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Tax Alert – Canada

Update on tax return filing deadlines and late-filing penalties

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 25 May and 1 June 2020, the Canada Revenue Agency (CRA) released an update on tax return filing deadlines for corporations, trusts and partnerships. These measures come as welcome relief, especially as we approach the 30 June 2020 filing deadline for many corporations having a 31 December year-end.

Following is a summary of the changes.

Extended filing deadlines

The following additional tax return filing deadline extensions were announced for corporations, trusts, and partnerships.

- ▶ Corporate income tax returns - For corporations that would otherwise have a filing due date on 31 May 2020, or in June, July or August 2020, the T2 return filing due date has been extended to 1 September 2020 (T2 returns originally due after 18 March and before 31 May 2020 and for which the filing due date had been extended to 1 June 2020 are not covered by this new extension – in other words, they are not extended a second time and must be filed by 1 June 2020 to avoid late-filing penalties). This extension also applies to any other forms, information returns, elections and designations tied to the T2 filing deadline (such as Form T1135, *Foreign Income Verification Statement*, and Form T106, *Information Return of Non-Arm's Length Transactions with Non-Residents*). Presumably, the previously announced

exception, applicable to T2 returns extended to 1 June 2020, for Form T661, *Scientific Research and Experimental Development (SR&ED)*, Form T2 Schedule 31, *Investment Tax Credit - Corporations*, or related forms, receipts, documents or prescribed information, also applies to this extension. However, a future announcement on the removal of this exception may be made once proposed legislation released by the Department of Justice on 19 May 2020 is adopted and comes into effect.

- ▶ Transfer pricing contemporaneous documentation - Consequential to the extension of the T2 filing due date to 1 September 2020, any transfer pricing contemporaneous documentation that would otherwise be due on 31 May 2020, or in June, July or August 2020, will now be due on 1 September 2020. The CRA confirmed this extension with CPA Canada on 28 May 2020.
- ▶ Trust income tax returns - For trusts that would otherwise have a filing due date on 31 May 2020, or in June, July or August 2020, the T3 return filing due date has been extended to 1 September 2020 (similar to T2 returns, T3 returns for which the filing due date had been extended to 1 June 2020 are not covered by this new extension). Similar to the extension for corporations mentioned above, this extension also applies to the filing of related information returns, forms, elections and designations.
- ▶ Partnership information returns - For partnerships that would normally have a filing due date on 31 May 2020, or in June, July or August 2020, the partnership information return due date has been extended to 1 September 2020. Similar to the extension for corporations mentioned above, this extension also applies to the filing of related information returns, forms, elections and designations.
- ▶ Other information returns, elections, etc. - Unless otherwise noted by the CRA, other information returns (such as Form T1134, *Information Return Relating to Controlled and Not-Controlled Foreign Affiliates*), elections, designations and information requests that are due on 31 May 2020, or in June, July or August 2020, will also now be due on 1 September 2020.

Late-filing penalty relief

The CRA's update also confirms that late-filing penalties and interest will not apply, provided the respective returns and administrative tax actions (described above) are filed, and payments are made, by the extended deadline.

Quebec harmonization

Quebec has also announced the following extended filing deadlines:

Corporations - Quebec announced that it will harmonize with the federal extension of the filing deadline for corporate income tax returns. As a result, any Quebec CO-17 income tax return that would otherwise normally be due between 1 June and 31 August 2020 can now be filed by 1 September 2020.

Similarly, for all non-profit corporations with a Form CO-17.SP, *Déclaration de revenus et de renseignements des sociétés sans but lucratif*, and a Form TP-997.1-V, *Information Return for Tax-Exempt Entities*, due between 1 June and 31 August 2020, the filing deadline is extended to 1 September 2020. The same extension will also apply to operators that would otherwise have to file their Mining Tax Return (IM-30-V), or Forms IM-30.MX-V and IM-30.DL-V (instead of Form IM30-V), during that period.

Partnerships - Quebec also announced that it will harmonize with the federal extension of the filing due date for partnerships (including specified investment flow-through (SIFT) partnerships). As a result, any Quebec information return of a partnership due between 31 May and 31 August 2020 can now be filed by 1 September 2020.

Trusts - Quebec also announced that it will harmonize with the federal extension of the filing due date for trusts (including SIFT trusts). As a result, any Quebec trust income tax or information return of a trust whose taxation year ended between 2 March and 31 May 2020 can now be filed by 1 September 2020.

In addition, it was announced that the tax balance payable by trusts for their taxation year ended during the 2020 calendar year that would otherwise be payable before 1 September 2020 can now be paid no later 1 September 2020, in line with the deferral previously announced by the federal government.

Other information returns, elections, etc. - Quebec also announced that, unless otherwise noted by Revenu Quebec and similar to the federal government announcement, other information returns, elections, designations, mandatory or preventive disclosures of aggressive tax planning and responses to information requests that are due in June, July or August 2020 will also now be due on 1 September 2020.

Presumably, these extensions for corporations, trusts and other administrative tax actions also apply to returns and actions due on 31 May 2020, since a filing deadline that normally falls on a Sunday is extended under the Quebec *Interpretation Act* to the next business day.

Alberta harmonization

Alberta also announced that it was extending the filing due date to 1 September 2020 for Alberta corporate income tax returns (AT1) that would otherwise be due in June, July or August 2020. This extension also applies to returns due on 31 May 2020, since a filing deadline that normally falls on a Sunday is extended by the Alberta *Interpretation Act* to the next business day.

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