



TaxNewsFlash Canada

Investment Plans — Act Now to Obtain Investor GST Details

September 19, 2019
No. 2019-38

Distributed investment plans should be getting ready to ask their investors about specific details in order to comply with upcoming GST/HST and QST obligations. Investors must share certain information under the information sharing rules in the GST/HST and QST legislation. Also, some investors should be gearing up to automatically give their investment plans certain information—even if they have not received any formal request. Distributed investment plans rely on cooperation from their investors in order to prepare their calculations and update their systems so they can fulfill their GST/HST and QST filing obligations.

Investment Plans — Information sharing requirements

The GST/HST and QST information sharing rules help ensure that distributed investment plans that are SLFIs have the data they need to meet their GST/HST and QST obligations for the coming year. Investor information is used in calculating the plans' provincial attribution percentages. Plans that do not collect the data by December 31 and that have not requested the required information from their investors by October 15 may have their provincial attribution percentages increased.

Distributed investment plans include those investment plans structured as mutual fund trusts, mutual fund corporations, investment corporations, mortgage investment corporations, unit trusts, certain pension entities, segregated funds and investment limited partnerships.

While most distributed investment plans have been requesting this information from investors for some time, many investment limited partnerships only began collecting this information for the 2019 taxation year, due to recent legislative changes (see

TaxNewsFlash-Canada 2018-38, "[ILPs — Consider GST Election to Help Reduce Tax Costs](#)").

Generally, an investment plan uses the information from September 30 of the preceding year in order to complete their GST/HST and QST reporting (i.e., September 30, 2019 information will be used to complete 2020 GST/HST and QST filings). However, in some circumstances, where information was not gathered in the preceding year, a distributed investment plan may use the information from the current year (i.e., 2019) in order to fulfil their filing requirements for the same year (i.e., 2019).

Requesting data from investors

To meet its obligations under the GST/HST and QST information sharing rules, a distributed investment plan must understand the various types of investors and the specific details that it must request from them.

Who is a selected investor?

A selected investor is generally a person, other than an individual and a distributed investment plan, who is resident in Canada and holds units of a total value of less than \$10 million in the plan. Selected investors can include corporations, partnerships, other types of investment plans and various other entities.

Special rules apply regarding the timing of the calculation for determining the total value of investors' holdings in the plan.

What information must be requested?

If an investment plan makes a written request, a "selected investor" must generally provide:

- Its address as determined under the GST/HST rules as of September 30, and
- The number of units (or the number of units in each series) held by the investor on September 30.

If the investor is not a "selected investor" (and not an individual) and the distributed investment plan makes a written request, the investor generally must provide:

- Its "investor percentage" for each HST participating province as of September 30 as determined under the GST/HST rules, and
- The number of units (or number of units in each series) held by the investor on September 30.

Even if it does not qualify as a “selected investor,” a distributed investment plan may be required to provide specific details as an investor under the information sharing rules. Some investors that are not “selected investors” need to carefully determine their “investor percentages” under the GST/HST information sharing rules, a concept that may be new to them if they are not SLFIs.

Similar rules apply for QST purposes. Other rules apply for units of a series of stratified investment plans (i.e., distributed investment plans that have units issued in two or more series).

Investor Responsibilities

Investors that receive written requests for information from distributed investment plans must generally reply with that information by the later of November 15, or 45 days after the day they received the request.

Rules for “qualifying investors”

In general, investment plans—including pension entities of registered pension plans—are considered qualifying investors where they meet certain conditions. Under the GST/HST rules, an investment plan (other than a distributed investment plan) is considered to be a “qualifying investor” in a particular distributed investment plan if the investment plan is resident in Canada, holds units of the particular distributed investment plan valued at less than \$10 million as of September 30, 2019 and meets one of these criteria:

- The investment plan is not a “qualifying small investment plan” on September 30 or is not excluded from the SLFI definition on the basis that less than 10% of its members reside in participating provinces (see the GST/HST SLFI rules for further details).
- The investment plan is a SLFI.
- The investment plan is a member of an affiliated group and the members hold units with a total value of \$10 million or more of the particular distributed investment plan, or at least one member of the affiliated group is a SLFI.

A “qualifying small investment plan” is generally an investment plan that has \$10,000 or less of GST, the federal component of the HST, and GST deemed paid in the previous year. However, if a qualifying small investment plan is an SLFI, that plan would generally be considered a qualifying investor.

Similar rules apply for QST purposes. However, based on the definitions and their specific circumstances, some investors may be considered “qualifying investors” for GST/HST purposes but not for QST purposes, and vice versa. Because some investors may have

different obligations under the two sets of rules, they should consider both sets of rules carefully.

What information must qualifying investors provide?

Under the GST/HST rules, qualifying investors that hold units of a distributed investment plan must generally provide the following information to the plan by November 15, 2019, even if not requested:

- A notice that they are a qualifying investor in the investment plan for 2019
- The number of units (or number of units in each series) they held in the investment plan on September 30, 2019
- Their "investor percentage" for each HST-participating province as of September 30, 2019.

Similar rules apply for QST purposes. The information sharing rules also include specific rules and exceptions for exchange-traded funds as well as securities dealers. However, because these rules are complicated, you should contact your KPMG adviser for assistance.

Penalties

Investors must carefully review their obligations to determine the appropriate information and respond to written requests from the plans on time or face significant penalties. Failing to provide information as required under the GST/HST and QST information sharing rules by the relevant deadlines attracts a penalty for each failure to provide information equal to the lesser of \$10,000 or 0.01% of the total value of the units held by the investor in the distributed investment plan.

We can help

KPMG can help managers of distributed investment plans determine the information that they are required to request from investors on the plan's behalf. We can also help investors determine their GST/HST and QST obligations and the specific information that they must provide to distributed investment plans.

For more information, contact your KPMG adviser or one of the following Indirect Tax professionals:

Walter Sisti
National Leader – Indirect Tax Services
T: 416-7773920
E: wsisti@kpmg.ca

Simon Proulx
Toronto
T: 647-777-5318
E: sproulx@kpmg.ca

Annette Beshwaty
Montreal
T: 514-840-2349
E: abeshwaty@kpmg.ca

Christian Thibault
Toronto
T: 416-777-3927
E: cthibault@kpmg.ca

kpmg.ca



[Contact Us](#) | [KPMG in Canada Privacy Policy](#) | [KPMG On-Line Privacy Policy](#) | [Legal](#)

Information is current to September 18, 2019. The information contained in this *TaxNewsFlash-Canada* is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.