

Internet Filing of Information Returns To Be Required Beginning January 1

Earlier this year, as part of the 2009 Budget, the federal government announced that all but the smallest of Canadian businesses would soon be required to file information returns (such as T4 slips) over the Internet, and no longer on paper, DVD, CD, or diskette. Recognizing that compliance with the new requirements could involve some time and effort on the part of affected businesses, the government provided a “grace period” of almost one year for businesses to prepare. Now, however, that grace period is almost at an end, and the new requirements will be imposed in less than two months, beginning January 1, 2010.

Beginning in 2010, issuers of each of the following types of information returns will be required to file electronically over the Internet:

- T3 Statement of Trust Income Allocations and Designations
- T4 Statement of Remuneration Paid
- T4A Statement of Pension, Retirement, Annuity, and Other Income
- T4A-NR Statement of Fees, Commissions, or Other Amounts Paid to Non-Residents for Service Rendered in Canada
- T4E Statement of Employment Insurance Benefits
- T4RIF Statement of Income From a Registered Retirement Income Fund
- T4RSP Statement of Registered Retirement Savings Plan Income
- T5 Statement of Investment Income
- T5007 Statement of Benefits
- T5008 Statement of Securities Transactions
- T5018 Statement of Contract Payments
- NR4 Statement of Amounts Paid or Credited to Non-Residents of Canada.

The most common information returns filed are, of course, T4 employment income returns. Every business in Canada that has even a single employee must file a T4 information return, outlining the amounts paid to that employee (or those employees), as well as any taxable benefits provided, together with amounts withheld at source for income tax, the Canada Pension Plan, and Employment Insurance.

Under the former rules, the requirement for businesses to file their information returns electronically applied only where a particular business filed more than 500 such returns annually. That number has been reduced, effective January 1, 2010, such that businesses that file more than 50 such returns each year will be subject to the requirement to file over the Internet.

The federal government has recently issued some practical information on just how the new Internet filing requirements will be administered. Sometime between November 2009 and February 2010, depending on the type of return that they file, filers will receive a “Web access code” from the Canada Revenue Agency, to be used when filing over the Internet. The Agency will not impose any fee for Internet filing, although businesses may face costs from their Internet service provider or costs for the purchase of needed software. Businesses that will be required to comply with the new requirements can also stay up to date by subscribing to the Canada Revenue Agency’s Electronic Mailing List – Electronic Filing Requirements for Business. Subscribers to that free service will receive any new or updated information with respect to

internet filing from the CRA via e-mail. The online subscription form can be found on the CRA's Web site at <http://www.cra-arc.gc.ca/esrvc-srvce/mlst/sbscrbmgntc-eng.html>.

While the requirement to file information returns via the Internet will take effect on January 1, 2010, the CRA is prepared to provide a further grace period when it comes to the imposition of penalties. Specifically, no penalties will be imposed for a failure to file via the Internet, even where such filing is required, until January 1, 2011. After that time, penalties for a failure to file in the manner required will be assessed as outlined below, with the amount of the penalty based on the number of returns that should have been filed in the prescribed manner.

Number of information returns	Penalty
51 to 250	\$ 250
251 to 500	\$ 500
501 to 2,500	\$1,500
2,501 or more	\$2,500

As part of the revamping of its information-return filing requirements, the CRA has also made changes to the penalties imposed for late filing, as follows. Note that the minimum penalty to be assessed is \$100 and that the penalty for late-filed returns will be limited to 100 days. These revised penalties will be assessed beginning January 1, 2010.

Number of information returns	Penalty (per day)	Penalty (based on a maximum of 100 days)
50 or less	\$10	\$1,000
51 to 500	\$15	\$1,500
501 to 2,500	\$25	\$2,500
2,501 to 10,000	\$50	\$5,000
10,001 or more	\$75	\$7,500

To assist taxpayers in the transition to the new requirements, the CRA has created a page on its Web site outlining the requirements, as well as the filing due dates and penalties, technical requirements, and a list of FAQ. That Web page can be found at <http://www.cra-arc.gc.ca/esrvc-srvce/rf/menu-eng.html>.