

Report to: Finance Committee, Board of Health
Submitted by: Elizabeth Bowden, Interim Director of Administrative Services
Subject: HST AUDIT

RECOMMENDATION(S)

- (a) That the Finance Committee makes recommendation to the Board of Health to receive this report, as presented, for information.

BACKGROUND

On November 29, 2016, WDGPH received a letter from the Canada Revenue Agency indicating their intention to audit the organization's HST returns for the period January 1, 2014 through December 31, 2016.

On December 7, 2016, Finance staff met with the CRA Auditor and provided the information requested for the period under audit.

The CRA Auditor attended WDGPH's Chancellors Way site to perform audit fieldwork the week of January 30th through February 3rd.

PUBLIC HEALTH AND/OR FINANCIAL IMPLICATIONS:

The Auditor identified that WDGPH has not been charging HST on pre-natal course fees and, as a result, has assessed WDGPH with a balance of uncollected HST owing totalling \$6,354 for the two years under audit. This error was due to an incorrect interpretation of the relevant tax legislation (*Excise Tax Act*), which relied on an exemption that municipalities were no longer eligible for after the transition from the GST system to the HST system in 2010. As WDGPH is classified as a municipality for HST purposes, the Agency is not eligible for the specified exemption either.

Staff verified the findings of the CRA Auditor with KPMG, who confirmed that the interpretation made in the 2016/2017 HST audit is correct.

The Auditor requested interest relief from the Taxpayer Relief Committee at CRA based on the fact that when CRA audited WDGPH's HST program in 2013, the Auditor, at that time, agreed with WDGPH's practice of not charging HST on pre-natal course fees. This request was granted, resulting in WDGPH being required to submit a payment of \$6,354 for the 2014 and 2015 fiscal years.

As the audit took place in February of 2017, the full year 2016 and the first two months of 2017 had passed with the same incorrect practice. WDGPH has assessed the impact on 2016 and made an adjustment to remit the uncollected HST for 2016 on the 2016 HST return, which will be submitted by the end of March, 2017. Likewise, January and February 2017 will be adjusted when the 2017 return is submitted in March 2018. Internally, measures have been taken to properly account for the HST on pre-natal course fees moving forward.

APPENDICES

NONE.

REFERENCES:

NONE.

Original Signed Document on File

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