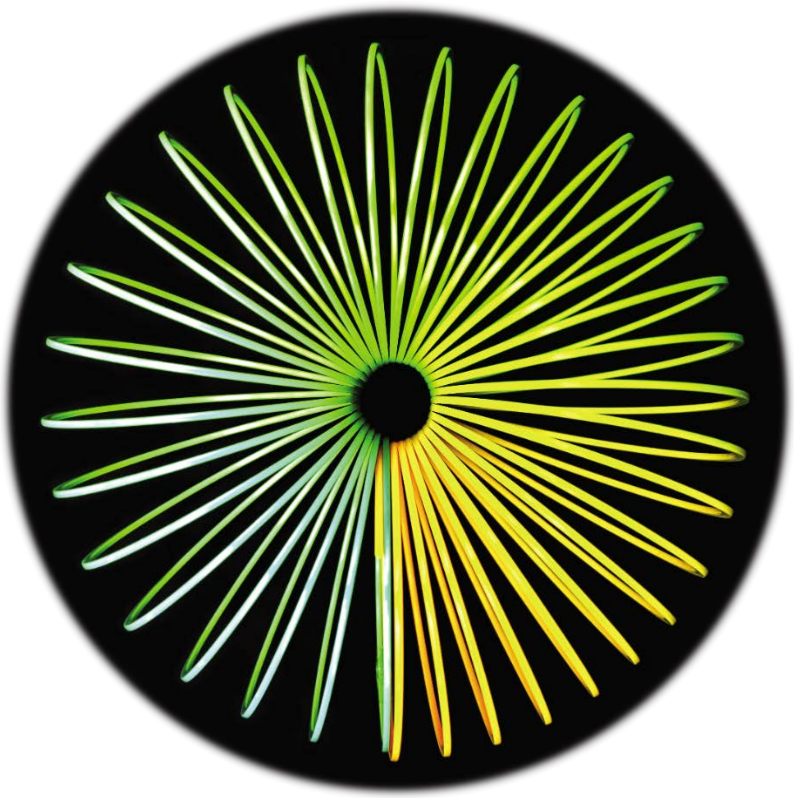

Canadian indirect tax news

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,

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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.

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