

A Misfiled GST return? - What are the next steps?

Most filings of GST returns should be a straightforward exercise. Yet, businesses and professional practitioners alike often find errors have been made on a return that has already been filed.

Amending the Return is Not Necessarily the Answer

Our first instinct is to try and file an amendment to the return.

We strongly suggest discussing the reasons for amending a return with a tax professional as there may be reasons why the return should not be amended. It may not be a change that must be corrected.

We take this opportunity to discuss some of the items we consider when looking at how to address an error on a filed return:

Missed Input Tax Credits (ITCs)

Legislatively, a GST registrant is entitled to retroactively claim ITCs on a current return for previously missed credits. For most registrants, this claim can be any time within four years. For others, the time deadline is described as the past two years plus the current fiscal year. As a result, the Canada Revenue Agency (CRA) has published its policy it will not allow a return to be amended for ITCs that have been missed.

The registrant is required to claim the missed ITC on its next return.

Additional GST liability

A missed liability can be caused by understating GST collected on sales, by overstating ITCs in a period, and any number of other issues.

Generally, the CRA will allow a registrant to amend a return for a liability. The exception: no reporting period / return can be amended where the CRA has prior audit activity.

For example, a registrant may have claimed refund in a reporting period that was flagged for review; the ITCs were reviewed and assessed before the refund is paid out. Some time later, it is discovered GST collected was underreported. You attempt to amend the return and the CRA denies the request.

You also cannot amend a return because you disagree with the assessment. A Notice of Objection would be the normal course of action.

The registrant is then looking at other alternatives to ensure compliance is met.

Taxpayer Patterns in Amending Returns

When asked about fixing past errors, we will always consider the magnitude of the error. A taxpayer who requests to amend a return is relaying to the CRA that he or she may not have the best record keeping or systems. The CRA can take this information and may use it to determine if they should invest resources into an expanded review of the taxpayer. That is, an amended return may lead to a registrant being audited.

Where the error is large there are good reasons to try and amend the return, pay the interest charges but

otherwise prevent any further interest from accruing. But where the error is not significant, should the error be paid by some other means?

Other Considerations

We will look at any number of other factors when deciding options:

- Is the error from a single transaction, or from a recurring transaction that goes back for some time in the past?
- Is the error a timing difference? That is, tax was reported albeit on the wrong return?
- Should we be considering a voluntary disclosure or a fairness policy request?
- Sometimes the corrective action is going forward, not backwards.

In summary, before you decide to request the CRA to amend a return, discuss the error with a tax professional and ensure you consider all the options available and that an amended return may not be an available option, or the best option.

For more information on how to manage GST return filing compliance and other indirect tax matters

<https://www.wsaccounting.ca/index.php/blog/28-a-misfiled-gst-return-what-are-the-next-steps?download=1&id=28&print=0>