

How to Tackle an Overdue GST HST Filing Before the CRA Steps In

If you are a Canadian business owner and you have fallen behind on your GST/HST returns, you are not alone. The Canada Revenue Agency sees thousands of late filers every year, and the reasons are usually the same: cash flow problems, lost records, a bookkeeper who quit, or simply the feeling that you will catch up next month. The trouble is that next month turns into next quarter, and before long you have a stack of unfiled returns and a growing sense of dread every time you check the mail.

An overdue GST HST filing does not fix itself, and ignoring it only makes the penalties worse. But the path forward is straightforward if you break it into steps. You do not need to guess your way through it, and you certainly do not need to panic. What you need is a plan, the right documents, and usually a CPA who has done this before.

Why the CRA Cares About Late Filers

The GST/HST system runs on trust. The CRA expects businesses to collect tax on sales, claim input tax credits, and remit the net tax on time. When you miss a filing deadline, the agency loses visibility into your tax position. That is why the late-filing penalty exists. It is not just a fine for being late; it is a tool to force compliance. The penalty is 1% of the amount owing, plus another 25% if you are more than one day late, and it compounds. A \$10,000 balance can quickly turn into \$12,500 or more before you add arrears interest.

Beyond the numbers, an unfiled return flags your account for closer scrutiny. The CRA may issue a notice of assessment based on estimated figures, which are almost always higher than what you actually owe. They may also freeze your GST/HST credit claims, meaning you cannot recover the tax you paid on expenses until the returns are filed. That can hurt cash flow even more.



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What You Need Before You Start

Filing a late return is not much different from filing on time, except you have to reconstruct the numbers. You will need your business number, your records of sales and purchases for each period, and any previous notices of assessment if the CRA has already estimated amounts. If your records are messy, start with bank statements and credit card summaries. Most

businesses can reconstruct their sales from deposit records and their purchases from payment receipts.

One practical tip: if you use the quick method of accounting for GST/HST, remember that you cannot claim input tax credits on the same line as your sales. The quick method uses a remittance rate that already accounts for credits. If you try to file using the regular method after years on the quick method, your net tax will be wrong. Check which method you used on your last filed return before you begin.

Should You File Yourself or Get Help?

This depends on how many returns you owe and how clean your records are. If you are missing one or two periods and your books are current, you can probably file online through CRA my business account. The portal lets you enter amounts directly, and you can pay by debit or pre-authorized debit. If you owe money, you can request installment payments to spread the cost.

If you are behind by more than a year, or if you have no idea where your records are, professional bookkeeping services are worth the cost. A CPA who handles overdue filings can sort through your bank data, reconstruct sales and purchases, and file the returns in the correct format. They also know how to communicate with the CRA if questions come up. T-Ledgers, for example, specializes in exactly this kind of catch-up work for Canadian corporations. Their team understands the pressure of CRA compliance and can get your filings done without making the process more stressful than it already is.

The Voluntary Disclosures Program: Your Best Safety Net

If you have missed multiple years and the CRA has not yet contacted you, you may qualify for the voluntary disclosures program. This program lets you come forward and fix your filings before the agency audits you. If accepted, the CRA will waive late-filing penalties and may reduce arrears interest. You still have to pay the principal tax, but you avoid the crushing penalties that can double your debt.

The catch is that the program has strict rules. Your disclosure must be voluntary, meaning the CRA has not already started a review or audit of your returns. It must be complete, covering all unfiled periods. And it must be accompanied by payment of the tax owing, or a reasonable payment plan. Most businesses need a CPA to prepare a disclosure because the paperwork is detailed and the CRA will reject incomplete submissions.



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If you are in the middle of an [overdue GST HST filing](#) situation and the CRA has already sent letters, you may no longer qualify for the voluntary disclosures program. In that case, you need to file as quickly as possible and then consider a relief request for penalty and interest. The CRA has the authority to cancel or reduce penalties if you can show that the delay was caused by circumstances beyond your control, such as a serious illness, a natural disaster, or a death in the family. The relief request is submitted separately from the return, and you must attach supporting documents.

How to Avoid Getting Behind Again

Once your returns are up to date, the real work begins: staying current. The GST/HST filing deadline for most businesses is one month after the end of the reporting period. If you file annually, the deadline is three months after your fiscal year end. Mark these dates on your calendar and set reminders two weeks before each deadline.

Here are a few habits that keep business owners out of trouble:

- Reconcile your sales and purchases every month, even if you only file quarterly. A monthly check takes 30 minutes and prevents surprises at filing time.
- Set aside the GST/HST you collect in a separate bank account. If the money is not in your operating account, you will not accidentally spend it.
- Use accounting software that calculates net tax automatically. Most cloud-based tools generate the GST/HST return numbers from your transaction data.
- If you use a bookkeeper, give them access to your bank feeds and receipts as they come in, not once a year. Continuous bookkeeping eliminates the backlog.
- When cash flow is tight, remember that you can request installment payments from the CRA rather than skipping a filing. The installment plan keeps you compliant while you spread out the payment.

What Happens If You Do Nothing

The CRA does not forget about unfiled returns. After a few months, they will send a letter asking for the return. If you ignore that, they will issue a notice of assessment based on their estimate of your sales. That estimate is almost always too high because they assume you reported nothing. Then they add late-filing penalties and arrears interest. Eventually, they can register a lien against your property or garnish your bank accounts. They can also charge directors of corporations personally if the corporation fails to remit source deductions or GST/HST collected.

A tax audit is another risk. When you have a gap in filings, the CRA may decide to audit your business to understand what happened. An audit is time-consuming and expensive, even if you owe nothing extra. The auditor will want to see bank statements, invoices, and contracts for every period you missed. If you cannot produce records, they will estimate your tax liability, and you will have to prove the estimate is wrong.



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The Bottom Line

An overdue GST HST filing is a problem that gets worse the longer you wait, but it is also a problem you can solve. Start by gathering what records you have. Decide whether you can file yourself or need a bookkeeping service. If the CRA has not contacted you, look into the voluntary disclosures program. If they have, file immediately and then request relief from penalties. And once you are current, build a simple system to stay that way.

Business owners who have been through this often say the hardest part was picking up the phone or opening the first return. After that, the process is mostly data entry and deadlines. You do not need to be a tax expert to get back on track. You just need to start.