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Tax Alert – Canada

CRA intends to postpone new administrative position on GST/HST treatment 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.

On 13 May 2026, the Canada Revenue Agency (CRA) verbally informed various industry groups that it intends to grant a material extension to the implementation deadline for the application of GST/HST to mutual fund trailing commissions. Furthermore, the CRA stated that it will provide further details with respect to the enforcement of its administrative position in a notice that will be published by the end of the month.

The CRA had previously indicated in a recent GST/HST interpretation¹ and a related information notice that GST/HST would apply to trailing commissions effective 1 July 2026.

Background

A mutual fund manager who provides management and administrative services to a mutual fund may be paid a fee for these services. GST/HST generally applies to the fee, which includes an embedded “trailing commission.” A manager will pay a portion of the trailing commission to a dealer that distributes shares or units of the fund as long as the investor owns the securities.

The CRA’s longstanding administrative position was that the trailing commission paid by the manager to a dealer was exempt from GST/HST to the extent that:

- ▶ The payment was intended to compensate the dealer for distributing shares or units in a mutual fund; and
- ▶ The dealer was the person who facilitated the initial sale of shares or units in the fund.

¹ For more information, see [EY Tax Alert 2026 Issue No. 1, Reversal of longstanding position with respect to the GST/HST status of trailing commissions.](#)



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The CRA's reasoning for this position was that the manager paid the consideration to arrange for the sale of shares or units in the fund, resulting in an exempt supply for GST/HST purposes in accordance with paragraphs (d) and (l) of the definition of "financial service" in subsection 123(1) of the *Excise Tax Act* (the Act).² The mutual fund industry also took the position that with respect to payments the dealers make to agents, salespersons or advisors, any portion of the trailing commission payment also represented consideration that was exempt from GST/HST.

However, in RITS No. 246664, *GST/HST Interpretation - Tax status of trailing commissions* (22 December 2025), the CRA stated that "dealers are paid ongoing trailing commissions to enable investors' access to the ongoing support, servicing and advice supplied by their dealers."

The CRA considered the provision of investment account support and servicing to be an "asset management service," which is excluded from the definition of "financial service," as is a service of providing investment advice.³ Such services are thereby subject to GST/HST.

As a result, the CRA announced it was changing its position and that GST/HST would generally apply to mutual fund trailing commissions paid by managers to dealers, effective 1 July 2026.⁴ In light of the CRA's comments, it was expected that GST/HST would also apply to commissions that agents and financial advisors earn from dealers.

The CRA's new administrative position has substantial implications for managers, dealers and agents, which are discussed in [EY Tax Alert 2026 No. 1, Reversal of longstanding position with respect to the GST/HST status of trailing commissions](#).

Deferral of new administrative position

On 13 May 2026, the CRA verbally informed industry groups that it intends to grant a material extension to the implementation deadline of its new administrative position of treating trailing commissions as taxable for GST/HST purposes.

The CRA also indicated it will provide further details with respect to the enforcement of its administrative position in a notice by the end of the month.

² A supply of a financial service is generally exempt from GST/HST in accordance with Schedule V, Part VII of the *Excise Tax Act*.

³ Paragraphs (q.1) and (p) of the "financial service" definition in subsection 123(1) of the Act exclude an asset management service and the provision of advice from the definition, respectively.

⁴ In a news release dated 8 April 2026, Revenu Quebec confirmed it would adopt a similar position for Quebec sales tax purposes.

Learn more

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