

Required Electronic Reporting for GST/HST

June 30, 2010

Segal LLP | Taxation Services

The Canada Revenue Agency announced earlier this year that certain registrants would have to file their GST/HST returns electronically for all periods that end after June 30, 2010. There are penalties for failing to use electronic reporting when required to do so and for some businesses, other penalties for not reporting certain information only found on electronic returns.

There are four types of electronic reporting: NetFile, TeleFile, EDI (or Electronic Data Transfer) and “GIFT” (or GST/HST Internet File Transfer). EDI allows payment of amounts owing but using the others will require making payment separately through “MyPayment”, the local CRA cash window or an authorized financial institution.

There are three basic types of registrants that are required to use electronic reporting (for others it is available on a voluntary basis).

The first type includes anyone who made more than \$1.5 million in taxable supplies (including all associates) in the last fiscal year ending before July 1, 2010. “Taxable” supplies includes those where tax was charged at standard rates or at 0% (which includes basic foods, medical devices, exports, transportation services) and will also include taxable supplies to provincial entities or Indian Bands even though no tax was charged. This group will normally be quarterly or monthly filers, since the annual reporting threshold is also \$ 1.5 million (except for charities).

The second group is all “large vendors” as defined under the new rules for BC and Ontario HST. These persons will have made more than \$10 million in taxable supplies (including their associates) in their last fiscal year before July 1, 2010. These parties must use the NetFile method because it will be the only return with the fields to report the recapture of the BC and Ontario portions of HST claimable as ITCs for certain specified expenses (energy, telecommunications, vehicles under 3,000 kilograms and meals and entertainment).

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Required Electronic Reporting for GST/HST (cont'd)

The last group is any person who sells new residential housing in BC or Ontario and who will be reporting transitional adjustments (including rebates) with respect to PST or HST. They will also be required to use NetFile since it will be the only method to include all the transitional reporting.

If you are required to file electronically, you should receive a web access code from the CRA sometime in July 2010 which will allow you to access the form you need. If you have not received a code by mid July, you will need to contact the CRA to obtain it.

If you have questions about how these changes will affect you, or would like assistance with the first returns you file under the new requirements, we are here to help.

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