



TaxNewsFlash Canada

COVID-19 — Canada Stretches Tax Assessment Periods

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Taxpayers may be affected by new extensions to the periods that they may be assessed or reassessed by the CRA. The government has temporarily extended certain tax deadlines and time limits up to six months due to COVID-19, including the period during which the CRA can assess or reassess a taxpayer's obligations for income tax and GST/HST. Taxpayers should consider how this change to the statute-barred period may affect their rights and obligations.

In addition to this extension for statute-barred periods, the government has also postponed the filing deadline for certain Scientific Research and Experimental Development (SR&ED) claims and will allow taxpayers additional time to apply for an extension to file a notice of objection (although there is no extension to the 90-day period to file the notice itself).

Background

Previously, the government proposed the legislative framework to allow federal ministers to temporarily extend or suspend certain time limits, including those affecting the period during which the CRA can assess or reassess a taxpayer's obligations for income tax and GST/HST, the deadline to file certain SR&ED and related investment tax credit claims, and the deadline for taxpayers' applications to extend the time to file a notice of objection. The legislation, which was included in Bill C-20, was enacted on July 27, 2020. For details, see *TaxNewsFlash-Canada* 2020-49, "[COVID-19 — Canada Looking to Postpone Tax & Legal Deadlines](#)" and *TaxNewsFlash-Canada* 2020-64, "[Canada Enacts Wage Subsidy Extension and Enhancements](#)".

For income tax purposes, the normal reassessment period for a mutual fund trust or for a corporation's tax year is within four years (three years if the corporation is a Canadian-controlled private corporation) of the date the CRA sent the original notice of

assessment for that tax year or the date the CRA sent an original notification that no tax is payable, whichever is earlier. For individuals and trusts (other than mutual fund trusts), this reassessment period is three years.

Additionally, the CRA may issue a reassessment up to three years after the normal reassessment period in certain situations. For example, the extended reassessment period may apply to allow a taxpayer to carry back a loss or credit to an earlier tax year, or when a non-arm's length transaction involving the corporation and a non-resident affects the corporation's tax, among other reasons.

For GST/HST purposes, the CRA is also generally limited to assessing taxpayers or issuing additional assessments for GST/HST obligations, refunds and rebates within four years.

In addition, the filing deadline for SR&ED claims is 12 months from the taxpayer's filing due date for a particular year. For example, a corporation with a December 31, 2018 year-end would have to file its SR&ED claim for that year no later than June 30, 2020.

If a taxpayer has not filed a notice of objection to an assessment within 90 days from the date of assessment, the taxpayer may apply for an extension to file the notice of objection within one year after the end of that 90-day period.

Deadline and time period extensions

The government's extensions temporarily postpone certain tax deadlines for up to six months, until December 31, 2020 at the latest. The government notes that these changes will no longer apply as of December 31, 2020 or once the order that enacted the provision is repealed.

Assessments and reassessments

The government has extended the CRA's ability to make an assessment, reassessment or additional assessment for a taxpayer for a maximum of six months, until December 31, 2020 at the latest. This extension applies to periods which would otherwise have expired on or after May 20, 2020 and before December 31, 2020. In addition, this extension applies to an assessment, reassessment or additional assessment of a registrant's GST/HST returns, rebates, penalties or interest.

KPMG observation

Taxation years (or reporting periods in the case of GST/HST) that became statute-barred before May 20, 2020 will not be affected by this extension. However, a taxation year or GST/HST reporting period that would have otherwise become statute-barred between May 20, 2020 and June 30, 2020 will now remain open for reassessment for an additional six months. Taxation years or GST/HST reporting periods that would have

become statute-barred on or after July 1, 2020 will now remain open for reassessment until December 31, 2020.

SR&ED claims

Taxpayers who file SR&ED claims will now have up to an additional six months to make these filings, until December 31, 2020 at the latest. The extension applies to SR&ED claims otherwise due on or after March 13, 2020 and before December 31, 2020.

KPMG observation

For corporate taxpayers, this extension applies to SR&ED claims for taxation years ending between September 13, 2018 and June 29, 2019. For individuals operating a sole proprietorship, this extension applies only to claims for the 2018 tax year. For trusts, this extension applies to SR&ED claims for taxation years ending between December 13, 2018 and October 1, 2019. A six-month extension from the original due date applies to SR&ED claims otherwise due between March 13, 2020 and June 30, 2020 and provides potential relief for taxpayers who would otherwise be unable to file a claim because they missed the original deadline. For SR&ED claims due on or after July 1, 2020, the extension provides that the claim must be filed by December 31, 2020.

Although the extension provides a welcome opportunity for taxpayers to submit or amend a claim after their usual filing deadline, taxpayers should still file their SR&ED claims as soon as possible (to expedite the receipt of any related refunds or reduction of taxes payable).

Applications to extend filing period of notices of objection

Taxpayers that missed the deadline to file a notice of objection with the CRA and now intend to apply for an extension will have up to an additional six months to apply, until December 31, 2020 at the latest. This extension also applies to the application to the Tax Court of Canada for an extension to file a notice of objection if the CRA refuses the initial application. This extension applies to periods which would otherwise have expired on or after March 13, 2020 and before December 31, 2020.

KPMG observation

Since this extension applies retroactively, taxpayers who missed the deadline to apply for an extension to file a notice of objection may now have another opportunity to apply. For applications otherwise due between March 13, 2020 and June 30, 2020, this extension provides an additional six months after the date the application was originally due to apply. For applications due on or after July 1, 2020, this extension provides that the application must be filed by December 31, 2020.

As previously noted, the deadline to file a notice of objection has not been extended and remains at 90 days from the date of assessment.

We can help

Your KPMG advisor can help you abreast of any tax-related changes related to COVID-19 that you may need to consider in the days and weeks ahead.

Stay connected on the latest COVID-19 developments

We continue to watch tax and legal issues related to the evolving COVID-19 situation and will provide further information as it becomes available. For the latest developments, see our dedicated COVID-19 site, [The Business Implications of Coronavirus](#).

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