affected by any change in policy.

   We are committed to conducting a thorough review and will take any comments provided by TEI members into consideration. Written submissions on this topic by the TEI or its members are encouraged.

QUESTION # 6: Natural Resource Royalties

a. *GST/HST Memorandum 3.7, Natural Resources.* In February 2012, CRA published GST/HST Notice 269 containing a draft, updated version of GST/HST Memorandum 3.7 requesting comments by April 30, 2012. The final version of this memorandum has not been released. Can CRA provide an update as to when the final version of GST/HST Memoranda Series 3.7, *Natural Resources*, will be published?

b. *Natural Resource Royalties and Revenue Sharing.* Under subsection 162(2) of the *Excise Tax Act* (ETA), the right to explore or exploit a mineral deposit is not considered a supply and any amount paid (including a royalty) related to that right is deemed not to be consideration for that right. The application of subsection 162(2) remains unclear when a contract containing royalties for mineral deposits also includes amounts for other items. Consider the following example: A company (not a consumer or non-registrant) enters into an agreement with a third party to explore and exploit a mineral deposit and pays the property owner a royalty based on the units of production under a royalty agreement. The royalty agreement also contains a provision governing the sharing of "backfill dumping fees" collected from third parties for the right to dump certain approved materials into the excavated area.

   Does the existence of revenue sharing for "backfill dumping fees" in an agreement preclude

the treatment of the exploration and exploitation royalties in that same agreement from the nil consideration provisions of subsection 162(2) of the ETA?

c. *Input Tax Credits for the Supply of a Mineral Deposit Right.* Often, companies deal with small GST/HST registrants that do not understand the significance of subsection 162(2) of the ETA. Those small registrants may charge GST/HST on transactions that qualify for the nil consideration provisions of subsection 162(2). In those situations, can a GST/HST registrant claim input tax credits (ITCs) for GST/HST paid on royalties falling within subsection 162(2) assuming that the registrant satisfies the proper documentary requirements to substantiate the input tax credit?

CRA Comments

a. Due to competing priorities during the last year including HST Harmonization in Prince Edward Island and the return to GST in British Columbia, the completion of the draft GST/HST Memorandum 3.7 was delayed. We are in the process of analyzing the comments received during the consultation process. In some cases, additional research and analysis is required to address all of the comments. However, we plan to proceed with posting the final version of the publication on the CRA website early in 2014. Any outstanding issues to be resolved will be incorporated into further revisions to the Memorandum.

b. After further discussion with the TEI member, the facts as we understand them are that a company may enter into an agreement with a landowner whereby the landowner supplies to the company a right to extract gravel from the landowner's property. As part of the agreement, the company and landowner agree to share in the revenue earned from backfill dumping fees. These fees are paid by third parties for the right to dump certain waste materials such as used concrete, asphalt, etc. to backfill the space left by the excavation of the gravel. The backfill agreements with the third parties are entered into by the company, with revenue from the fees being shared between the landowner and the company.

   The right supplied by the landowner to the company to extract the gravel is a right that generally comes within subsection 162(2) of the ETA. The backfill agreements entered into by the company with third parties are separate agreements for the making of separate taxable supplies. The provision for revenue sharing of the backfill dumping fees in the resource agreement between the landowner and the company would not by itself preclude the treatment of the exploration and exploitation royalties in that same agreement from the nil consideration provisions of subsection 162(2).

   Where an agreement provides for the supply of a right described in subsection 162(2) in return for certain consideration, that right will generally not be subject to the GST/HST

notwithstanding that the agreement may also provide for other matters such as the sharing of revenue earned from backfill dumping fees. However, each agreement would need to be reviewed. Where an agreement provides for a right and other property and services, it must be determined if the supplier is providing a single supply or multiple supplies. If the supplier is making a single supply, the nature of the supply must be determined to ascertain whether subsection 162(2) will apply. To provide certainty, the CRA would be pleased to respond to ruling requests in this regard.

c. Where a person pays an amount as or on account of tax in error, the amount is not an amount of tax paid under the ETA. Accordingly, the person is not entitled to claim an ITC for that amount, but should recover the amount paid in error from the supplier. Failing that, the person may claim a rebate under section 261 of the ETA for tax paid in error by using Form GST189, *General Application for Rebate of Goods and Services Tax (GST)/Harmonized Sales Tax (HST)*. However, in practice, if a person claims an ITC in respect of an amount paid in error, the CRA will offset this amount at the time of a net tax assessment by the amount of the rebate for tax paid in error to which the person would otherwise have been entitled, without any penalty and interest consequences.

QUESTION # 7: Financial Services

a. *Imported Supply Rules for Financial Services.* Could CRA and Finance please discuss any changes they are considering to the imported supply rules as a result of representations made by the financial services sector, for example in the area of reinsurance? Are any changes being considered in relation to loading, or will any further guidance be released on this concept?

b. *Appraisal Services (Finance Only).*

c. *Pension Plans (Finance Only).*

d. *Financial Institution GST/HST Annual Information Returns.* Could CRA and Finance discuss any changes that are being considered for the Financial Institution GST/HST Annual Information Returns?

   (i) Could CRA and Finance discuss any changes that are being contemplated to help alleviate the complexity of certain information requirements currently found within the Annual Information Return?

(ii) Would Finance consider relieving *de minimis* financial institutions of the annual obligation to complete and file these returns?

(iii) Is consideration being given to incorporating the Annual Information Return into a selected listed financial institution's (SLFI's) annual GST/HST Return to avoid burdensome duplicate reporting?

(iv) Would it be possible to exclude the reporting of items that have already been reported to the CRA or Canada Border Services Agency (CBSA) through another return or process?

e. *Required Forms Related to Funds and Group Registrations.*

(i) Would it be possible to simplify the forms used to add a fund to a group registration, and the related elections? The original forms allowed multiple funds to be added to a group, and the related elections could be made by checking a box. The existing forms allow multiple funds to be added for two of the elections, but two of the elections require a form to be completed for each fund being added. Would it be possible to allow the use of these forms where the elections will not apply to all funds, but revert to the ability to check a box to put the elections in place in situations where the elections will apply to all funds being added? It would seem this would save time for both taxpayers and CRA.

(i) Could CRA also advise whether a form(s) should be completed when an investment plan is closed? If yes, which form number(s) should be completed?

f. *Status of Internal Review of Financial Services (Finance Only).*

g. *CRA's Administration of the QST for SLFIs.* Could CRA provide an update on the status of elections or returns to facilitate the CRA's administration of the QST for SLFIs? Could CRA advise on which elections or returns will continue to be provided by way of a separate form from the GST/HST returns or elections?

CRA Comments

a. CRA is working on requests for interpretations that we continue to receive from the financial services sector in the area of reinsurance and the import rules for FIs. If you would like a ruling or interpretation concerning reinsurance please send CRA a submission with supporting information and documentation and we would be pleased to consider your views.

Once we have completed our review we will provide further guidance at that time.

d. *Financial Institution GST/HST Annual Information Returns.*

These same questions were discussed at our meeting last year and our responses have not changed.

(i) Currently, the CRA is not contemplating any changes with respect to the information requirements related to the *Financial Institution GST/HST Annual Information Return.*

(ii) The response to this question will be provided by Finance Canada.

(iii) At this time, there are no plans to incorporate the *Financial Institution GST/HST Annual Information Return* with the *Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions.*

(iv) As previously indicated, the CRA is not currently contemplating any changes with respect to the information requirements related to the *Financial Institution GST/HST Annual Information Return.*

It is important to note that the annual information return for financial institutions (Form GST111) was introduced because there was a need for supplementary data from the financial services sector given the complexities in the sector and the specific GST/HST rules that apply to financial institutions. This additional data from financial institutions helps to improve compliance, maintain an efficient and effective tax administration system, and assess policy and legislative changes in a timely manner. It also assists the Government in meeting its commitments (under the *Comprehensive Integrated Tax Coordination Agreement*) to the provinces under the harmonized sales tax. As a result, any decision to change what information will be collected and from whom will only be made after a detailed review of the recommended change and consultation with interested parties such as Finance Canada.

e. *Required Forms Related to Funds and Group Registration*

(i) When the reporting entity, consolidated filing and tax adjustment transfer elections forms for selected listed financial institutions (SLFIs) were first developed based on the draft *Selected Listed Financial Institutions Attribution Method (GST/HST) Regulations* issued on June 30, 2010, by Finance Canada, original Form RC4601 could be used to make both the reporting entity and tax adjustment transfer election between an investment plan and its investment plan manager, original Form RC4603 was used to make only a tax adjustment transfer election between an investment plan and its

investment plan manager and original Form RC4604 could be used to make the reporting entity, tax adjustment transfer and consolidated filing election between an investment plan and its investment plan manager.

Subsequent to the release of these forms, modified procedures for filing Form RC4604 were developed where certain conditions were met. These modified procedures were described in GST/HST Notice 260, which is now obsolete and did not apply to Form RC4601 or Form RC4603.

When updating Form RC4601, Form RC4603, and Form RC4604 based on the draft *Selected Listed Financial institutions Attribution Method (GST/HST) Regulations* issued on January 28, 2011, by Finance Canada, it was decided that it was generally preferable to limit a particular form to a single election which is CRA's standard practice.

As both the reporting entity election (Form RC4601) and the tax adjustment transfer election (Form RC4603) are joint elections made between an investment plan and its investment plan manager, a separate form must be filed for each joint election being made.

The consolidated filing election is different from the reporting entity and the tax adjustment transfer elections in that it is a joint election between two or more investment plans and their investment plan manager. Given this difference, the prescribed form, Form RC4604, *GST/HST Consolidated Filing Election for a Selected Listed Financial Institution and Notice of Revocation* may be used to make the election between an investment plan manager and multiple investment plans provided the specific conditions outlined on the form are met, including that all the investment plans have the same person authorized to sign on their behalf. Given the nature of the election to be added to a consolidated filing election and the election to withdraw from a consolidated filing election and also to reduce administrative burden, the related prescribed forms Form RC4604-1, *Election for a Selected Listed Financial Institution to Join a GST/HST Consolidated Filing Election* and Form RC4604-2, *Election for a Selected Listed Financial Institution to Withdraw From a GST/HST Consolidated Filing Election* provide for multiple investment plans to make these particular elections provided the specific conditions outlined on the form are met.

As well, the associated consolidated filing registration requests using Form RC4602, *Request for a Group GST/HST Registration Number for Selected Listed Financial Institutions with Consolidated Filing* and Form RC4602-1, *Request to be Added to a Group GST/HST Registration for Selected Listed Financial Institutions with*

Consolidated Filing provide for multiple investment plans to make these particular registration requests provided the specific conditions outlined on the form are met.

(ii) CRA should be advised when an investment plan that is a selected listed financial institution (SLFI) ceases to exist. This can be done by sending a letter to the Summerside Tax Centre which includes the name of the investment plan, the day the investment plan ceased to exist, and, if it is a registrant, the investment plan's full Business Number including the complete "RT" account identifier and the day it wishes to deregister. Alternatively, Form RC145, *Request to Close Business Number (BN) Program Accounts* could be used by an SLFI to advise CRA when it ceased to exist and to request that its Business Number be closed.

It is important to note that there are specific provisions in the *Selected Listed Financial Institutions Attribution Method (GST/HST) Regulations* adopted April 18, 2013 (SLFI Regulations) that apply at the time when an SLFI investment plan ceases to exist and a reporting entity, consolidated filing, and/or tax adjustment transfer election is in effect. The following is a summary of these provisions.

Reporting entity election

Where a particular investment plan ceases to exist and it has a reporting entity election in effect with its investment plan manager, under paragraph 53(4)(b) of the SLFI Regulations, the reporting entity election ceases to have effect the day following the day on or before which a Division V return is required to be filed for the reporting period in which the plan ceases to be an investment plan.

Under subsection 53(5) of the SLFI Regulations, if a reporting entity election is in effect immediately before the time the investment plan ceases to exist, the investment plan manager would file the interim return for the last reporting period of the investment plan and the final returns for the reporting periods of the plan that are included in the last fiscal year of the plan.

Consolidated filing election with three or more SLFI investment plans

Where a particular investment plan ceases to exist and it is part of a consolidated SLFI group of three or more investment plans, under paragraph 54(4)(c) of the SLFI Regulations, the plan is deemed to have withdrawn from the consolidated filing election the day following the day on or before which a Division V return is required to be filed for the reporting period in which the plan ceases to be an investment plan. The investment plan that ceased to exist would be removed from the group registration on the deemed withdrawal date. Under paragraph 54(10)(b) of the SLFI Regulations, a new

consolidated filing election is deemed to have been made with the other investment plans in the group and the investment plan manager on the day the investment plan that ceased to exist is deemed to have withdrawn from the election and the SLFI group registration would not be cancelled.

Under subparagraph 54(11)(b)(i) of the SLFI Regulations, if a consolidated filing election made by two or more other investment plans and their investment plan manager is in effect on the day on or before which a consolidated interim return is required to be filed for the particular reporting period of those other investment plans that begins on the same day as the last reporting period of the investment plan that ceased to exist, that consolidated interim return would include the prescribed information of the last reporting period of the plan that ceased to exist.

Under subparagraph 54(11)(b)(ii) of the SLFI Regulations, if a consolidated filing election made by two or more other investment plans and their investment plan manager is in effect on the day on or before which a final consolidated return is required to be filed for the particular reporting period of those other investment plans that is included in the fiscal year of those other investment plans that begins on the same day as the last fiscal year of the investment plan that ceased to exist, the consolidated final return would include the prescribed information of the last reporting period of the plan that ceased to exist.

Consolidated filing election with two SLFI investment plans

Where a particular investment plan ceases to exist and it is part of a consolidated SLFI group of only two investment plans, under paragraph 54(11)(a) of the SLFI Regulations the consolidated filing election would cease to exist on the day the particular investment plan ceases to be an investment plan. Based on subsection 54(8) of the SLFI Regulations, where the consolidated filing election is not in effect on the day on or before which the interim or final returns for a reporting period is required to be filed, a consolidated return would not be filed for the two investment plans for the reporting period. In addition, the Minister would cancel the registration number of the group based on subparagraph 56(3)(c)(ii) of the SLFI Regulations and subsection 242(1.2) of the ETA.

If the remaining existing investment plan in the group keeps its reporting entity election with its investment plan manager, it would be required to request a registration number as an individual investment plan using Form RC1, *Request for a Business Number*, or if appropriate, request to be added to another SLFI group consolidated filing election using Form RC4604-1 and the associated SLFI group registration using Form RC4602-1.

Tax adjustment transfer election

Where a particular investment plan ceases to exist and it has a tax adjustment transfer election in effect, under paragraph 55(5)(b) of the SLFI Regulations, the tax adjustment transfer election ceases to have effect the day on which the plan ceases to be an investment plan.

g. *CRA's Administration of the QST for SLFIs*

(i) We are currently developing new guides, returns, elections and applications related to the GST/HST and the QST for selected listed financial institutions (SLFIs) for QST purposes.

In very general terms, a listed financial institution would be considered to be an SLFI for QST purposes, if the financial institution has:

- a permanent establishment in Quebec and a permanent establishment in at least one participating province; or
- it has a permanent establishment in Quebec and a permanent establishment in at least one other non-participating province, but not in a participating province.

To the extent possible, combined forms have and will be developed. For example, if an SLFI for QST purposes is making an election for GST/HST purposes and the equivalent election for QST purposes only one form would need to be completed.

The following combined GST/HST and QST returns are currently available:

RC7200, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) and Québec Sales Tax (QST) Return for Selected Listed Financial Institutions (SLFIs) and Québec SLFIs*

RC7262, *Goods and Services Tax/Harmonised Sales Tax (GST/HST) and Québec Sales Tax (QST) Return for Selected Listed Financial Institutions (SLFIs) and QST SLFIs* (Non-personalized)

RC7294, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) and Quebec Sales Tax (QST) Final Return for Selected Listed Financial Institutions*

Note

The RC7200 return and the RC7262 are not available on the CRA website.

Usually, a registrant that is an SLFI for QST purposes will automatically receive a personalized return (Form RC7200). If a personalized return is not received within 15 working days of the end of the registrant's reporting period, or if that return is lost, an authorized person of the registrant can call 1-800-959-5525 to request a new personalized return be issued.

As of October 2013, the GST/HST and QST return (Form RC7200, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) - Québec Sales Tax (QST) Return for Selected Listed Financial Institutions (SLFIs) and Québec SLFIs*) can be sent to the CRA electronically through My Business Account or GST/HST Netfile.

A non-personalized return (Form RC7262) can be ordered online or by calling 1-800-959-5525.

Form RC7294, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) and Quebec Sales Tax (QST) Final Return for Selected Listed Financial Institutions* was recently released on November 26, 2013. Until related Guide RC7250, *GST/HST and QST Information for Selected Listed Financial Institutions* is finalized, Guide RC4050 can be referred to for general guidance or call our SLFI technical enquiries line at 1-855-666-5166.

The combined GST/HST and QST annual information return for selected listed financial institutions (Form RC7291) and the related guide are currently being developed. It is important to note that this combined return is only for fiscal years **beginning after December 31, 2012**.

For a list of publications including elections that have been developed and are in the process of being developed, visit our website at www.cra.gc.ca/slfi and click on GST/HST and QST - selected listed financial institutions where there is a link to the list at the bottom of the page. This information is updated as new information becomes available.

(ii) Based on proposed changes to *An Act Respecting the Québec Sales Tax* (ARQST), in very general terms, if you are an SLFI for GST/HST purposes and you have a permanent establishment in Quebec you would be an SLFI for QST purposes. However, based on the current provisions in the ARQST this is not the case.

The ARQST has been amended pursuant to the undertaking to change the QST to be consistent with the GST/HST effective January 1, 2013 subject to certain exceptions listed in the *Comprehensive Integrated Tax Coordination Agreement* (CITCA) entered into between the Government of Canada and the Government of Quebec in March 2012.

It is important to note that changes to the ARQST provided for in Quebec Bill no. 5 (received royal assent on December 7, 2012) and subsequent Quebec Bill no. 18 (received royal assent on June 5, 2013) were based on the federal legislative or regulatory provisions that had already received royal assent or been adopted prior to November 14, 2012. Specifically, the ARQST does not currently incorporate the more recent changes to the *Excise Tax Act* (ETA) that were provided for in Bill C-45 (received royal assent on December 14, 2012), Bill C-60 (received royal assent on June 26, 2013) and the *Regulations Amending Various GST/HST Regulations, No. 4* (adopted April 18, 2013) which include many new provisions related to selected listed financial institutions and *Regulations Amending Various GST/HST Regulations*, No. 5 (adopted November 7, 2013). In addition, these recent changes are not generally incorporated in Quebec Bill no. 34 (first reading May 15, 2013). However, Quebec Bill no. 34 does include the following proposed change to the definition of the term selected listed financial institution in the ARQST:

> "selected listed financial institution" throughout a reporting period in a fiscal year that ends in a taxation year means a financial institution that is described in any of paragraphs 1 to 10 of the definition of "listed financial institution" during the taxation year and is a prescribed financial institution throughout the reporting period;"

If enacted as proposed, this definition would be effective as of January 1, 2013. The wording in the above proposed definition is consistent with the current wording in subsection 225.2(1) of the ETA.

Based on our understanding that the rules that apply for Quebec sales tax will be changed to be consistent with the GST/HST rules under federal legislation with certain exceptions described in the CITCA, for QST purposes, a financial institution would generally be considered to be an SLFI throughout a reporting period in a fiscal year that ends in a taxation year if it is described in any of paragraphs 1 to 10 of the definition of listed financial institution in section 1 of ARQST (which is the equivalent to subparagraphs 149(1)(a)(i) to (x) of the ETA) at any time in the taxation year and it has (i) a permanent establishment in Quebec and in at least one participating province, or (ii) a permanent establishment in Quebec and another non-participating province but not in a participating province, at any time during the tax year.

For purposes of the definition of selected listed financial institution for GST/HST purposes, the meaning of permanent establishment is expanded such that the existence of a permanent establishment would generally be determined based on the

location of the financial institution's clients, operations, unit holders and/or plan members in addition to where the financial institution has a fixed place of business. As a result, based on our understanding that the rules that apply for the Quebec sales tax will be changed to be consistent with the GST/HST rules under federal legislation, the expanded meaning of the term permanent establishment would also apply in determining whether a listed financial institution is an SLFI for QST purposes.

In addition, it is expected that provisions similar to sections 10 to 13 and section 15 in the *Selected Listed Financial Institutions Attribution Method (GST/HST) Regulations* will be incorporated in the QST legislation to exclude certain investment plans from being an SLFI for QST purposes where certain conditions are met; however, at this time we do not have detailed information regarding this.

QUESTION # 8: Threshold Amounts and Procurement Cards (Finance Only)

QUESTION # 9: Deposits

Consideration for a supply is due or deemed due, and the associated GST/HST becomes payable, on "the day the recipient is required to pay that consideration...pursuant to an agreement in writing," under paragraph 152(1)(c) of the *Excise Tax A*ct (ETA). An exception applies for deposits. Under subsection 168(9) of the ETA, deposits given in respect of a supply are generally not treated as consideration "until the supplier applies the deposit as consideration for the supply." Certain issues related to deposits, however, remain unclear.

TEI requests guidance from CRA on the application of paragraph 152(1)(c) and subsection 168(9) to the following situations:

a. *Deposit Equal to Estimated Consideration.* If a written agreement requires a customer to pay a deposit equal to 100% of the estimated consideration for a service to be supplied in the future, is that still a deposit subject to subsection 168(9), or is it a payment in advance to which paragraph 152(1)(c) would apply?

b. *Application of the Deposit.* With respect to subsection 168(9), what would constitute "[applying] the deposit as consideration for the supply" prior to the actual making of the supply of the service?

CRA Comments

a. For the purposes of subsection 168(9) of the ETA, a deposit, whether refundable or not, given in respect of a supply, shall not be considered as consideration paid for the supply unless and until the supplier applies the deposit as consideration for the supply. A deposit is an amount given to another party as security for the fulfillment of an obligation under a contractual agreement. The GST/HST, in this case, is not payable until the deposit is applied against the payment for the supply. An amount is considered as a deposit where it is identified and accounted for as a deposit, and not as revenue, either earned or deferred. The fact that the amount is based on an estimate of the consideration payable for a supply is not sufficient to conclude that the amount is a deposit. Furthermore, a deposit is not normally equal to 100% of the estimated consideration for a supply. However, whether an amount is a deposit or an advance payment is a question of fact.

   Generally, an advance payment is an amount paid on account of a payment to become due under an obligation. A written agreement may provide that the advance payment is based on an estimate of the amount to become due. The advance payment is generally recorded in the supplier's books and records as income. In the case of an advance payment, the GST/HST is payable at the time the advance payment is made, pursuant to paragraph 152(1)(c) of the ETA, assuming that the advance payment did not become due at an earlier time. If under a written agreement, a customer is required to make an advance payment equal to 100% of the estimated consideration for a service to be supplied in the future, the customer would be required to pay, and the supplier would be required to collect, the GST/HST calculated on the estimated amount at the earlier of the time the advance payment became due under the agreement or was paid.

b. The GST/HST is not payable until the deposit is applied as consideration for the supply. A deposit given in respect of a supply is not considered as consideration paid for the supply unless and until the supplier applies it in his books and records as consideration for the supply, pursuant to 168(9) of the ETA.

   The tax treatment of the deposit generally depends on the wording of the contract, any federal or provincial legislation, and how the deposit is identified and accounted for by the supplier in its books and records.

QUESTION # 10: The CRA GST/HST Registry Online Service

TEI recognizes that the CRA's GST/HST Registry online service has a useful feature that permits a query by specific transaction date. However, one aspect which remains very

problematic for users of this service is the requirement to enter both the registrant's GST/HST registration number and the name of the registrant, as recorded in CRA's file for that particular registrant. Often, a business name used on an invoice will differ slightly from the name in its CRA file resulting in authentication errors.

The online registries for both the Quebec Sales Tax and the British Columbia Provincial Sales Tax require entry solely of the registrant's number to receive a validation. It should be noted as well that the Validation of a QST Registration Number online service offered by Revenu Québec displays the name of the registrant when a valid QST number is queried.

Can CRA comment on any steps it has taken to improve the GST/HST Registry online service, and if it is contemplating removing the requirement for a user to enter the registrant's name as it appears in CRA's records?

CRA Comments

The GST/HST Registry is provided pursuant to subsection 295(6.1) of the *Excise Tax Act* (ETA).

On being provided by any person with information specified by the Minister sufficient to identify a single person and a number, an official may confirm or deny that the following statements are both true:

(a) the identified person is registered under Subdivision d of Division V; and
(b) the number is the business number of the identified person.

The reason it is different from Quebec and BC is the fact that the legislation states that we require information sufficient to identify a single person **and** a number. As such, we cannot simply ask for the number.

While we are always looking at ways to streamline and improve our processes, the GST/HST Registry is subject to the provisions of subsection 295(6.1) and our ability to make any changes is restricted.

QUESTION # 11: My Business Account and Communication Via E-mail

a. *Appreciation for Positive Changes to My Business Account.* TEI would like to recognize the continuing outreach efforts of the My Business Account team. In particular, we would like to acknowledge that CRA has modified some of its policies in a very practical manner, which has eased the administrative burden of registering a company (or registering many related companies) for the My Business Account.

b. *Communication via E-mail.* TEI members are interested in communicating with their CRA auditors via e-mail. Will something comparable to the Electronic Transfer of Accounting Data be developed within the My Business Account Message Centre that would permit a registrant to correspond via e-mail with a CRA auditor?[1]

CRA Comments

a. The CRA has established a strong foundation in e-services and continues to seek ways to expand the range of functions that taxpayers and representatives can do online, as well as to make these services as simple and intuitive as possible. The CRA remains focused on making our e-services the channel of choice for our clients.

One-way secure data exchange is presently possible for business owners and their representatives using the Electronic Transfer of Accounting Data (ETAD) service found within the My Business Account and the Represent a Client portals. This service allows clients to submit accounting data to the CRA during business audits. Also, the ability to securely send the CRA electronic copies of supporting documentation and receipts was launched in October 2012, with the Submit Documents service, for the T2 Corporation Assessing Review Program. This service, found within the CRA secure portals, was expanded in April 2013 to the T1 Processing Review program and beginning in April 2014 Submit Documents will be available for the Office Audit and for the Benefits Eligibility/Entitlement programs. Submit Documents is tentatively planned to become available to GST/HST Audit programs in October 2014 and T2 Audit in October 2015 with the services for additional specialty audits, such as Foreign Reporting, being added after October 2015.

Beginning in April 2013, the CRA began offering business owners, or their delegated authorities, the ability to receive correspondence from the CRA electronically using the Manage Online Mail feature of the My Business Account Portal. The Manage Online Mail service advises Canadians, via electronic notification, that they have new correspondence or an action request from the CRA that they need to view in our secure portal. Further expansion of this service, to include discounters and other types of representatives, is planned for 2014.

Beyond the Electronic Transfer of Accounting Data (ETAD), Submit Documents and Manage Online Mail service initiatives, the CRA is actively analyzing electronic paths that

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[1] Over the past several years, the U.S. Internal Revenue Service has been implementing a secure email system to correspond with large-file taxpayers during audits. All or nearly all large-file taxpayer cases now employ that system.

would allow for the two-way exchange of secure electronic information and correspondence between taxpayers, their authorized representatives and the CRA. The protection of secure and confidential information is a priority for the CRA. We are committed to implementing and enhancing services that allow for the timely two-way exchange of electronic information and correspondence between taxpayers and the CRA, including during audits, that is both functional and secure.

QUESTION # 12: Excise Tax on Insurance Premiums

Part I of the *Excise Tax Act* (ETA) imposes a 10% tax on insurance premiums against risks in Canada that are placed with:

- an insurer authorized under the laws of Canada or a province to transact the business of insurance, if the contract is entered into or renewed through a broker or agent outside Canada; or
- an insurer not authorized under the laws of Canada or a province to transact the business of insurance.

The statute provides that the tax does not apply "to the extent that the insurance is not, in the opinion of the Commissioner, available in Canada." The term "not available in Canada" is not defined in the ETA, and the only reasons CRA deems acceptable are the unavailability of the particular class of insurance from authorized insurers or a lack of market capacity at the time a taxpayer purchases that class of insurance. The latter exception has not been defined. To qualify for exemption from the insurance premiums tax, CRA requires taxpayers to provide five declination letters from licensed Canadian insurers each year the exemption is claimed.

a. *Status of Policy Changes.* Can CRA provide an update on the progress and status of draft changes to Form ETSL68, *Statement of Availability or Declination from Authorized Insurers – Tax on Insurance Premiums (Part I of the Excise Tax Act)*, and Memorandum X7-1, *Special Levies – Insurance Premiums*, or any changes in CRA policy and administrative procedures with respect to the Part I insurance premiums tax?

b. *Documentary Evidence Issues.* Would CRA consider providing examples or a list of documentary evidence other than declination letters identifying other acceptable support for insurance not being available in Canada? If so, would CRA accept as one such example declarations from an Alberta Special Broker that are accepted by the Province of Alberta for purposes of the *Alberta Insurance Act*?

CRA Comments

a. The CRA continues to work on the policy changes to revise the Excise Taxes and Special Levies Notice ETSL 68 as well as Memorandum X7-1, *Special Levies - Insurance Premiums*. It is anticipated that they will be finalized for publication sometime within the next few months.

b. If a particular line of insurance is not available in Canada, then proof that attempts were made to purchase the insurance from authorized insurers will be reviewed. The documentation required and reviewed may change depending on the facts of each case. Documentation could consist of letters of declination, emails or other supporting documents that confirm the assertion that the taxpayer has made a legitimate effort to procure the insurance from authorized insurers prior to purchasing the insurance from unauthorized insurers. This effort must be substantiated each time a contract of insurance is entered into or renewed.

   Audit will be looking at activity prior to the insurance being placed rather than after the insurance has been placed. The test would be whether effort was made to place the insurance with authorized insurers prior to going with unauthorized insurers. This effort would be validated by maintaining documentation supporting the intent to purchase the insurance coverage from authorized insurers.

QUESTION # 13: Accounting Periods for GST/HST

Section 239 of the *Excise Tax Act* (ETA) enables a registrant engaged in one or more commercial activities to request permission to file separate GST/HST returns in respect of a branch if:

(i) the branch can be separately identified by its location or the nature of its activities, and

(ii) separate records, books of account, and accounting systems are maintained in respect of the branch.

Section 243 of the ETA enables a person to file its GST/HST returns based on its accounting periods, as opposed to calendar months, if the accounting periods meet certain conditions. Pursuant to subsection 243(3), a person choosing to use its accounting periods rather than calendar months for its GST/HST returns is required to file Form GST71, *Notification of Accounting Periods for GST/HST*, with the CRA prior to the first day of each fiscal year.

With this background, TEI invites a discussion of the following scenarios:

Scenario #1:

- The registrant has special accounting periods that meet the conditions of section 243;
- the registrant has filed Form GST 71 before the beginning of the fiscal year to notify CRA of the accounting periods that should be used for its GST/HST returns;
- CRA has **not** processed the notification and therefore has **not changed** the registrant's fiscal periods for the upcoming fiscal year; and
- CRA refuses to convert the registrant's fiscal periods from calendar months to the registrant's accounting periods after the beginning of the fiscal year due to system limitations.

What mechanism is in place to allow CRA to change the registrant's filing periods in the course of a fiscal year where CRA has not processed a timely filed Form GST 71? If system constraints do not allow CRA to apply the accounting periods during the year, what alternatives can be explored to ensure that the registrant will not face challenges upon a GST/HST audit?

Scenario #2:

- The registrant has special accounting periods that meet the conditions of section 243;
- the registrant has filed Form GST 71 before the beginning of the fiscal year to notify CRA of the accounting periods that should be used for its GST/HST returns;
- the CRA has processed and approved the notification prior the beginning of the upcoming fiscal year;
- the registrant adopts a new accounting system part way through a fiscal year and begins to use calendar months, as opposed to the accounting periods previously used.

Is there a mechanism in place to allow the registrant to convert to calendar month filing part way through a fiscal year where CRA has previously approved another accounting period for that registrant for that fiscal year? If this is not allowed under section 243 of the ETA, is there administrative relief available? For example, Revenu Québec annotates the registrant's file to indicate the filing periods used on a go forward basis. These notes are available to Revenu Québec GST/QST auditors, and the process is facilitated by the Revenu Québec Large Case Manager.

Scenario #3:

- A registrant is filing separate GST/HST returns for the commercial activities of its branches pursuant to section 239;

- the head office and the branches have special accounting periods that meet the conditions of section 243 in a given fiscal year;
- the head office and all the branches (except one branch) change their accounting periods to calendar months at the end of a fiscal year;
- accordingly, Form GST 71 is not filed for the new fiscal year;
- one branch, however, remains on the special accounting period. This branch files, on a timely basis, Form GST 71 to notify CRA of that particular branch's accounting periods; and
- CRA approves the notification and incorrectly applies the request for special accounting periods to the head office and all branches although it has not received any request from the registrant head office or any of the other branches, except for the single branch mentioned above.

(i) (*Finance Only*)

(ii) Branches occasionally use different accounting systems, and it is possible that a branch's accounting period will differ from the head office. In such a case, would CRA consider accepting the separate GST/HST filings from the head office and the branches using different periods on an administrative basis?

CRA Comments

Scenario #1

If there is proof that the GST71, *Notification of Accounting Periods for GST/HST* election was sent to the CRA by its required date of submission, we will process the GST71. In the absence of such proof, we will entertain each situation on a case by case basis. The mechanisms in place are dependent on the situation.

Problems do arise if the registrant files a GST/HST return for a regular calendar month or quarter prior to the GST71, *Notification of Accounting Periods* election being processed. If a registrant does not receive notification that their GST71 election has been processed, or if they receive their personalized GST/HST return with a reporting period that is a calendar month or quarter when a specified accounting period is expected to be received, the registrant should contact the CRA immediately to remedy the situation prior to filing a return, even if this occurs after the first day of the fiscal year that applies to the election.

If a return has already been filed and processed, and a GST71, *Notification of Accounting Periods* election was provided to and not processed by the CRA, the registrant should send written correspondence or a My Business Account enquiry explaining the situation in detail. Local CRA staff would then consult with the headquarters function to approve and facilitate the necessary process to allow for the processing of the GST71. We may contact you for additional information that may be required to facilitate your request.

To avoid all issues, you can file your GST71 election and have it processed in real time by using the "File an election" online service at www.cra.gc.ca/mybusinessaccount. You must file this form on or before the first day of the fiscal year to which it relates. You have to file a new notification for each fiscal year for which you want to use your accounting periods. If you do not tell us your accounting periods, we will revert your GST/HST return and payment due dates to calendar months or calendar quarters, as appropriate.

Scenario #2

At the time of submission of this scenario we did not allow changes to a GST71, *Notification of Accounting Periods* election; however, we will begin to entertain these requests on a case by case basis. To make a request, send written correspondence or a My Business Account enquiry explaining the situation in detail. Local CRA staff would then consult with headquarters to approve and facilitate the necessary process to allow for the processing of the GST71. We may contact you for additional information that may be required to facilitate your request.

Scenario #3

(ii) The situation described should not occur. A GST71 can only be approved on a business number's primary GST/HST account. If a branch or division submitted a GST71, it should not be processed on the primary account. If this occurs, we should be notified of the error immediately so that corrective action can be taken on the account.

A GST71 election can only be processed for the person as defined in Part IX of the ETA; therefore, a division or branch cannot have accounting periods that are different than its primary GST/HST account.

QUESTION # 14: Role of Large Case Manager in GST/HST Audits

For income tax purposes, Large Case Managers are assigned to large corporations with multiple subsidiaries that are subject to numerous compliance requirements and various tax audits. The role of the Large Case Manager is to act as a single point of contact and to facilitate

communication between CRA and the taxpayer. Generally, the audit plan is established by the Large Case Manager and discussed with, and agreed to by, the taxpayer. The audit plan includes the entities that will be subject to audit, the periods covered, as well as a discussion regarding the timing of the audits. This role has proven effective for income tax audits.

In discussions with Large Case Managers, certain TEI members have been advised that the role of the Large Case Manager includes the management and handling of GST/HST matters, including audits. The process on the GST/HST side, however, appears to be less effective. More specifically, when issues relating to GST/HST matters are brought up, the Large Case Manager does not appear to have the tools to effectively identify and communicate with GST/HST resources within CRA. Also, the selection of GST/HST audits has not been part of the large corporation's audit plan. Unlike the income tax process, there does not seem to be effective coordination for GST/HST audits within a corporate group that includes numerous affiliated companies.

Could CRA confirm whether the current role of the Large Case Manager includes handling GST/HST matters? If so, could CRA explain the process, including how various GST/HST audits for entities forming part of a large group of entities are coordinated within CRA and how the Large Case Manager is involved?

CRA Comments

As a response to harmonization of GST/HST in Ontario and British Columbia in 2010, the CRA's Compliance Programs Branch decoupled GST/HST audits from income tax, thus recognizing the importance of two separate tax Acts. As a result of this decoupling, the CRA has moved towards having two points of contact for a Large Business – one for income tax and one for GST/HST. Although the major tasks of the income tax Large File Case Manager has remained relatively unchanged, the newly created GST/HST Large File Case Manager (LFCM) is now responsible for coordinating compliance issues for large business GST/HST registrants, along with the GST/HST issues for the various affiliated entities. Similar to income tax, the GST/HST audit program uses a case management approach to manage its compliance activity of its economic entity groups. In certain situations, where a GST/HST LFCM does not exist, the GST/HST team leader or section manager may act as the coordinator in addressing GST/HST compliance issues.