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# Do you need to make a GST/HST closely related election before the end of 2015?

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Section 156 of the *Excise Tax Act* (ETA) contains rules to relieve the cash flow problems that can arise when closely related corporations and partnerships that are members of a qualifying group engage in transactions among themselves that would normally be taxable. By making a Section 156 election, certain taxable supplies made to each closely related registrant are deemed to be made for no consideration. As such, the members can make supplies to other members of the group without having to collect GST/HST.<sup>1</sup> To make the election, all members of the qualifying group must be engaged exclusively in commercial activities, and their revenues must be taxable for GST/HST purposes.

## **New rules for 2015 and subsequent years**

Prior to January 1, 2015, this election was not required to be filed with the Canada Revenue Agency (CRA), but had to be kept on file in case the CRA wanted to review it. However, effective January 1, 2015, all new elections must be filed with the CRA on or before the earliest day on which any of the members must file their GST/HST return for the period that includes the day the election becomes effective. In addition, any elections in place prior to 2015 are required to be filed with the CRA on new form RC4616 before the end of 2015 in order for the election to remain valid. We previously discussed these new rules in our release titled "[Upcoming changes you need to consider for the GST/HST closely related persons election](#)." Failure to file the election with CRA on a timely basis may result in assessments for the otherwise applicable tax plus associated interest.

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<sup>1</sup> There are some limited exceptions where tax is required to be accounted for even where the election is in place.

## **Conclusion**

Closely related corporations and partnerships that made a Section 156 election prior to 2015 only have until December 31, 2015 to file new form RC4616 with the CRA. If the election is not filed with the CRA by this date, but the parties continue to act as if the election was still in place, the parties could be liable for interest charges on any GST/HST amount that they have failed to remit to the CRA, even though the party paying the GST/HST would be entitled to claim an Input Tax Credit for the tax paid. If you are a GST/HST registrant, it's a good idea to review all of your filing obligations before the end of 2015.

A number of conditions must be satisfied to qualify to make the election. Please contact your Grant Thornton LLP sales tax advisor to confirm the applicability of the election or to discuss any related questions.

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