

Canada
Tax

Contacts

Quebec and Atlantic
Robert Demers
National Leader
514-393-5156

**National Capital
Region**
Michael Matthews
613-751-5310

**Greater Toronto Area
and Southwestern
Ontario**
Danny Cisterna
416-601-6362

Prairies
Dean Grubb
604-640-3266

West
Janice Roper
604-640-3353

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Canadian Indirect Tax News

January 11, 2010 (10-1)

Electronic filing of GST/HST returns

Have you always wished that you could file your GST/HST returns electronically? As of July 1, 2010, you can.

On January 4, the federal government announced a new initiative to allow all GST/HST registrants to file their returns electronically, effective July 1, 2010.

Currently, only certain registrants have the choice of electronic filing, which severely restricts the usefulness of this option. With the proposed new initiative, anyone registered for GST/HST can file electronically, including those filing with Revenue Quebec.

Some registrants will now be required to file electronically, including:

- GST/HST registrants with greater than \$1.5 million in annual taxable supplies (except for charities);
- all registrants required to recapture input tax credits for the provincial portion of the HST on certain inputs in Ontario or British Columbia; and
- builders affected by the transitional tax measures applicable to housing announced by Ontario and British Columbia.

If you are not required to file electronically, you still have the option to do so after July 1, 2010.

Further details of the initiative will be released in the coming months. We will keep you updated.

Environmental levies

Environmental levies are becoming a popular funding mechanism for managing a product's end-of-life disposal cost. Over 100 provincial and territorial environmental levy programs exist today. These programs include blue box recycling, hazardous waste collection, product packaging recycling, electronics recycling and many more.

The costs of recycling and disposing of packaging, waste and electronics are being off-loaded by companies to consumers. While consumers may pay for these costs through levies included in the product purchase price, the "collectors" are responsible for remitting the levies. These levies are not insignificant – they range from several thousand dollars for some programs to millions of dollars for others.

A typical program might be structured as an industry-funded organization (IFO). A non-profit organization would be created to become the designated IFO for the particular industry sector (e.g., electronics). The program would require brand owners, first importers, franchisers and assemblers to pay fees to the IFO for the equipment being supplied in a particular province. The fees collected by the IFO would be used to operate the program. The IFO would contract with various parties who register with the program to collect, transport and process the waste. These groups would be paid from the fees collected.

This regime creates risks for businesses. Businesses must determine whether or not they are obligated to collect and remit these fees. They must review their processes to ensure that the right products attract the right levy and that the correct payments are made on time in each of the provinces. Underpayments are subject to substantial penalties – in some cases, 10% of the outstanding amount due – and are payable with interest accruing at, typically, prime plus 3% interest per annum for each type of product.

Keeping up with the myriad of programs raises several compliance challenges:

- Knowing whether the business is liable for a particular levy;
- Maintaining awareness of all of the changes in all of the levies;
- Collecting the correct amount of levy;
- Ensuring that the business can properly track and regularly report to the provincial government as required by specific programs (e.g., volume and weights of products subject to fees); and
- Protecting cash flow by ensuring remittance of the correct fees.

The administration of the various environmental levies can be burdensome for a business. It is critical to develop an effective tracking and reporting system to ensure compliance.

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30 Wellington Street West
P.O. Box 400, Stn Commerce Court
Toronto ON M5L 1B1 Canada

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