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Get ahead of the curve on GST/HST obligation issues

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The CRA announced in the December issue of the “Businesses – Tax information newsletter” the kickoff of a new campaign to send GST/HST compliance letters to GST/HST registrants. Through this campaign, the CRA hopes to assist taxpayers in gaining a better understanding of their GST/HST compliance requirements. Accordingly, the targets of this campaign are expected to be individuals and small businesses.

This pilot project will be conducted from December 2016 to August 2017, and letters will be sent out as follows:

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| December 2016 | 250 letters |
| February 2017 | 250 letters |
| May 2017 | 2,500 letters |
| August 2017 | 2,500 letters |

The CRA identifies previously filed GST/HST returns that are suspected to contain errors. The recipients of the letters will be asked to review the selected GST/HST returns and confirm whether the amounts reported are correct. If not, the taxpayer will be asked to provide amended amounts to the CRA.

What are the implications?

We anticipate that the CRA may be able to extend the scope beyond the GST/HST returns that were originally selected for the compliance review, if the response leads the CRA to believe that a particular error spans multiple reporting periods.

Considering that the CRA presumably has the ability to reselect one of these GST/HST returns for a general examination or audit later, it would be prudent to acknowledge the risk that the CRA may impose heavy penalties if it determines that an error was (knowingly, or under circumstances amounting to gross negligence) not disclosed during the compliance review.

For this reason, we strongly encourage taxpayers to take the initiative of bringing a member of our Indirect Tax group on board in the early stages of this process to reduce the risk and exposure that may come about as a result of this compliance letter campaign.

Lastly, perhaps the most significant takeaway from this announcement is that the option of a Voluntary Disclosure becomes unavailable after the taxpayer has received one of these letters, for one of the conditions for a valid disclosure is that it must be voluntary i.e. the CRA must not have initiated any audit, investigation or other enforcement action related to the information being disclosed. Consequently, the advantages provided under the Voluntary Disclosure Program – namely, the penalty and interest relief – will be lost.

By taking action before receiving any communications from the CRA, you can maximize your opportunity to utilize the Voluntary Disclosure Program. Therefore, if you have concerns about any potential errors related to your GST/HST obligations, please consult with a member of our Indirect Tax group who can help identify your tax issues and determine your eligibility for the Voluntary Disclosure Program, or otherwise recommend the next best course of action.

Source: [click here](#).

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