

## CREATING BUSINESS REPORTING AND TAXATION REGULATION EFFICIENCIES (2024)

### Issue

The current regulatory landscape in British Columbia poses a significant challenge for companies due to the disparate disclosure requirements related to Transparency Registers, Speculation and Vacancy Tax, and Canada's enhanced mandatory disclosure rules. The lack of harmonization in reporting criteria, filing timelines, and data elements creates an administrative burden for businesses, leading to potential errors, non-compliance risks, and increased resource demands. Addressing this issue is crucial to streamline the disclosure process, reduce complexities, and foster better compliance with both provincial and federal regulations.

### Background

#### Disclosure Requirements

As of May 1, 2020, all B.C. companies will be required to prepare and maintain an additional register called a Transparency Register at their records office.

Individuals must be shown on the Transparency Register if they meet one or more of the following criteria:

1. Own an interest in 25% or more of the shares as a registered owner;
2. Own shares as a registered owner that carry 25% or more of the voting rights;
3. Own an interest in 25% or more of shares as a beneficial owner;
4. Own shares as a beneficial owner that carry 25% or more of the voting rights;
5. They have indirect control in 25% or more of the votes or shares, such as, if they indirectly control an intermediate entity or a person that holds 25% or more of the shares or votes of a private company;
6. They hold 25% or more of the shares or votes for the benefit of another person; for example, the trustee of a trust;
7. They hold a combination of interests that amount to 25% of the votes or shares by way of being a registered owner, trustee, beneficiary or having indirect control;
8. They can cause a change in the majority of directors of the company by way of their shareholdings or special rights provided in the articles of the company or shareholders' agreement;
9. They have indirect control of the right to elect, appoint or remove a majority of the directors;
10. They have direct and significant influence over an individual with the right or ability to elect, appoint or remove a majority of the directors;

11. They have a combination of special rights, indirect control or direct and significant influence to elect, appoint or remove a majority of the directors;
12. They have interests or rights jointly with one or more additional individuals which together meet any of the above thresholds; in such case the company must list all joint holders;
13. They are a group of individuals who are acting in concert, hold interests, rights or abilities that meet the 25% threshold or have the direct or indirect right to elect, appoint or remove a majority of the directors of a private company. In this case, the company must list every member of the group; or
14. They are spouses and/or children regardless of where they live or they are other relatives of the individual or the individual's spouse who have the same home and together meet the 25% threshold or have the direct or indirect right to elect, appoint or remove a majority of the directors of a private company. In this case, the company must list every member of the group.

Each company's Transparency Register must include the following information for all significant individuals:

- Full name, date of birth and last known address;
- Whether they are a Canadian citizen or permanent resident of Canada;
- If they are not a Canadian citizen or permanent resident of Canada, every country or state of which they are a citizen;
- Whether they are resident in Canada for the purposes of the Income Tax Act (Canada);
- The date on which they became or ceased to be a significant individual in the company; and
- A description of how they are a significant individual.

If the company does not comply with the new record keeping requirement, it may be found guilty of an offence and subject to a fine of up to \$100,000.00. If the directors or shareholders of the company knowingly record or authorize, permit or acquiesce in the recording of false or misleading information in the register, they could be subject to a fine of up to \$50,000.00.

Disclosure is also required under the Provincial Speculation and Vacancy Tax.

At the federal level, Canada's enhanced mandatory disclosure rules are a set of reporting requirements which received royal assent on June 22, 2023. Currently, individuals, corporations, trusts, partnerships, advisors, promoters or certain non-arm's length parties are all impacted. To make a disclosure, a business would fill out and submit Form RC312, Reportable Transaction and Notifiable Transaction Information Return.

The Minister of National Revenue can designate transactions to be notifiable transactions in concurrence with the Minister of Finance. These transactions are listed on the CRA's Notifiable transactions designated by the Minister of National Revenue web page.<sup>1</sup>

Impacted parties must submit Form RC312 to the CRA within 90 days from the time you entered into the transaction, or 90 days from the time the impacted party became contractually obligated to enter the transaction, whichever is earlier.

The Federal Underused Housing Tax is an annual federal 1% tax on the ownership of vacant or underused housing in Canada that took effect on January 1, 2022. The tax generally applies to foreign national owners<sup>2</sup> of housing in Canada. However, in some situations, this tax also applies to some Canadian owners (such as certain partners, trustees, and corporations). When filing on behalf of a trustee or company, all shareholders must be disclosed. The information required to be disclosed is expansive. Then, each individual must also disclose their ownership. This can be an incredibly burdensome effort.

### Filing Requirements in British Columbia

Incorporated companies must file an annual report each year within 2 months of the anniversary date of the company's incorporation, amalgamation, extra provincial registration or continuation into B.C. A filer requires an access code or company password to complete the filing.

Currently, businesses and self-employed individuals in British Columbia face a challenge because the deadlines for filing their tax returns and paying their taxes don't match up. For example, a company might have to estimate and pay its taxes three months before it files the tax return. This can be confusing and burdensome.

Aligning the deadlines for corporate tax return filing and payment, as well as unincorporated business tax return filing and payment, would ease the tax payment burden on businesses. Currently, the misalignment results in business owners having to estimate and pay taxes several months in advance to avoid arrear interest. For instance, adjusting the deadlines for corporate tax filing and payment from the current 6-month and 3-month intervals, respectively, to the same deadline would streamline the process. Similarly, for self-employed individuals, synchronizing the deadlines from the current 5.5-month and 4-month intervals would alleviate the challenges associated with estimating and paying taxes in advance. This adjustment can provide businesses with a more manageable and straightforward tax payment process.

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<sup>1</sup> <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/mandatory-disclosure-rules-overview/notifiable-transactions-designated-by-minister-national-revenue.html>

<sup>2</sup> <https://www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/underused-housing-tax.html#Y>

## **THE CHAMBER RECOMMENDS**

That the Provincial Government and Federal Governments:

1. Develop a single portal for all filing and disclosure requirements where information will be shared between governments.
2. Standardize the information for disclosure requirements and retain this information for future use.
3. Automate reminders about Transparency Registry, Underused Housing Tax, and Speculation and Vacancy Tax.
4. Align the deadlines for corporate tax return filing and payment, as well as unincorporated business tax return filing and payment.