

PayPal ordered to provide CRA with information about business accounts

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PayPal has been ordered to provide the Canada Revenue Agency with information about its business account holders.

The company says a Federal Court order requires it to supply information about business accounts that received or sent a payment between Jan. 1, 2014, and Nov. 10, 2017.

It is not required to provide information about customers who have personal PayPal accounts.

In an e-mail statement to The Globe and Mail, the company said: "We have informed affected customers and they can contact us if they have any queries. We have also shared information on our Help Centre to help them understand our reporting obligations. ...

"This is a one-time disclosure of information to the CRA for Canadian PayPal Business Account holders that sent or received a payment between 2014 and 2017. This is not an on-going request for information," it said. "The CRA regularly seeks court orders as part of its mandate under the Income Tax Act and the Excise Tax Act to compel organizations to disclose information related to an individual or business for tax reporting purposes. In the past eBay Canada in 2009 and Square Canada in 2016 received similar Federal Court orders to disclose certain customer information to the CRA."

PayPal has 6.4 million active customer account holders in Canada, including 250,000 active merchant customer accounts, which includes retailers of all sizes. The company said it can't disclose how many are affected, but the vast majority of PayPal account holders in Canada are personal account holders.

Hussein Warsame, a professor of accounting at the University of Calgary, said the government is trying to track down businesses in the underground economy. "They're basically trying to target people that they think are hiding their income or evading tax basically. That's what they're trying to fight: tax evasion."

Duane Milot, a tax lawyer with Milot Law in Toronto, said taxpayers that are affected by the Federal Court order will likely be audited by the CRA and may be assessed additional tax, penalties and interest on any unreported income.

"Some taxpayers may be able to argue that their PayPal account was used for personal matters – transferring funds to a relative or purchasing household goods – and not in the course of a business. Taxpayers will have to produce receipts and other supporting documentation," Milot said.

"To determine whether a taxpayer has a business or not, the CRA will consider the number of transactions in the account and the amount of funds transferred. There may be GST/HST implications if the taxpayer has taxable supplies of more than \$30,000 per year.

"Some taxpayers may try to utilize the CRA Voluntary Disclosure program to disclose any unreported income, but the CRA is likely to take the position that the disclosure was not voluntary. If the disclosure is not voluntary, then the taxpayer cannot benefit from no criminal prosecution, no penalties and reduced interest. Some taxpayers that have large unreported income in their PayPal business accounts, over a number of years, may be prosecuted criminally."

On [its website](#), PayPal said the court order requires it to disclose the following information about business account holders who received or sent a payment between Jan. 1, 2014 and Nov. 10, 2017:

- The full name of every individual or corporation holding a business account that has a Canadian address;
- The date of birth of each individual holding a business account;
- The business name, if applicable;
- The telephone number(s) of the corporation or individual holding the business account, if available;
- The full address(es) of the corporation or individual holding the business account;
- The e-mail address of the corporation or individual holding the business account;
- The social insurance number and/or business number of the corporation or individual holding the business account, if available.

It will be required to disclose the following information on transactions made by the account holder:

- The total number and value of received transactions for each calendar year between Jan. 1, 2014 and Nov. 10, 2017.
- The total number and value of sent transactions for each calendar year between Jan. 1, 2014 and Nov. 10, 2017.

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