

2024 Issue No. 62
10 December 2024

Tax Alert – Canada

Digital platform operators - First information return is due by 31 January 2025

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

The deadline to file information returns for digital platform operators is approaching quickly.

As explained below, reporting platform operators must file an information return containing the required information relating to reportable sellers no later than 31 January of the year following the calendar year in which a seller is identified as a reportable seller. As such, the first information returns are due by 31 January 2025 in respect of the 2024 calendar year. As well, reporting platform operators must provide the same information to the reportable seller to which it relates no later than that date.

Background

On 22 June 2023, Bill C-47, *Budget Implementation Act, 2023, No. 1*, enacted Part XX of the *Income Tax Act* (the Act), *Reporting Rules for Digital Platform Operators*, which implemented the model rules developed by the Organisation for Economic Co-operation and Development (OECD) for digital platform operators.

Broadly speaking, a *platform operator* includes any entity that contracts with sellers to make a platform available to sellers. In general, platform operators are *reporting platform operators* (and thereby subject to Part XX due diligence and reporting requirements) if they are resident in Canada. A reporting platform operator also includes a nonresident platform operator that facilitates the provision of relevant activities by sellers resident in Canada, or with respect to renting immovable property in Canada. A nonresident platform operator may elect to be a reporting platform operator if it is resident, incorporated or managed in a partner jurisdiction (i.e., a jurisdiction that has an agreement with Canada to share information collected under the OECD model rules).

Reportable sellers are active sellers (i.e., sellers that provide relevant services or sell goods, or that have received consideration for such relevant activities during a reportable period) that are determined by a platform operator:

- ▶ To be resident in a reportable jurisdiction; or
- ▶ That have provided relevant services for the rental of immovable property located in a reportable jurisdiction or have received consideration in respect of such services.

For more information on what is a reporting platform operator or a reportable seller, please see EY Tax Alert 2023 Issue No. 43, [Canada's new reporting rules for digital platform operators take effect 1 January 2024](#).

Reporting requirements

In accordance with section 292 of the Act, a reporting platform operator must report certain identifying information for its own business, including its name, registered office address and tax identification number (TIN). As well, an operator must collect certain specified information for each reportable seller that provided relevant services, rented out a means of transportation or sold goods. Such information includes:

- ▶ Information collected in accordance with the due diligence provisions (see *Due diligence requirements* below), including certain identity-related information;
- ▶ Any other TIN, including the jurisdiction that issued it, available to the reporting platform operator;
- ▶ Any financial account identifiers (i.e., the unique identifying number or reference of the bank account or other payment account to which consideration is paid or credited);
- ▶ If different from the name of the reportable seller, the name of the holder of the financial account to which the consideration is paid or credited;
- ▶ Each jurisdiction in which the reportable seller is resident;

- ▶ The total consideration paid or credited during each quarter of the reportable period and the number of relevant activities for which it was paid or credited; and
- ▶ Any fees, commissions or taxes that the reporting platform operator charges or withholds during each quarter of the reportable period.

A reporting platform operator is required to report additional information in respect of a reportable seller that provides relevant services for the rental of immovable property, including:

- ▶ The address of each property listing and the corresponding land registration number, if available; and
- ▶ The number of days each property listing was rented during the reportable period and the type of each property listing (e.g., hotel, apartment, parking space), if available.

The Canada Revenue Agency (CRA) lists some examples of the type of identification and activity information on each reportable seller that must be reported on its [website](#), including:

- ▶ Identification information
 - ▶ Name of seller
 - ▶ Seller's primary address
 - ▶ Date of birth, where applicable
 - ▶ Seller's TIN, including the jurisdiction of issuance
 - ▶ Seller's financial account identifiers
- ▶ Activity information
 - ▶ Consideration paid or credited
 - ▶ Fees, commissions or taxes withheld or charged by the platform operator
 - ▶ Location of rented real or immovable property, if applicable

Due diligence requirements

For the purpose of meeting their reporting requirements, a reporting platform operator must determine whether a seller is a reportable seller in accordance with the due diligence procedures set out in the Act. Specifically, reporting platform operators must collect certain information from each reportable seller that is not an excluded seller. For example, if a reportable seller is an entity (i.e., a person other than a natural person, such as a corporation or partnership), the operator must collect the entity's legal name, its primary address, the TIN

issued to the entity (including the jurisdiction of issuance) and its business registration number.

The Act also sets out various due diligence procedures for verifying collected information. For example, a reporting platform operator must determine whether the information it has collected is reliable by using all records available to it, as well as any publicly available electronic interface, to ascertain the validity of a TIN. If the CRA has informed a reporting platform operator that information collected in accordance with due diligence procedures may not be accurate, the operator must verify the information using reliable, independent-source documents, data or information.

A reporting platform operator must complete the due diligence procedures by 31 December of the reportable period. As a transitional relief measure for new reporting platform operators, the due diligence procedures must be completed by 31 December of the second reportable period for which the entity is a reporting platform operator. This relief applies in relation to sellers that were already registered on the platform on 1 January 2024 or the date on which the entity became a reporting platform operator.

For administrative relief purposes, a reporting platform operator may elect to complete the due diligence requirements for active sellers only. As well, an operator may rely on due diligence procedures conducted for previous reportable periods, if the operator:

- ▶ Has collected the seller's primary address and verified it within the last 36 months; and
- ▶ Does not have reason to know that information collected in accordance with due diligence procedures is unreliable or incorrect.

A reporting platform operator may use third parties, including other platform operators, to fulfill its reporting and due diligence obligations. If a platform operator that is resident in a partner jurisdiction fulfills a reporting platform operator's due diligence obligation for the same platform, it may rely on the rules in its own jurisdiction to conduct the due diligence procedures, as long as the rules are substantially similar. While a reporting platform operator may rely on a third-party service provider to fulfill these obligations, the operator remains responsible for them.

Registration requirements

Prior to filing the information return, a business number and an information returns RZ program account will be required. When registering for the RZ program account, taxpayers must select **Compliance and Exchange** as the type of account.

Resident businesses can request a business number and information returns RZ program account through [Business Registration Online](#).

Nonresident businesses will need to use the “[Non-Resident Business Number and Account Registration Web Form](#)” to obtain a business number and information returns RZ program account.

Filing requirements

Reporting platform operators must file an information return containing the required information relating to reportable sellers no later than 31 January of the year following the calendar year in which a seller is identified as a reportable seller. As well, they must provide the same information to the reportable seller to which it relates no later than that date.

The CRA has further indicated that:

- ▶ All reporting platform operators must obtain a business number and an information returns RZ program account to file; and
- ▶ The information return must be filed using an XML Schema.

If you are a resident in Canada, the information return may be filed on My Business Account or through Represent a Client.

If you are not a resident in Canada, a Web Access Code will be required to electronically file the information through the CRA website.

Learn more

For more information, contact your EY or EY Law tax advisor, or one of the following professionals:

Selena Ing

+1 416 943 4567 | selena.ing@ca.ey.com

Tariq Nasir

+1 416 932 6143 | tariq.nasir@ca.ey.com

David Douglas Robertson

+1 403 206 5474 | david.d.robertson@ca.ey.com

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via ey.com/privacy. For more information about our organization, please visit ey.com.

About EY's Tax Services

EY's tax professionals across Canada provide you with deep technical knowledge, both global and local, combined with practical, commercial and industry experience. We offer a range of tax-saving services backed by in-depth industry knowledge. Our talented people, consistent methodologies and unwavering commitment to quality service help you build the strong compliance and reporting foundations and sustainable tax strategies that help your business achieve its potential. It's how we make a difference.

For more information, visit ey.com/ca/tax.

About EY Law LLP

EY Law LLP is a national law firm affiliated with EY in Canada, specializing in tax law services, business immigration services and business law services.

For more information, visit eylaw.ca.

About EY Law's Tax Law Services

EY Law has one of the largest practices dedicated to tax planning and tax controversy in the country. EY Law has experience in all areas of tax, including corporate tax, human capital, international tax, transaction tax, sales tax, customs and excise.

For more information, visit <http://www.eylaw.ca/taxlaw>

© 2024 Ernst & Young LLP. All Rights Reserved.

A member firm of Ernst & Young Global Limited.

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact EY or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.

ey.com/ca