



Canadian indirect tax news

Important reminder for employers with pension plans: December 31 year-end remittance obligations

November 30, 2017

Following the deemed supply rules found under section 172.1 of the Excise Tax Act, a goods and services tax/harmonized sales tax (GST/HST) registrant that is a participating employer in respect of a pension entity of a pension plan is deemed, on the last day of its fiscal year, to make taxable supplies of:

- (1) most property and services acquired by the employer during the year;
and
- (2) internal resources of the employer consumed or used in the year,

Contacts:

Doug Myrden

National Indirect Tax Leader
Tel: 416-601-6197

Quebec

Robert Demers

Tel: 514-393-5156

Eastern Region

Michael Matthews

Tel: 613-751-5310

Toronto

Danny Cisterna

Tel: 416-601-6362

which are for consumption, use or supply by the pension entity in the course of pension activities. As such, the participating employer is required to remit GST/HST due on deemed supplies, as calculated based on a distribution of employees that are participants of the plan throughout Canada.

In turn, a pension entity is eligible to claim a 33% rebate on the GST/HST paid. The same rules are applicable for Quebec sales tax purposes as well.

Following the legislative and regulatory proposals relating to the GST/HST released by the Minister of Finance on July 22, 2016, participating employers of pension entities who do not remit the GST/HST due on deemed supplies on the return of their reporting period that includes the last day of their fiscal year may **now create a risk for the plans**. Indeed, in such a case, the 33% rebate cannot be claimed by the pension entities. Although these legislative proposals have not yet received Royal Assent, their application is retroactive as of September 23, 2009.

In this respect, for employers who have a December 31 year-end, it is crucial that they ensure that GST/HST due on deemed supplies is calculated correctly and remitted in the last GST/HST return of their fiscal year.

Furthermore, while the Department of Finance of Quebec has not yet proposed similar modifications, following the *Comprehensive Integrated Tax Coordination Agreement between the Government of Canada and the Government of Quebec*, it is expected that Quebec will adopt similar rules.

Deloitte's Indirect Tax professionals can help you identify whether the above-mentioned requirements may affect your business and your registered pension plans.

If you have any questions on any of the above, please reach out to your Deloitte representative.

Deloitte LLP
Bay Adelaide Centre, East Tower
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9
Canada

This publication is produced by Deloitte LLP as an information service to clients and friends of the firm, and is not intended to substitute for competent professional advice. No action should be initiated without consulting your professional advisors. Your use of this document is at your own risk.

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services. Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited.

Jason Riche

Tel: 416-607-1244

Western Region

Andrew Azmudeh

Tel: 587-293-3258

Janice Roper

Tel: 604-640-3353

Related links:

[Canadian indirect tax news archive](#)

[Deloitte Tax Services](#)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a U.K. private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

© Deloitte LLP and affiliated entities.

To no longer receive emails about this topic please send a return email to the sender with the word "Unsubscribe" in the subject line.