



Indirect Tax Webinar

GST/HST/QST – Selected Listed Financial Institutions
and Investment Plans

Jeff Harrison, CPA, CMA – Partner – Indirect Tax
Cassandra Whitelaw, CPA, CA – Senior Manager – Indirect Tax

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Agenda

- Harmonization and Investment Plans
- SLFI Compliance Overview
 - Listed Financial Institutions (LFI)
 - Selected Listed Financial Institutions (SLFI)
- Annual Information Return
- Other Considerations

Harmonization and Financial Institutions

Why are we here?

- GST/HST harmonization first started Apr 1, 1997
- Created different tax rates – federal GST rate and HST rates (federal + provincial portion)
- Quebec effectively harmonized with the GST/HST rules in 2013
- A lot of geography in Canada with different rates on purchases being incurred:
 - Now dealing with 5%, 13%, 15% GST/HST, 9.975% QST
 - Apr 1, 2025 – Nova Scotia drops to 14% HST
- Financial institutions generally recover little amounts of GST/HST paid

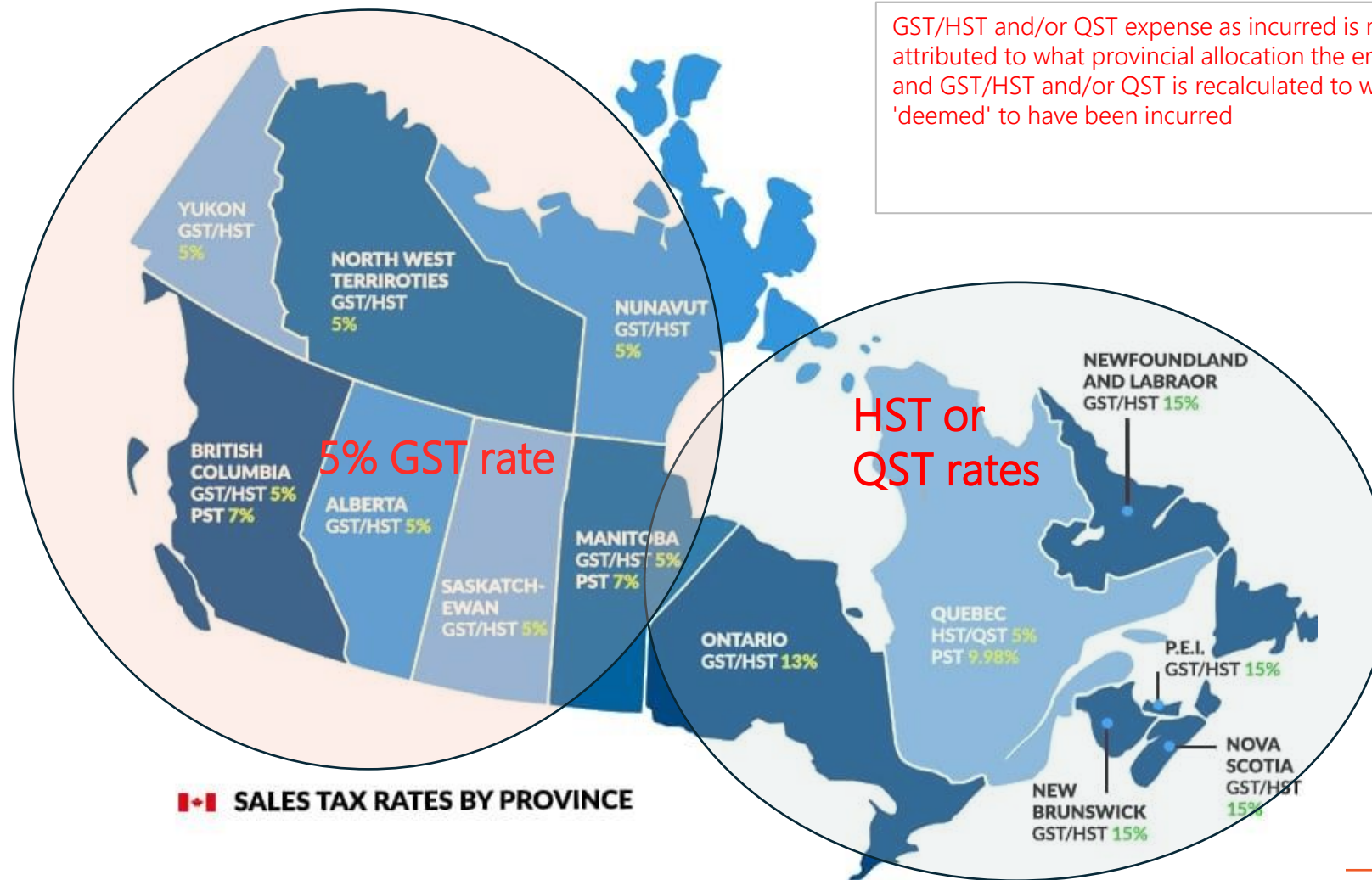
Harmonization and Financial Institutions

Why are we here?

- With different tax rates, FIs are potentially paying more or less tax depending on which jurisdiction they reside
- Legislation exists to prevent an advantage/disadvantage of setting up in a lower rate jurisdiction
 - Reside where you want, but must realign actual GST/HST and QST paid to where consumption and use occurs (e.g.; investors, insurance premiums, deposits/loans, etc.)
 - SLFIs must use a special attribution method to account for the adjustment between expected tax and actual tax paid
 - Result will be the same GST/HST and/or QST cost (later slide reflects this)

GST/HST and QST Rates

GST/HST and/or QST expense as incurred is re-attributed to what provincial allocation the entity has and GST/HST and/or QST is recalculated to what is 'deemed' to have been incurred



Who is a Selected Listed Financial Institution (“SLFI”)?

- Considered a SLFI if you meet these three conditions (some exceptions)
 - Listed financial institution (GST/HST definition)
 - Presence in an HST province and any other jurisdiction, or
 - Presence in Quebec and any other jurisdiction
 - Quebec QST mirrors the GST/HST legislation
- Impact is two-fold:
 1. Filing obligations (some exceptions) – whether registered or not
 2. Align GST/HST and QST paid (if applicable) to where investor is considered to be residing
 - Not just physical location

SLFI measure for an Investment Plan

- Plan is first a listed financial institution for GST/HST and QST purposes
 - Broadly defined – few escape this definition
- It will be a SLFI for GST/HST and QST purposes if:
 - Investors/members reside in HST provinces and any other province, or Quebec and any other province,or
 - The plan could distribute or sell units into the above jurisdictions (re: has the ability to be in those jurisdictions)

Investment Plan

- (a) a trust governed by
 - (i) a **registered pension plan**,
 - (i.1) a pooled registered pension plan,
 - (ii) an employees profit sharing plan,
 - (iii) a registered supplementary unemployment benefit plan,
 - (iv) a registered retirement savings plan,
 - (iv.1) a TFSA,
 - (iv.2) a first home savings account, – Proposed after Aug 12, 2024
 - (v) a deferred profit-sharing plan,
 - (vi) a registered education savings plan,
 - (vi.1) a registered disability savings plan,
 - (vii) a registered retirement income fund,
 - (viii) an **employee benefit plan**,
 - (ix) an employee trust,
 - (x) a mutual fund trust,
 - (xi) REPEALED,
 - (xii) a unit trust, or
 - (xiii) a retirement compensation arrangement,
 as each of those terms is defined for the purposes of the Income Tax Act or the Income Tax Regulations;
- (b) an **investment corporation**, as that term is defined for the purposes of that Act;
- (c) a **mortgage investment corporation**, as that term is defined for the purposes of that Act;
- (d) a mutual fund corporation, as that term is defined for the purposes of that Act;
- (e) a non-resident owned investment corporation, as that term is defined for the purposes of that Act;
- (f) a corporation exempt from tax under that Act by reason of paragraph 149(1)(o.1) or (o.2) of that Act;
- (f.1) an **investment limited partnership**; and
- (g) a prescribed person or a person of a prescribed class.

Excluded from SLFI

- Qualifying small investment plan that has less than \$10,000 in unrecoverable tax in the taxation year (prorated over 365 days)
 - E.g. small pension plans or private investment plan are the targets
- Distributed investment plans **are never excluded**:
 - (a) a corporation (other than a pension entity) exempt from tax under the *Income Tax Act* by reason of paragraph 149(1)(o.2) of that Act;
 - (b) an investment corporation;
 - (c) a mortgage investment corporation;
 - (d) a mutual fund corporation;
 - (e) a mutual fund trust;
 - (f) a non-resident-owned investment corporation;
 - (g) a segregated fund of an insurer;
 - (h) a unit trust that is not a trust described in any of subparagraphs 149(5)(a)(i) to (ix) and (xiii) of the Act[; or]
 - (i) an investment limited partnership.

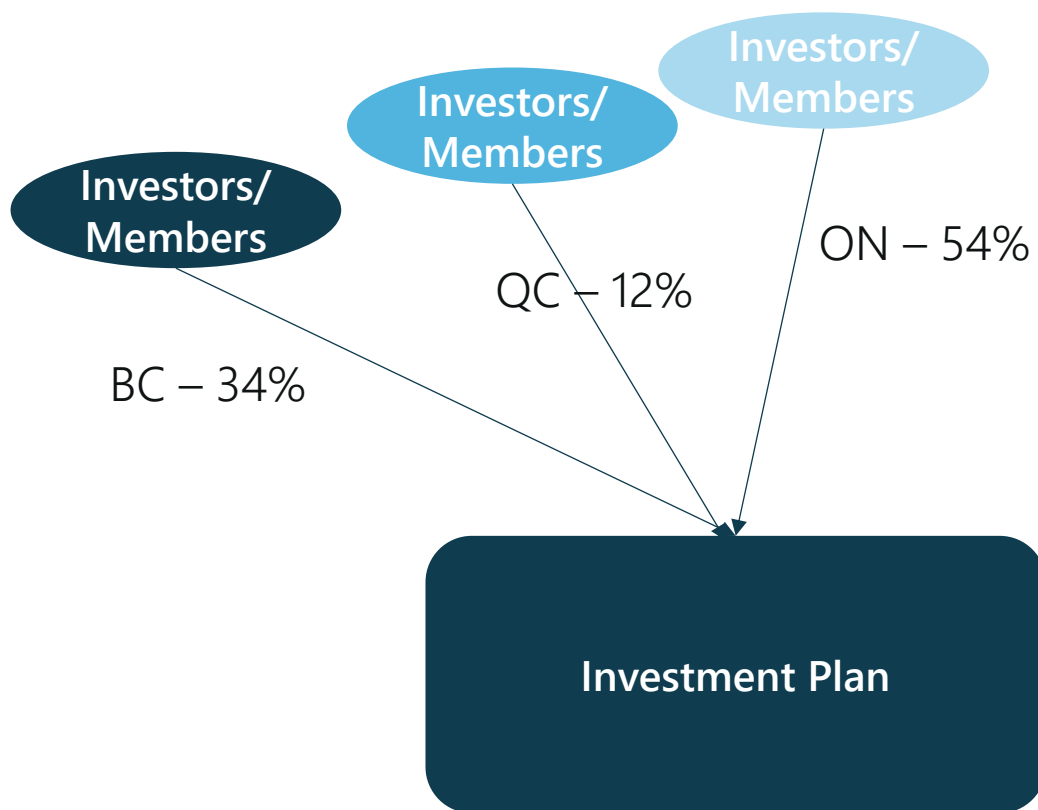
SLFI Attribution Concept

- General GST/HST Concept: Allocation between taxable and exempt activity
 - Input tax credits in relation to taxable activity; no ITCs in relation to exempt activity
- Financial institutions have a mix of taxable and exempt outputs
 - SLFI rules are focused on costs, not revenues (follows normal rules for revenue)
- There is a need to measure of consumption in the relevant jurisdictions
- SLFIs complete a special attribution
- Result is to end up at the same net GST/HST or QST cost regardless of physical jurisdiction

Provincial Allocation

- Investment plan determines their allocations based on where investors reside (deemed place of consumption or use)
- Distributed investment plans must send out information request by Oct 15th of the taxation year
- Other investment plans have sufficient information about investors
- Investor allocation determined as of Sep 30th of that taxation year
- Investor information determined based on value of the investment, value of pension assets or liabilities attributed to the member, etc.
- Purpose is to establish a provincial allocation by jurisdiction

Provincial Attribution Concept



FMV is attributed to investor or member in a particular jurisdiction; grouped together to arrive at the overall percentage

Part F – Percentages and totals for provinces and territories (continued)

Section 1 – GST/HST (continued)

Schedule A1 – GST/HST			
Province or territory	Column 1 Previous tax year	Column 2 Current tax year	Column 3 Provincial part of the HST
New Brunswick	%	%	\$
Newfoundland and Labrador	%	%	\$
Nova Scotia	%	%	\$
Ontario	%	54.000000 %	\$
Prince Edward Island	%	%	\$
Total for participating provinces	%	%	\$
Unallocated amounts	%	%	
Non-participating provinces (including Quebec)	%	46.000000 %	
Non-residents deemed to be resident in Canada	%	0.000000 %	
Total	100 %	100 %	

Section 2 – QST

If you are an SLFI for QST purposes, enter in column 1 or 2 of Schedule A2 – QST, as applicable, the attribution percentage for Quebec and the percentage for unallocated amounts that are used as the basis for the calculation in Section 2 of Part D. Also, enter in column 1 or 2, as applicable, the percentage allocated to other provinces and non-residents deemed to be resident in Canada. When these percentages are added together, the total should be 100%.

Enter in column 3, the total QST (other than prescribed amounts of tax) paid or payable in the particular reporting period(s) in the fiscal year or in any other reporting period that precedes the particular reporting period(s) provided the particular reporting period(s) ends within two years after the end of the fiscal year that includes the other reporting period under specific circumstances [Element F of the special attribution method (SAM) formula in section 433.16 and Element D of the SAM formula in section 433.16.2 of the ARQST].

Note

If you are an SLFI for GST/HST purposes, but not for QST purposes, do not fill out Schedule A2 – QST.

Schedule A2 – QST			
Province or territory	Column 1 Previous tax year	Column 2 Current tax year	Column 3 QST
Quebec	%	12.000000 %	\$
Unallocated amounts	%	0.000000 %	
Other provinces (includes participating provinces)	%	88.000000 %	
Non-residents deemed to be resident in Canada	%	0.000000 %	
Total	100 %	100 %	

Investor Information

- Non-Residents
 - Election can be filed to treat as non-resident
 - Allows recovery of input tax credits (5% portion of HST paid) in proportion to NR of total investors.
 - Otherwise they are considered a member of a non-HST province
- Missing investors – Penalized where a person is not attached to a jurisdiction
 - If less than 10% of all investors – gets same allocation as known investors
 - Less than 50% - allocation formula, but will have a 15% rate application in some percentage
 - More than 50% and less than 90% are unknowns – 15% rate of tax on all but 10% of the unknowns (see point above)



Special Attribution



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Special Attribution Method

- Very long, complex formula
- Simplified concept:
 - Actual 5% GST paid and 5% federal portion of HST paid
 - Plus: Deemed 5% GST paid
 - Less: Eligible input tax credits (5% only)
 - Equals – Unrecoverable tax [*becomes base for allocation*]
 - Multiply base by each HST province percentage / QST percentage for Quebec
 - Deduct actual provincial portion of HST paid / QST paid
 - Plus/Minus adjustments (if any)
 - Balance is refund or payable in respective GST/HST and QST

SLFI Compilation – Contrast West vs East Based plan

SLFI Costs to be Allocated				
Taxable Purchases	\$500,000			
BC Investment plan (5% GST)				
	5% GST Paid			25,000
	Provincial portion of HST paid			-
	Total GST/HST paid			25,000
NS Investment plan (15% HST)				
	5% GST paid			25,000
	10% Prov portion of HST paid			50,000
				75,000
Investor Allocation				
		BC Plan	NS Plan	
NS		50%	50%	
BC		50%	50%	
Total		100%	100%	

SLFI Allocations	BC Plan	NS Plan
5% GST base	25,000	25,000
Ontario Allocation (8%)	0	0
Atlantic Canada Allocation (10%)		
5% Base	25,000	25,000
Atl Cda allocation	50%	50%
Subject to 10%	12,500	12,500
Expected 10% Prov HST	25,000	25,000
Less: Actual 10% paid	-	(50,000)
Liability (Refund)	25,000	(25,000)
Net Result		
Consideration	500,000	500,000
GST/HST paid	25,000	75,000
SLFI Adustment	25,000	(25,000)
Total Tax Cost	50,000	50,000

SLFI Return Compilation

- If not registered – monthly filing plus annual filing
- If registered – annual filing only (unless elect more frequently)
- Monthly Filing
 - GST62 – normal GST/HST return
 - RC7262 – normal GST/HST and QST return
- Annual filing:
 - GST/HST and QST SLFI – Form RC7294
 - Note: if a distributed investment plan that can have investors in GST/HST provinces and Quebec – needs to use this form
 - GST/HST only – Form GST494

Annual Information Return

- CRA sends a form letter every November to financial institutions
- Annual Information Return – detailed report certain FIs must file to provide comprehensive information for the fiscal year
 - Supplies and GST/HST/QST collected
 - Purchases and GST/HST paid
 - Imports
 - ITCs and ITRs
- Onerous return
- Fortunately – Investment plans that are SLFIs do NOT file
 - Must inform CRA each year unless they have acknowledged this in their database

Other Considerations

- Not being registered for GST/HST and/or QST but a SLFI
 - Monthly filing and an annual return are required
 - E.g. Plan started Feb 18, 2024 – monthly filing Feb to Dec, 2024 PLUS Feb to Dec annual return
- Information sharing for Distributed Investment Plans – needs to go out to investors by Oct 15th of reporting year
 - Unknown investors jurisdictions will penalize the plan at high rate of tax (15%)
 - Some investors will also be SLFIs – their provincial percentage are used in relation to the investment held in your plan
- Dollars can be large – late filing is costly for penalty and interest



Questions?

Contact:

Jeff Harrison, CPA, CMA
Partner

Indirect Tax

(306) 751-7998 Email: jeff.harrison@mnp.ca

Cassandra Whitelaw, CPA, CA
Senior Manager

Indirect Tax

(306) 790-7927 Email: cassandra.whitelaw@mnp.ca



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