

BULLETIN



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Of The United States and Canada

Alberta Chapter

Alberta GFOA Special Release Bulletin #9 – March 25, 2008

Local Governments Required to File Tax Returns CRA Withholding GST Refunds

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Local governments required to file tax returns

CRA withholding GST refunds

With the implementation of standardized accounting and a new computer system last year the Canada Revenue Agency ("CRA") has started to withhold payment of GST refunds until all outstanding tax returns are filed by the claimant. Late last year the CRA released GST TIB B-100 in which the CRA stated: The CRA has implemented an administrative position regarding outstanding corporate returns (T2s) for the MUSH sector (Municipalities, Universities, Schools and Hospitals). This sector will have a grace period from refund/rebate holds until April 1, 2008. After that date, they will be required to file their outstanding corporate returns that become due after that date. Failure to file these returns by their due dates will result in their refunds or rebates being held.

Although municipalities are exempt from income tax pursuant to paragraph (149(1)© of the Income Tax Act, they are nonetheless technically required to file a return (T2) pursuant to subsection 150(1) of that Act. This is the first year that has become an issue in light of the above noted comments by the CRA. As municipalities have December 31 year ends, the first return due will be the December 31, 2007 year end tax return which will be required to be filed by June 30, 2008. As a practical matter this is not an issue for universities, schools and hospitals since most such entities are charities, and charities are not required to file income tax returns.

It is recommended that each municipality file a T2 return for 2007 and all subsequent years in order to meet its statutory filing requirements and avoid having its GST refunds held up. The return will likely not be complex given

that no tax is payable. Nonetheless there is a bit of work involved in completing all of the required information.

In today's changing and complex environment, having advisors who can help you stay informed is more important than ever. Put KPMG's reputation, resources, and experience to work for you.

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The following link is the GST/HST Technical Information Bulletin B-100 referred to in KPMG's bulletin. Go to the Appendix of FAQ's at the end, Question #4 addresses the MUSH sector requirement as noted in KPMG's bulletin.

<http://www.cra-arc.gc.ca/E/pub/gm/b-100/b-100-e.html> (Hold Control Key and Click Link)

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.

Current and archived Special Release Bulletins can be viewed on the Alberta GFOA Website at www.gfoa.ab.ca.

If you are interested in contributing to the preparation of future Bulletins, please contact Tracey Burkholder at bburkholder@shaw.ca via phone at (403)-934-4765.