



# BULLETIN

GOVERNMENT FINANCE OFFICERS ASSOCIATION

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Of The United States and Canada  
*Alberta Chapter*

## **Alberta GFOA Special Release Bulletin #10**

**Update - July 2009**

### **Local Governments Required to File Tax Returns CRA Withholding GST Refunds Deferred to 2010**

**The requirement for municipalities to file a T2 in order to avoid a refund hold has been deferred to include all tax years up to and including 2010.**

#### **CRA Fact Sheet (excerpt)**

**July 16, 2009**

The CRA implemented an administrative position in 2008 to ease this burden (of filing T2 corporation income tax returns). Pursuant to this position, tax-exempt incorporated **municipalities**, universities, schools, hospitals, non-profit organizations, federal crown corporations, and Indian band councils **did not have their refunds or rebates withheld because of outstanding T2 corporation income tax returns.**

This administrative position is being extended to include all tax years up to and including 2010 to allow a CRA internal review to be completed.

The following link is to the Fact Sheet released July 16, 2009 by Canada Revenue Agency. The Fact Sheet is titled "Compliance refund hold impact on tax-exempt corporations".

<http://www.cra-arc.gc.ca/nwsrm/fctshts/2009/m07/fs090716-eng.html>

(You may have to hold Control Key before you click on the link)

Also attached as Appendix 1 is communication from FCM on this issue.

Barry Sawada, CA  
On behalf of  
Communication Task Force

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#### **Alberta GFOA's Special Release Bulletins**

*Alberta GFOA, through the Communications Task Force, augments its Quarterly Newsletter Publications with Special Release Bulletins that will be distributed from time to time to all Members. These Bulletins are intended to provide information pertinent to various aspects of municipal finance. They will also be utilized to profile upcoming professional development and training opportunities. The Bulletins are intended to outline information on a specific topic in a brief and concise manner. In some cases, contact references will be provided in order that readers can obtain more detailed information from specific sources.*



**CANADA REVENUE AGENCY TEMPORARILY EXTENDS WAIVER FOR CORPORATE INCOME TAX FILING FOR MUNICIPALITIES AND MUNICIPALLY-OWNED BODIES**

Canada Revenue Agency (CRA) has recently implemented a new policy which they refer to as "Standardized Accounting" which would have required all municipalities to file Corporate Income Tax returns for taxation years beginning in 2008.

As a result of negotiations between CRA, the FCM Tax Technical Committee and FCM staff, the CRA has agreed that T2 Corporate Tax Returns will NOT be required for taxation year 2008 for municipal bodies and municipally-owned and controlled entities (under subsections (149(1)(c) and 149(1)(d.3) to(d.5) of the Income Tax Act). This further extension of the temporary filing exemption announced in 2007 has no specific expiration deadline, but it is scheduled to be reviewed in late 2009. Also, future filing requirements, if any, will be prospective. ( i.e. filing for years 2008 and earlier would NOT be required)

The FCM Tax Committee is continuing its efforts to have the Income Tax Act amended to make this a permanent filing exemption. In the meantime, it is recommended that FCM members continue to monitor this situation as we await the outcome of CRA's further review.

Any questions regarding clarification of the overall rationale of municipalities filing income tax returns or the technical application of the filing exemption should be directed to Richard Aronoff with CRA in Ottawa at 613- 941-7239.