

Penalty and Interest Charges For Overdue Tax Returns

Social Service Tax Act & Hotel Room Tax Act

Tax due under the *Hotel Room Tax Act* and tax and levies due under the *Social Service Tax Act* must be remitted to the Minister of Finance on a regular basis and by specific due dates. This bulletin outlines the application of charges that may apply to tax returns that are not received and paid in full by the due date.

For information on completing the *Social Service Tax Return (FIN 400)*, please refer to [Bulletin SST 032, Completing the Tax Return Form](#). For information on completing the *Hotel Room Tax Return (FIN 432)*, refer to [Bulletin HRT 003, Completing the Tax Return Form](#). Both documents are available on the Consumer Taxation Branch website at www.sbr.gov.bc.ca/ctb

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and *Hotel Room Tax Act* and Regulations can be found on the web at www.gov.bc.ca/sbr

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TAX RETURNS

When to Remit the Tax Return

A tax reporting period is established by the Consumer Taxation Branch for each operator or vendor at the time of registration. The acts require that tax returns and payments be filed at the end of each reporting period, but not later than 15 days after the last day of that period. The due date for your return is shown on the tax return form ([FIN 400](#) or [FIN 432](#)) sent to you for each reporting period.

The conditions under which the return and payment are considered to be filed and paid by the due date are outlined in the following section.

FILING AND PAYMENT DUE DATE

Returns Sent by Mail

Returns sent by regular mail, special delivery, Priority Post, or registered mail must bear a postmark on or before the due date, and must be accompanied by a payment negotiable on or before the due date. In the case of a metered envelope, a postmark, not the metering date, will take precedence when determining if the return is considered to be paid by the due date.

Returns Sent by Courier or Electronic Mail

Returns sent by courier that require a "received" signature on the way-bill, and returns that are sent electronically, must be **received** before the close of business (4:30 pm) on the due date, and must be accompanied by a payment that is negotiable on or before the due date.

If the due date falls on a weekend or a statutory holiday in the province of British Columbia, the return and payment must be received before the close of business on the first business day following the due date.

Returns Delivered by Hand After Business Hours

Hand delivered returns are considered to be paid by the due date if they are placed in a drop box at a Service BC-Government Agents or Consumer

Taxation Branch office, or at the Ministry of Small Business and Revenue, 1802 Douglas Street, Victoria, British Columbia, before 8:30 a.m. on the first business day following the due date.

Returns Paid at a Financial Institution

Tax returns may be filed and paid through certain Canadian banks, credit unions, and trust companies. The date stamp applied by the financial institution must indicate that the return was filed and paid in full on or before the due date.

After a certain time of day, most tellers will date stamp their work as though it were being processed on the next business day's date. If the teller stamps your return with the next day's date, your return will be considered late. Therefore, if you are remitting tax **on the due date**, ensure that the teller stamps the correct date on both portions of your remittance form. In addition, returns that are paid through an automated teller machine (ATM) are often date stamped when they are processed at the bank's central clearing centre. Therefore, it is strongly recommended that ATM's not be used when paying your return on or near the due date.

Financial institutions cannot process "nil" returns (returns where no tax is being paid). Financial institutions are also unable to accept tax returns printed off the Internet.

Commission Available on Tax Remitted by the Due Date

Vendors and operators may claim commission on tax collected only if their returns are filed and paid in full by the due date as outlined above. Commission eligibility and entitlement are outlined on the back of the tax return form.

Dishonoured Payment

If you file your return by the due date but the cheque is dishonoured by the financial institution, you will be charged an administrative fee, interest, and commission will also be disallowed. Based on the circumstances, the return may also be subject to a 10% penalty of the total tax collectable. The only exception to this policy is where a cheque is dishonoured due to an administrative error on the part of a financial institution or a government employee.

RETURNS FILED AFTER THE DUE DATE

Notice of Assessment

If your return is not filed and paid in full by the due

date, the Ministry of Small Business and Revenue may issue a Notice of Assessment. The assessment may include any amounts unpaid plus applicable penalties and interest, and any commission claimed may be disallowed. In addition, any returns that remain delinquent will be assessed an estimated amount of tax, plus applicable penalties and interest.

Interest Charges

Branch policy is to charge interest on overdue tax.

Penalty Charges

The branch may also assess penalty charges. The first time that a taxpayer makes a late payment or under-payment of their tax return, they are issued a warning letter. Where a business has already received one warning letter and subsequently receives an assessment or estimated assessment where a tax return and payment were submitted late, or an assessment resulting from the underpayment of tax, the business will be charged a 10% penalty of the tax due plus interest, and will lose the commission.

Where no payment is due because no tax was collected or the commission is equal to the amount of tax collected, you must still remit a 'nil' return on time. These returns are treated the same as other late returns in evaluating filing history.

Penalties will be Applied

Penalties are assessed in a consistent manner for the fair and equitable treatment of all businesses in the province. The following are some examples where penalty will be applied where the payment is late (not a complete list).

- The return is deposited with a bank teller or an automated teller machine on the due date, but it is date stamped the following day.
- The return is postmarked after the 15th of the month that it is due.
- The business's head office is unable to remit the tax on time because it does not receive the information from its regional offices in time.
- The tax that is due has not yet been collected from the customer.
- Insufficient tax is remitted due to an employee's inadvertent error.
- The tax return form did not reach the vendor by the time the remittance became due.

There is also the provision to assess a penalty of 100% of the tax not paid where the non-payment is shown to be due to wilful default or fraud. The

branch's directors may authorize such assessments.

Loss of Commission

Vendors and operators whose returns are filed and paid after the due date are not eligible to claim commission for that reporting period. Any commission claimed on late returns will be disallowed and charged to the vendor's or operator's account. Returns that are underpaid may also be subject to loss of commission.

NEED MORE INFO?

This bulletin is provided for convenience and guidance. If you still have questions call us at 604 660-4524 in Vancouver or toll-free at 1 877 388-4440 elsewhere in Canada or refer to the legislation.

Information is also on the web at www.gov.bc.ca/sbr While there, you can subscribe to our free electronic update service.

References: *Social Service Tax Act*, Sections 97, 117 and Regulations 5.2, 5.8; *Hotel Room Tax Act*, Sections 15, 32 and Regulations 5.2, 6