



Canadian tax alert

Indirect tax measures in response to COVID-19

April 3, 2020

The federal government and the various provincial governments have been quick in responding to the COVID-19 situation with various indirect tax relief measures to help Canadian businesses through this difficult time. The following is a summary of the various measures that have been recently introduced as of April 2, 2020.

Contacts:

Philippe Bélair

Tax & Legal Leader

Tel: 514-393-7045

Doug Myrden

National Indirect Tax Leader

Tel: 416-601-6197

Quebec

Michel Lagrange

Tel: 514-393-7124

FEDERAL MEASURES

Goods and Services Tax/Harmonized Sales Tax (GST/HST) measures

On March 19, 2020, the government announced that collection activities on new debts will be suspended, and flexible payment arrangements will be available. A Request for Taxpayer Relief (form RC4288) may be filed to request to have interest and/or penalties by waived or cancelled.

The government also announced that the CRA will not contact any small or medium enterprise (SME) to initiate a GST/HST audit for four weeks (i.e., until April 19, 2020).

On March 27, 2020, the government announced that it is postponing the deadline for filing GST/HST returns and the requisite payments from March 27, 2020 until June 1, 2020. In such cases, the deadline is postponed to June 30, 2020.

It is our understanding that this extension only applies to GST/HST remittances. The CRA encourages registrants to file their GST/HST returns on time, as required by statute. However, if the filing is not made on time, no penalties will be applied until after June 30, 2020. All payment and filing deadlines will be adjusted in CRA's systems so there is no requirement to file for taxpayer relief. This extension applies to all registrants, including non-residents.

Please note that paper copies of GST/HST returns will not be processed until normal operations resume. In addition, electronically filed housing and general rebate applications are manually assessed and will not be processed until operations resume.

These measures will apply to the GST nationally and to the HST in the five participating provinces (Ontario, Newfoundland and Labrador, Nova Scotia, New Brunswick and Prince Edward Island). At this time, there have not been any separate provincial announcements concerning the provincial component of the HST in the participating provinces (i.e., no changes to provincial point-of-sales rebates or federal public service body rebates for the provincial component).

It is important to note that excise taxes and duties are still required to be remitted by their prescribed due dates.

For additional information about the deferral of GST/HST tax remittances, see <https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/frequently-asked-questions-gst-hst.html>.

Customs measures

On March 16, 2020, the Canadian Border Services Agency (CBSA) released Customs Notice 20-08 concerning imported goods for emergency use in response to COVID-19, Goods for Emergency Use Remission Order (the Order).

Eastern Region
Michael Matthews
Tel: 613-751-5310

Toronto
Danny Cisterna
Tel: 416-601-6362

Lisa Zajko
National Global Trade Advisory
Leader
Tel: 416-867-8534

Western Region
Janice Roper
Tel: 604-640-3353

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The Order, along with the application of Customs Tariff Item No. 9993.00.00, provides for the relief of duty and tax for goods required for an emergency that are imported by or on behalf of federal, provincial or municipal entities (such as centres for health care) as well as by or on behalf of members of first response organizations (such as police, fire and local civil defence groups, including medical response teams).

This relief does not extend to persons other than those noted above.

As a result, GST/HST and any other taxes applicable under the Excise Tax Act will be covered by the Goods for Emergency Use Remission Order and therefore GST/HST and excise tax will not apply to imported emergency goods. All goods for which this relief is granted must be exported from Canada whenever they are no longer required, except goods that are consumed or destroyed during the emergency.

The Temporary Importation (Tariff Item No. 9993.00.00) Regulations waives the requirement to provide proof of export for goods consumed or destroyed in an emergency.

It is important to note that importations may be subject to examination at the time of importation and to post-release verification for compliance with the Tariff Classification, Valuation, Origin and Marking programs, and any other applicable provisions administered by the CBSA.

On March 18, 2020, Customs Notice 20-09 announced that effective immediately, the period of 90 days for submitting corrections following a CBSA trade compliance verification where errors were found, will automatically be extended by 30 days. While CBSA continues to process adjustments and conduct verifications, additional extensions have been provided on a case-by-case basis to respond to information requests.

On March 19, 2020, the CBSA issued Customs Notice 20-10 to waive late accounting penalties for a 45 business days grace period, for transactions released from March 11, 2020 to May 14, 2020, inclusively. It is our understanding from the CBSA that this applies only to administrative monetary penalties and not interest (however, note that the CSBA subsequently extended payment deadlines as noted below).

On March 27, 2020, CBSA issued Customs Notice 20-11 to extend to June 30, 2020 all payments due to the Agency (i.e., customs duties and GST on regular imports (commercial), reassessments, penalties, etc.). This also includes charges on the statement of account of March due on April 1, 2020. As many importers transact business with the CBSA through a customs broker, and may be set up for direct payment to the CBSA on duties and/or GST, close consultation will be required with customs brokers to understand how the deferment will be operationalized on particular accounts.

Importers should note there is no change to the accounting timeframes prescribed by the Regulations. Importers are required to submit accounting declarations for imported goods released on minimum documentation within the required timeframes; however, note the late accounting penalty waiver specified in Notice 20-10.

PROVINCIAL MEASURES

British Columbia

On March 23, 2020, the BC government announced filing and payment deadline extensions for the following taxes until September 30, 2020:

- Employer health tax
- Provincial sales tax (including municipal and regional district tax)
- Carbon tax
- Motor fuel tax
- Tobacco tax

The following tax changes announced in Budget 2020¹ will be postponed until further notice:

- Eliminating the provincial sales tax (PST) exemption for carbonated beverages that contain sugar, natural sweeteners or artificial sweeteners
- Expanded registration requirements for Canadian sellers of goods, along with Canadian and foreign sellers of software and telecommunication services

Carbon tax rates will remain at their current levels until further notice. The tax measure announced in Budget 2020 aligning the carbon tax rates with the federal carbon pricing backstop is also postponed until further notice.

On April 1, 2020, the BC Ministry of Finance announced that effective March 23, 2020, tax return filing and payment due dates after March 23, 2020 and before September 30, 2020 will now be September 30, 2020.

- This deferral applies to carbon tax, motor fuel tax (including the International Fuel Tax Agreement), provincial sales tax (including municipal and regional district tax on accommodation) and tobacco tax.
- The deferral is automatic.
- In September, businesses will be required to make a lump-sum payment. However, separate returns will be required to be filed for each reporting period.
- Businesses also have the option of filing their returns according to the usual report periods and defer payment until September 30, 2020.
- After September 30, 2020 sales taxes returns and payments will follow their usual due dates.

Saskatchewan

On April 2, 2020, the Government of Saskatchewan announced (in Information Notice IN 2020-03) the following measures for businesses that are unable to submit their PST returns due to cash flow concerns as a result of COVID-19:

- PST returns must be filed each month/quarter (with or without payment).
- Monthly filers may defer payment of amounts due for February, March and April 2020 reporting periods to July 31, 2020.

¹ As reported in Deloitte's [Canadian indirect tax news – British Columbia Budget 2020, February 27, 2020](#).

- Quarterly filers may defer payment of amounts due for the January 1, 2020 to March 31, 2020 reporting period to July 31, 2020.
- There is no requirement to submit a request for relief from penalty and interest charges for these returns.
- Full payment must be made, or a payment arrangement must be in place, by July 31, 2020 in order to qualify for the automatic deferral and waiver of penalties and interest.
- Payment arrangements may be made by submitting a request electronically through the Saskatchewan ETax Service (SETS), located at sets.saskatchewan.ca, or by email at sasktaxinfo@gov.sk.ca.

It should be noted that this relief is not extended to other provincial taxes at this time.

Manitoba

On March 19, 2020, the government of Manitoba announced that the PST rate would be reduced by 1 percentage point from seven to six percent, effective July 1, 2020. On March 26, 2020, however, Manitoba's premier announced that reduction would be pushed back to 2021.

On March 23, 2020, the government of Manitoba announced its intention to reintroduce a Manitoba alternative to the federal carbon levy. Starting July 1, 2020, the Manitoba government would implement a flat, \$25-per-tonne "made-in-Manitoba" Green Levy, replacing the current federal carbon price. On March 26, 2020, however, the Manitoba government announced the deferral by a year of the proposed Green Levy.

Manitoba has extended the April and May filing deadlines for SMEs with monthly remittances of no more than \$10,000. Businesses will have up to two additional months to file and remit retail sales taxes.

A request to waive penalties and interest may be submitted in writing to Manitoba Finance, Taxation Division, 101 – 401 York Avenue, Winnipeg, Manitoba R3C 0P8.

Ontario

On March 25, 2020, the Ontario government announced a five-month relief period for Ontario businesses that are unable to file or remit select provincial taxes on time.

Beginning April 1, 2020, penalties and interest will not apply to Ontario businesses that miss any filing or remittance deadline under select provincial taxes:

- Employer Health Tax
- Retail Sales Tax on Insurance Contracts and Benefit Plans
- Race Tracks Tax
- Tobacco Tax
- Fuel Tax
- Gas Tax
- Beer, Wine & Spirits Tax
- Mining Tax

- Insurance Premium Tax
- International Fuel Tax Agreement

If a business is unable to file its return or remittance during the relief period, they are not required to contact or notify the Ministry of Finance. Penalties and interest will be waived automatically for all late returns or remittances by Ontario businesses during the relief period. Ontario businesses are required to file any late returns or remittances by the end of the relief period.

The relief period does not apply to business accounts with outstanding taxes, or interest or penalties owing to the government from previous filing periods. Existing debts from before the relief period will continue to accrue interest.

The government is also temporarily suspending audit interactions with most Ontario businesses and representatives for the month of April 2020.

Quebec

In an attempt to harmonize with the federal GST/HST measures the Quebec government announced that as of March 27, 2020 and until June 1, 2020, for all QST returns, for reporting periods whose filing deadlines fall after June 1, 2020, the filing and payment deadlines announced federally will apply. This allows Quebec Sales Tax (QST) registrants to postpone filing until June 30, 2020, their returns and payments in respect of the March 31, April 30 and May 31 QST remittances, without interest or penalties.

For businesses that are filing the GST/QST through their financial institutions, both returns and payments must be filed at the same time. Therefore, it is recommended to use the Revenu Québec portal.

Revenue Quebec announced on March 31, 2020 that the deadline for remitting net GST/HST and QST has been extended to June 30, 2020, for all returns to be filed between March 27, 2020 and June 1, 2020. The same applies for instalment payments.

In order to harmonize the QST system with the GST/HST system, the filing deadlines remain unchanged. Persons who are able to do so must file their GST/HST and QST returns by the normal deadlines to facilitate tax compliance and administration. No late-filing penalties will be charged if the returns are filed no later than June 30, 2020.

All businesses are eligible for this deferral, including non-residents. Other taxes, such as tax on insurance premiums, tobacco tax, and tax on gasoline and fuel, must be filed and remitted as usual.

For QST purposes, a request to waive or cancel penalties and interest may be submitted using form FP4288-V, *Application for the Cancellation or Waiver of GST/HST and QST Related Interest or Penalties or of QST Related Charges*.

How can Deloitte help you?

In times like this, a plan to efficiently handle a company's indirect taxes by utilizing the various government's measures, will assist in improving cash management.

In addition to the above government measures, now is the time to be agile and actively consider various indirect tax areas that may assist in maximizing your cash flow and minimizing potential exposures. This is a good time to review the following areas:

- Invoice processing procedures
- Intercompany charges and various elections
- Contract reviews
- Pricing adjustments
- Net tax adjustments
- Employee expense reports
- Documentary requirements
- Input tax credit allocation methodologies
- Real property acquisition/dispositions
- Bad debt relief
- Self-assessment provisions
- Temporary importations
- Customs warehousing
- Customs classification and valuation
- Indirect/Accounts Payable and Customs recovery projects

Deloitte's Indirect Tax and Global Trade Advisory teams remain connected and informed, and are here to support our clients. We are positioned to work with clients in identifying indirect tax and duty recovery and/or other opportunities, efficiencies and cost reduction initiatives, as well as co-sourcing, outsourcing and automation opportunities.

If you have any questions concerning the various COVID-19 indirect tax measures and/or considering strategies to maximize your cash flow, please reach out to your Deloitte representative or any of the individuals noted on this newsletter.

For more information on COVID-19, see our [Canadian COVID-19 information hub](#) and our [global COVID-19 information hub](#)

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

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