

2026 Issue No. 1  
12 January 2026

# Tax Alert – Canada

## Reversal of longstanding position with respect to the GST/HST status of trailing commissions

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.

In a recent GST/HST interpretation provided to an industry group,<sup>1</sup> the Canada Revenue Agency (CRA) indicated that it will reverse its longstanding administrative position on the GST/HST status of trailing commissions and adopt the position that trailing commissions are taxable for GST/HST purposes. This change in the CRA's administrative position is significant, and it will have several implications for stakeholders.

The CRA intends to apply this position to supplies made on or after 1 July 2026 to allow industry participants time to adjust their systems and procedures.

In this respect, in the GST/HST interpretation dated 22 December 2025, the CRA indicated the following:

“Based on our review of the industry's current regulations and practices, **our position has changed**. Effective July 1, 2026, mutual fund trailing commissions paid by Managers to both Original Dealers and New Dealers will generally be subject to GST/HST.”

[emphasis added]

<sup>1</sup> It is our understanding that the GST/HST interpretation has been shared with the relevant stakeholders, and it will be released by the CRA for publishing by tax publishers.



Shape the future  
with confidence

Furthermore, the CRA has indicated that “an emerging industry trend” demonstrates how the industry characterizes the services supplied in exchange for trailing commissions. The CRA provided an example with respect to certain actions of dealers and agents (the Dealers), and it indicated that their current practice suggests that they provide ongoing services to their clients in exchange for the trailing commissions (as opposed to the service of assisting with the issuance of the mutual fund units).

The CRA also based its conclusion on the GST/HST status of the commissions by reviewing certain industry websites and publications.

Accordingly, based on the review of the information provided and the publicly available information, it is the CRA’s view that the provision of “investment account support” servicing and advice generally constitutes taxable asset management services for GST/HST purposes and, as such, the trailing commissions are subject to GST/HST.

The CRA stated that, in its view, the change in position correctly interprets the legislation, provides clarity and simplifies tax administration as:

“[...] Managers will no longer be required to track the transfer of units to New Dealers (i.e. distinguish between payments to Original Dealers versus New Dealers) in order to apply GST/HST correctly to the trailing commissions paid.”

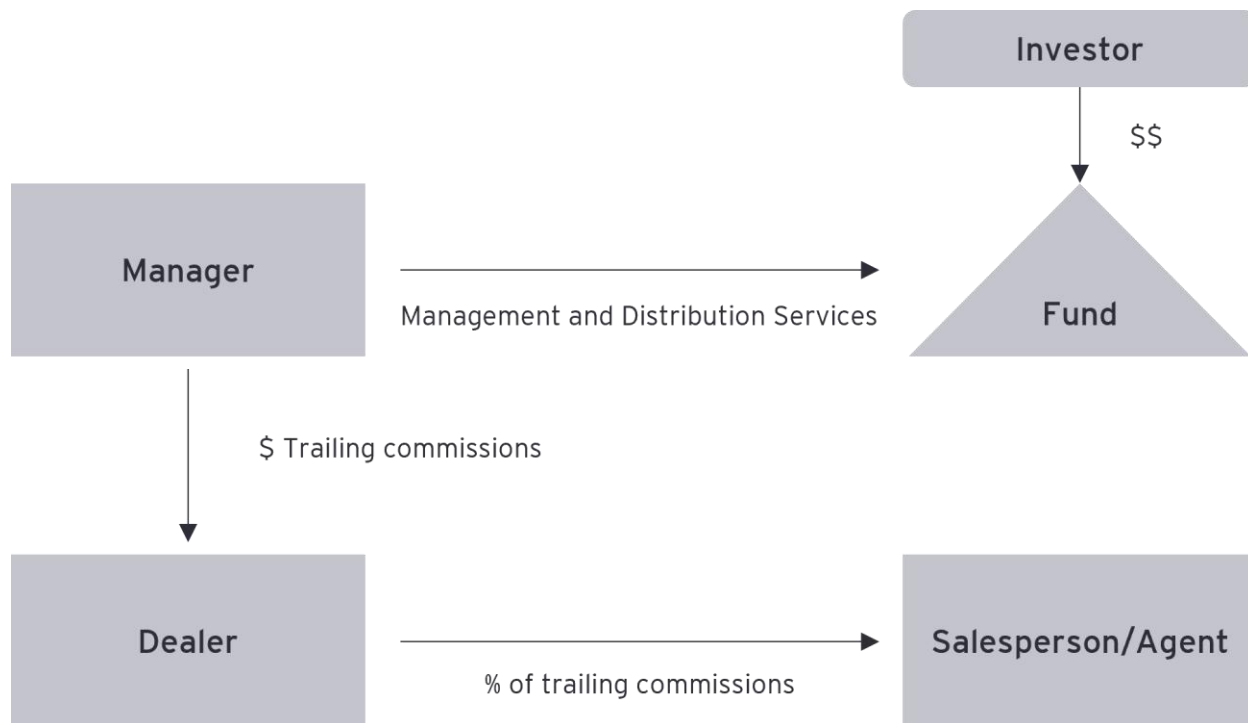
In addition, the CRA noted that “arranging for the initial issuance of units remains an exempt supply” and, as such, “any up-front trading fees” (or up-front commissions) are likely exempt from GST/HST.

In light of the CRA’s comments, it is also anticipated that the commissions earned by agents and financial advisors (collectively, the Agents) from the Dealers will also be subject to GST/HST.

The reversal in the CRA’s administrative position will result in Dealers and Agents being required to register for GST/HST purposes, which may, in turn, require several compliance and operational changes to current processes and information systems.

## Background

As illustrated below, trailing commissions generally result from supplies made between mutual fund managers (the Managers) and Dealers, and between Dealers and Agents.



The CRA's longstanding administrative position, which was initially detailed in (Cancelled) GST/HST Policy Statement P-119: *Trailer commission servicing fees*, issued on 22 February 1994,<sup>2</sup> is that trailing commissions are generally an exempt supply of a "financial service." Consequently, the supplies of (i) services made by the Dealers to the Managers, and (ii) services made by the Agents to the Dealer are generally exempt from GST/HST under paragraphs (d) and (l) of the definition of a "financial service" in subsection 123(1) of the *Excise Tax Act*.

More recently, this longstanding position was confirmed in GST/HST Ruling RITS 187184, *Application of GST/HST to mutual fund trailing commissions in the mutual fund industry*, dated 13 January 2022. Specifically, the CRA confirmed that trailing commissions were not subject to GST/HST, other than in certain "exceptional circumstances."

<sup>2</sup> GST Policy Statement P-119, *Trailer Commission Servicing Fees*, was cancelled in February 2011. GST/HST Technical Information Bulletin B-105, *Changes to the Definition of Financial Service*, replaced certain GST/HST publications, including GST/HST Policy 119.

## Next steps

Affected parties should consider the following potential implications:

- i. Most Dealers and Agents generally have not had experience as GST/HST registrants; where the quantum of the supplies made exceeds \$30,000, Dealers and Agents will have to register for GST/HST purposes and develop a process to track the GST/HST collected, and report and remit the respective amounts in a timely manner;
- ii. Managers will have to develop system capabilities to ensure that Dealers are charging GST/HST;
- iii. Managers, Dealers and Agents (collectively, the Parties) will have to establish an invoicing process to ensure that GST/HST is collected at the correct rate and in a timely manner;
- iv. The Parties will have to ensure they meet all the requirements to claim input tax credits and that claims are filed in the correct periods;
- v. To the extent that the Manager and Dealer have a section 150 election in effect, each party should review whether intercompany elections need to be revoked (so input tax credits can be claimed);
- vi. The Parties will have to consider potential system changes;
- vii. The Parties will have to consider the potential impact on accounting systems; and
- viii. The Parties should review the respective agreements between the entities and consider whether any changes are required.

Furthermore, it is unclear whether Revenu Québec will follow the CRA's stance and adopt a similar position for Quebec Sales Tax purposes.

## Learn more

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

**Tariq Nasir**

+1 416 932 6143 | [tariq.nasir@ca.ey.com](mailto:tariq.nasir@ca.ey.com)

**Sania Ilahi**

+1 416 941 1832 | [sania.ilahi@ca.ey.com](mailto:sania.ilahi@ca.ey.com)

**Jan Pedder**

+1 416 943 3509 | [jan.pedder@ca.ey.com](mailto:jan.pedder@ca.ey.com)

## **EY | Building a better working world**

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

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 are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://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](https://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](https://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>

© 2026 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.*