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Canada Revenue Agency

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Penalties and interest for GST/HST

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Penalties

Penalties may apply in different circumstances.

* Type of penalties for different circumstances

Type of penalty	When it applies	Amount charged
Failure to file	Any return you file late unless: <ul style="list-style-type: none"> • there is a \$0 amount owing; or • we owe you a refund. 	A + (B × C) where A is 1% of the amount owing; B is 25% of A ; and C is the number of months the return is overdue, to a maximum of 12 months.
* Demand to file	If you receive a demand to file and do not do so.	\$250
* Failure to file electronically	If you are required to file electronically and do not do so. See <u>Mandatory electronic filing of the GST/HST return (GST34)</u> .	\$100 for the initial return not filed electronically; \$250 for each following return not filed electronically.

Type of penalty	When it applies	Amount charged
<p>Failure to accurately report information</p>	<p>For electronically filed returns:</p> <ul style="list-style-type: none"> • information that must be included, but was not; • amounts (described further) that are over or under reported; or • amounts (described further) that are reported incorrectly. <p>The amounts include:</p> <ul style="list-style-type: none"> • <u>recaptured input tax credits (RITCs)</u>; • grandparented sales of <u>housing</u> in British Columbia, Nova Scotia, Ontario and Prince Edward Island where the purchaser was not entitled to claim a GST/HST new housing rebate, new residential rental property rebate, or the Nova Scotia new housing rebate; • resales of housing that are subject to the HST at 12% in British Columbia, 15% in Nova Scotia, 13% in Ontario or 14% in Prince Edward Island where the housing was originally purchased on a grandparented basis; • the transitional tax adjustment for BC, Ontario and Prince Edward Island; and • provincial transitional new housing rebates for BC, Ontario and Prince Edward Island. 	<p>Generally 5% of the amount plus 1% per month of the difference between what is reported and what should have been reported, until the amounts are corrected (to a maximum of 10%).</p>

Note

* Information on deemed trust

A deemed trust is created by statute, such as the *Excise Tax Act* (the Act). When a business collects GST/HST and holds these amounts until they are required to be remitted to the CRA, the Act creates a trust relationship known as a “deemed trust” and these amounts are considered to belong to the government.

As a business that collects GST/HST, you hold in trust the GST/HST amounts you collect from your customers. For each reporting period of your business, you must send these amounts to the CRA, along with any GST/HST amounts that you have billed to your customers. Input tax credits can be deducted from the amount to be paid. If deemed trust amounts are not remitted when they are due, steps will be taken by the CRA to recover them.

A similar deemed trust is created under the *Air Travellers Security Charge Act*.

These deemed trust amounts are important sources of revenue which are collected by businesses as agents of the government. In order to protect these amounts from being diverted to other creditors, Parliament enacted powerful collection tools. These tools allow the CRA to ensure that the government has the revenues it needs to support social programs and to address priorities that impact all Canadians.

A series of questions and answers is published on the CRA webpage Information on deemed trust. This information provides general guidance to businesses that are required to hold amounts in trust and remit these to the CRA. Additionally, this information is beneficial for creditors/lenders/suppliers in situations where they have received payments from one of their clients that was indebted to the CRA for deemed trust amounts. In these situations, the CRA may assert its deemed trust priority and act to recover these amounts.

* Upcoming changes to Form GST523

A non-profit organization (NPO) is generally eligible for a public service bodies’ rebate if it is a qualifying NPO. To be considered a qualifying NPO at any time in a fiscal year, the NPO’s percentage of government funding for the fiscal year must be at least 40% of its total revenue. In order to demonstrate to the CRA that it is a qualifying NPO, an NPO has to file Form GST523, *Non-profit Organizations - Government Funding*, for each completed fiscal year.

Effective May 18, 2016, Form GST523, *Non-profit Organizations - Government Funding*, is changing. The new version of the form is more detailed and clarifies for which year an NPO wants to be considered a qualifying NPO.

The former version of Form GST523 contained three calculation options, while the new version will no longer require an NPO to determine which calculation option applies to its situation. Rather, an NPO will provide information about its sources of government funding and total revenue for the year it wants to be considered a qualifying NPO. An NPO will only be required to perform additional calculations when it has not met the 40% threshold in that year. This new format should result in fewer calculations by the NPO and a more efficient and accurate processing by the CRA.

To avoid delays in processing your public service bodies’ rebate, please ensure you are completing and filing the most up-to-date version of Form GST523 (available May 18, 2016).

Manage direct deposit

If you are a business owner or representative with Level 3 (Delegated Authority) authorization, you can start, update, or stop a direct deposit online for one or more of your business accounts with the CRA.

By starting or updating direct deposit, you are authorizing the CRA to deposit any money owing to you under your business account(s) in the bank account(s) you specify.

You will no longer receive a cheque in the mail.

If you choose to stop direct deposit, you are authorizing the CRA to remove the bank information on file and to send a cheque in the mail for any money owing to your business account(s) to the mailing address on file.

For more information, or to manage your direct deposit, go to:

- www.cra.gc.ca/mybusinessaccount if you are a business owner; or
- www.cra.gc.ca/representatives if you are an authorized representative.

* Prescribed rates of interest

The prescribed annual rate of interest in effect from April 1, 2016 to June 30, 2016, on overdue amounts payable to the Minister is 5%. The prescribed annual rate of interest on amounts owed by the Minister (i.e., rebates or refunds) is 1% for corporate taxpayers and 3% for non-corporate taxpayers. These rates are applicable to income tax, excise tax, the softwood lumber products export charge, GST/HST, the air travellers security charge (ATSC) and excise duty on wine, spirits and tobacco.

The prescribed annual rate of interest respecting excise duty on beer, on overdue amounts payable for the indicated period, is set at 3%. Refund interest rates are not applicable for amounts owed by the Minister (i.e., rebates or refunds) for excise duty that is in relation to beer.

PERIOD	GST/HST, Excise Tax, Softwood Lumber Products Export Charge, Excise Duty (wine, spirits, tobacco), ATSC, Income Tax		Excise Duty (beer)
	REFUND INTEREST <i>Corporate Taxpayers</i>	REFUND INTEREST <i>Non-Corporate Taxpayers</i>	ARREARS AND INSTALMENT INTEREST
April 1 to June 30, 2016	1%	3%	5%
January 1 to March 31, 2016	1%	3%	5%
October 1 to December 31, 2015	1%	3%	5%
July 1 to September 30, 2015	1%	3%	5%

Prescribed rates for previous years are available at www.cra.gc.ca/interestrates.

What's new in publications

The following is a list of new or revised excise and GST/HST forms and publications.

GST/HST regulations

SOR/2016-4 *Various GST/HST Regulations, No. 7 (Newfoundland and Labrador – Rebate for Municipalities)*