



Information Required for Tax Adjustment Notes Issued by an Employer to a Pension Entity and the Consequential Notices Issued by the Pension Entity

Bill C-9, the *Jobs and Economic Growth Act*, which received Royal Assent on July 12, 2010, provided for, among other things, a new GST/HST rebate for pension entities. An explanation of the rules pertaining to the rebate is included in GST/HST Notice 257, *For discussion purposes only: Draft GST/HST technical information bulletin, The GST/HST Rebate for Pension Entities*.

This notice explains the information that must be included by an employer on a tax adjustment note (TAN) issued to a pension entity pursuant to subsections 232.01(3) and 232.02(2) of the *Excise Tax Act* (the Act), and any consequential notices issued pursuant to subsections 232.01(7) and 232.02(6) of the Act by the pension entity to participating employers who have elected to share a pension rebate amount.

All legislative references in this bulletin are to the Act unless otherwise stated. Definitions of the specific terminology used in this notice can be found in Parts I and IV of GST/HST Notice 257.

Deemed taxable supplies by the employer

Under subsection 172.1(5), an employer that is a GST/HST registrant is deemed to have made a taxable supply where, at any time in a fiscal year of the employer, the employer acquires a particular property or a service for the purpose of re-supplying some or all of that property or service to a pension entity for consumption, use or supply in the course of pension activities of the pension plan.

Similarly, under subsection 172.1(6), an employer that is a GST/HST registrant is deemed to have made a taxable supply where the employer consumes or uses an employer resource for the purpose of making a supply of property or a service to a pension entity for consumption, use or supply in the course of pension activities in respect of the pension plan.

The rules applicable to each of these situations are described in detail in Part IV of GST/HST Notice 257.

Tax adjustment notes

Where an employer is deemed to have made taxable supplies to the pension entity under subsections 172.1(5) or 172.1(6) above, but has also charged GST/HST on an actual supply of the same property or service to the pension entity, sections 232.01 or 232.02 allow the employer to reduce its net tax when it issues a TAN to the pension entity.

The purpose of a TAN issued pursuant to sections 232.01 and 232.02 is twofold:

- to ensure that an employer does not remit tax twice on a particular supply; and
- to prevent a pension entity from realizing the benefit of a rebate or input tax credit on the same property or service twice.

La version française de la présente publication est intitulée *Renseignements requis pour les notes de redressement de taxe délivrées par un employeur à une entité de gestion et les avis corrélatifs délivrés par l'entité de gestion*.



Please see example 14 in GST/HST Notice 257 for an illustration of the general purpose and function of a TAN issued under sections 232.01 and 232.02.

Sections 232.01 and 232.02, which discuss TANs issued in respect of deemed supplies made under subsections 172.1(5) and 172.1(6) respectively, contain a number of rules pertaining to the amount of a TAN and the circumstances of its issuance. The rules pertaining to section 232.01, applicable to deemed supplies made under subsection 172.1(5), are discussed in detail in section 1 of Part V of GST/HST Notice 257, while the provisions of section 232.02, applicable to deemed supplies made under subsection 172.1(6), are discussed in section 2 of that part.

Issuance of TAN by employer under section 232.01

Under subsection 232.01(3), an employer may issue a TAN to a pension entity if

- tax becomes payable, or has been paid without having become payable, by the pension entity on an actual supply by the employer of a specified resource; and
- the deeming provisions of subsection 172.1(5) apply.

The employer is required under subsection 232.01(6) to issue the TAN in prescribed form, containing prescribed information and in a manner satisfactory to the Canada Revenue Agency (CRA).

While nothing is currently prescribed for purposes of subsection 232.01(6), the following must be included by an employer that issues a TAN under subsection 232.01(3):

Information about the actual supply made by the employer to the pension entity:

- the invoice number
- the date that the supply was made
- a description of the supply
- the consideration for the supply
- the GST/HST amount charged for the supply
- the name of the pension entity
- the GST/HST registration number of the pension entity, if applicable.

Information about the TAN issued by the employer to the pension entity for the deemed supply:

- the TAN issued should be sequentially numbered
- the date that the TAN was issued
- the name of the pension entity
- a statement as to whether the pension entity is a selected listed financial institution (SLFI)
- the GST/HST registration number of the pension entity, if applicable
- a description of the supply
- the fair market value of the supply
- the federal tax amount
- the provincial tax amount
- the provincial factor used to calculate the provincial tax amount

Notification regarding election

The new pension rebate rules allow, with certain limitations, a pension entity and qualifying employers to elect to share a pension entity rebate (such elections are described in detail in Part III of GST/HST Notice 257). An employer who has elected to share in a pension entity rebate but also issues a TAN to the pension entity must,

pursuant to paragraph 232.01(5)(d), add back to its net tax an amount in respect of the rebate that the pension entity shared with the employer. Example 19 in GST/HST Notice 257 and the related discussion preceding that example demonstrates the application of this provision. In order to alert all electing employers to the fact that they must add these amounts back to their net tax, the pension entity must, pursuant to subsection 232.01(7), notify each of those employers that the TAN was issued. This notification must be made in prescribed form containing prescribed information and in a manner satisfactory to the CRA.

While nothing is currently prescribed for purposes of subsection 232.01(7), the pension entity must include the following information when it notifies the electing employers that a TAN has been issued under subsection 232.01(3):

- the name of the pension entity that is issuing the notification;
- the GST/HST registration number of the pension entity;
- a statement as to whether the pension entity is an SLFI;
- the name and GST/HST registration number of the employer that issued the TAN to the pension entity;
- the date that the TAN was issued to the pension entity;
- the amount of the deemed tax paid and the amount of the deemed tax paid that was an eligible amount of the pension entity;
- the federal tax amount of the TAN;
- the provincial tax amount of the TAN (if the pension entity is not an SLFI);
- the pension rebate amount of the pension entity;
- the provincial pension rebate amount of the pension entity (if the pension entity is an SLFI); and
- the name and GST/HST registration number of any other participating employers who elected to share in the pension entity's pension rebate amount.

Issuance of TAN by employer under section 232.02

Section 232.02 contains provisions similar to section 232.01 above in that it describes rules pertaining to TANs issued in circumstances where the deeming rules under subsection 172.1(6) apply.

Under subsection 232.02(2), an employer may issue a TAN to the pension entity when

- a participating employer of a pension plan is deemed under subsection 172.1(6) to have made one or more taxable supplies of its own resources (“employer resources”) that were consumed or used for the purpose of making a supply of property or a service (an “actual pension supply”) to a pension entity of the pension plan; and
- tax becomes payable, or has been paid without having become payable, by the pension entity on an actual pension supply by the employer of the employer resource.

The employer is required to issue the TAN in prescribed form, containing prescribed information and in a manner satisfactory to the CRA. While nothing is currently prescribed, the same information described under the previous heading for TANs issued pursuant to subsection 232.01(3) will also be required to be included in TANs issued under subsection 232.02(2).

In addition, an employer that has elected to share in a pension entity rebate (see Part III of GST/HST Notice 257) and has also issued a TAN under subsection 232.02(2) must, pursuant to paragraph 232.02(4)(d), add back to its net tax an amount in respect of the rebate that the pension entity shared with the employer. In order to alert all electing employers to the fact that they must add these amounts back to their net tax, the pension entity must, pursuant to subsection 232.02(6), notify each electing employer that the TAN was issued. This notification must be made in prescribed form containing prescribed information and in a manner satisfactory to the CRA.

While nothing is currently prescribed, the same information required for a notification made pursuant to 232.01(7) (see “Notification regarding election”, above) is also required for purposes of subsection 232.02(6).

Enquiries by telephone

Technical enquiries on the GST/HST: 1-800-959-8287

General enquiries on the GST/HST: 1-800-959-5525 (Business Enquiries)

If you are located in Quebec: 1-800-567-4692 (Revenu Québec)

All technical publications on GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthstech.