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Joint ventures: Act now! Temporary GST/HST administrative relief will be gone by end of year.

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In early 2014, the Canada Revenue Agency (CRA) announced temporary relief for bare trusts and nominee corporations that elect to be operators when filing GST/HST returns for joint ventures (JVs). Participants in JVs were given until December 31, 2014 to remedy those situations. Once the administrative relief expires, the CRA may deny the input tax credits (ITCs) of the JV claimed by the bare trustee or nominee.

JVs are not eligible to register and report their taxes. Only a participant of a qualifying JV can elect to be the operator of the JV and report the tax. Many bare trusts or nominee corporations act as the operator but, according to the CRA, they do not qualify to make this election. If there is no valid election, the ITCs can be denied and each participant must consider their own requirement to register, collect and remit tax, and claim credits on its proportionate share. Our [previous article](#) discusses the CRA's position on this matter, as well as exceptions to its position.

This temporary relief is only applicable in situations where a bare trust or nominee corporation elects to be the operator and files the returns for the JV. Under this relief, CRA auditors will not disallow an ITC claim by a bare trust or nominee corporation that elected to be the operator, provided all

returns are filed, all amounts remitted and the JV participants are otherwise fully compliant. So if you were audited and not given this relief, you should seek assistance. (Revenue Quebec indicates it will provide similar temporary relief for QST reporting. This relief will also be gone for reporting periods ending after December 2014.)

If you have not yet reviewed your JV arrangements and made the necessary changes, you must act quickly. Potential changes could include: amending written agreements, registering another JV participant, and setting up the records and GST/HST reporting in a separate entity.

In other related news for JVs, the Department of Finance recently announced it is prepared to expand the application of the JV election to other segments of the Canadian economy operating exclusively in commercial activities. We think this is good news for Canadian businesses as it will allow them to better streamline their GST/HST reporting obligations in the future.

If you are involved in a JV and take advantage of the election to have an operator report the tax, you should review your situation and confirm you are compliant before December 31, 2014. All JV participants who make the election are jointly

and severally liable for the GST/HST obligations.

Questions to consider include

- Is there a signed written JV agreement in place?
- Does the activity of the JV qualify to make an election?
- Is there a signed election for a qualifying “participant” to be the operator?
- Is that operator registered for GST/HST (and, where applicable, QST) and ready to account for the tax?
- Do your suppliers provide the proper documentation or agreements to claim a refund?

If your business is involved in a JV, we recommend you discuss these issues with your Grant Thornton sales tax professional before time runs out on the CRA’s and Revenue Quebec’s temporary administrative relief.

A Grant Thornton sales tax adviser can assist you in evaluating the benefits of filing the election for your JV, determining if you are eligible and walking you through the filing requirements. For further details, or to find answers to any questions you may have, contact your Grant Thornton sales tax adviser before you file the election.

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