



Canada Revenue
Agency

Agence du revenu
du Canada

GST/HST Information for Charities

Is this guide for you?

This guide explains how the goods and services tax/harmonized sales tax (GST/HST) applies to you as a registered charity or a registered Canadian amateur athletic association.

The information in this guide does **not** apply to you if you are a public institution (such as a registered charity for income tax purposes that is a school authority, public college, university, hospital authority, or a local authority determined to be a municipality).

Also, see Guide RC4022, *General Information for GST/HST Registrants*. It has basic information on charging, collecting, and remitting the GST/HST.

Selected listed financial institutions

This guide does not include information on the special rules for selected listed financial institutions. If you are a selected listed financial institution, please see Guide RC4050, *GST/HST Information for Selected Listed Financial Institutions*.

GST/HST and Quebec

In Quebec, Revenu Québec generally administers the GST/HST. If the physical location of your business is in Quebec, you have to file your returns with Revenu Québec using its forms, unless you are a selected listed financial institution (SLFI). For more information, see the Revenu Québec publication IN-203-V, *General Information Concerning the QST and the GST/HST*, available at www.revenuquebec.ca, or call 1-800-567-4692. If you are an SLFI and you have a permanent establishment in Quebec go to www.cra.gc.ca/slfi.

If you are blind or partially sighted, you can get our publications in braille, large print, etext, or MP3 by going to www.cra.gc.ca/alternate. You can also get our publications and your personalized correspondence in these formats by calling 1-800-959-5525.

This guide uses plain language to explain the most common tax situations. It is provided for information only and does not replace the law.

La version française de cette publication est intitulée *Renseignements sur la TPS/TVH pour les organismes de bienfaisance*.

What's new?

We list the major changes below. This guide contains information based on amendments to the *Excise Tax Act* and *Regulations*. At the time of publication, some of these amendments were proposed and not law. The publication of this guide should not be taken as a statement by the Canada Revenue Agency that these amendments will in fact become law in their current form. If they become law as proposed, they will be effective as of the dates indicated. For more information on these and other changes, see the areas outlined in colour in this guide.

Harmonized sales tax for Prince Edward Island

On April 1, 2013, Prince Edward Island harmonized its provincial sales tax with the GST to implement the harmonized sales tax at the rate of 14% (5% federal part and 9% provincial part). For information on the transitional rules, see GST/HST Notice 278, *Harmonized Sales Tax for Prince Edward Island – Questions and Answers on General Transitional Rules for Personal Property and Services*, and GST/HST Notice 279, *Harmonized Sales Tax for Prince Edward Island (P.E.I.) – Questions and Answers on Transitional Rules for Housing and Other Real Property Situated in P.E.I.*

Elimination of the harmonized sales tax in British Columbia

As of April 1, 2013, the HST at the rate of 12% (5% federal part and a 7% provincial part) no longer applies in British Columbia. The HST at the rate of 12% has been replaced by the GST at the rate of 5% and a provincial sales tax. For information on the elimination of the HST, see GST/HST Notice 270, *Elimination of the HST in British Columbia in 2013 – Questions and Answers*, and GST/HST Notice 276, *Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing*.

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Definitions

Basic tax content – of a property generally means the amount of the GST/HST that was payable for your last acquisition of the property, and for any improvements you made to the property since that last acquisition, less any amounts that you were, or would have been, entitled to recover (for example, by rebate or remission, but not by input tax credits), and for any subsequent improvements. The calculation for the basic tax content also takes into account any depreciation in the value of the property since you last acquired it (for example, when you purchased it or were last considered to have purchased it, whichever occurred more recently).

You may have to calculate the basic tax content of a property if you are a registrant and you increase or decrease your use of the property in your commercial activities. For more information, see “Calculating the basic tax content” on page 25.

Charity – means a registered charity, or registered Canadian amateur athletic association for income tax purposes but does not include a public institution. A charity can issue official donation receipts for income tax purposes.

Commercial activity – means any business or adventure or concern in the nature of trade carried on by a person, but **does not include**:

- the making of exempt supplies; or
- any business or adventure or concern in the nature of trade carried on without a reasonable expectation of profit by an individual, a personal trust, or a partnership where all the members are individuals.

Commercial activity also includes a supply of real property, other than an exempt supply, made by any person, whether or not there is a reasonable expectation of profit, and anything done in the course of making the supply or in connection with the making of the supply.

Designated municipal property – means property of a person who is, at any time, designated to be a municipality for purposes of claiming the municipal rebate. Generally, it is property, or an improvement to it, that the designated municipality intended to consume, use, or supply more than 10% in the course of activities specified in its designation, and an amount for the property or improvement to it has been included in the calculation of non-creditable tax charged. Once property qualifies as designated municipal property, it is treated as such for as long as it is held by the designated municipality.

Designated municipality – refers to a person that supplies certain municipal services and is designated by the Minister of National Revenue to be a municipality for the purpose of claiming the public service bodies’ rebate for those services.

Election – is a way for businesses and organizations to choose various options that may make it easier to comply with the GST/HST. Each election has its own eligibility criteria.

Exempt supplies – are supplies of property and services that are not subject to the GST/HST. GST/HST registrants cannot claim input tax credits to recover the GST/HST paid or payable on expenses related to making such supplies. However, a charity may be eligible to claim a public service bodies’ rebate for such expenses.

Fair Market Value – is usually the highest dollar value, you can get for your property in an open and unrestricted market between a willing buyer and a willing seller who are unrelated to each other. Fair market value does not include the GST/HST payable on the fair market value of the property. For sales of real property, fair market value does not include any provincial land transfer taxes payable on the sale.

Government – refers to the federal, provincial or territorial levels of government.

Improvement – to capital property generally means any property or service acquired or imported to improve the capital property when the amount paid or payable for that property or service is included in the adjusted cost base of the capital property for income tax purposes.

Input tax credit (ITC) – means a credit GST/HST registrants can claim to recover the GST/HST paid or payable for property or services they acquired, imported into Canada, or brought into a participating province for use, consumption, or supply in the course of their commercial activities.

Municipality – means an incorporated city, town, village, metropolitan authority, township, district, county or rural municipality or other incorporated municipal body however designated. It also includes such other local authority that the Minister of National Revenue has determined to be a municipality, otherwise referred to as a determined municipality.

Participating province – means a province that has harmonized its provincial sales tax with the GST to implement the harmonized sales tax (HST). Participating provinces include New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, and Prince Edward Island, but do not include the Nova Scotia offshore area or the Newfoundland offshore area except to the extent that offshore activities, as defined in subsection 123(1) of the *Excise Tax Act*, are carried on in that area.

Note

British Columbia was a participating province from July 1, 2010 until March 31, 2013.

Person – means an individual, a partnership, a corporation, the estate of a deceased individual, a trust, or any organization such as a society, a union, a club, an association, or a commission.

Property – includes goods, real property and intangible personal property such as trademarks, rights to use a patent and admissions to a place of amusement, but does not include money.

Public institution – means a registered charity for income tax purposes that is also a school authority, a public college, a university, a hospital authority, or a local authority determined to be a municipality.

Public sector body – means a government or a public service body.

Public service body (PSB) – means a charity, a non-profit organization, a municipality, a university, a public college, a school authority, or a hospital authority.

Real property – includes:

- a mobile home or floating home and any leasehold or ownership interest in such property;
- in Quebec, immovable property and every lease of such property; and
- in any other place in Canada, all land, buildings of a permanent nature, and any interest in real property.

Registrant – means a person that is registered or has to be registered for the GST/HST.

Selected public service body – means:

- a school authority, a university or a public college that is established and operated other than for profit;
- a hospital authority;
- a municipality;
- a facility operator; or
- an external supplier.

Small supplier – refers to a person whose revenue (along with the revenue of all persons associated with that person) from worldwide taxable supplies was equal to or less than \$30,000 (\$50,000 for public service bodies) in a calendar quarter and over the last four consecutive calendar quarters. Charities are small suppliers if either their revenues from worldwide taxable supplies were \$50,000 or less, or their gross revenue was \$250,000 or less.

Supply – means the provision of property or a service in any way, including sale, transfer, barter, exchange, licence, rental, lease, gift, and disposition.

Taxable supplies – are supplies of property and services that are made in the course of a commercial activity and are subject to the GST/HST (including zero-rated supplies).

Zero-rated supplies – are supplies of property and services that are taxable at the rate of 0%. This means there is no GST/HST charged on these supplies, but GST/HST registrants (other than charities using the net tax calculation for charities) can claim ITCs for the GST/HST paid or payable on purchases and expenses made to provide them.

General rules for charities

Some GST/HST rules that apply to charities are very different from those for businesses. For example:

- most supplies made by charities are exempt while most supplies made by businesses are taxable;
- many charities are not required to register for GST/HST purposes while most businesses are required to do so;

- businesses engaged in commercial activity can generally recover GST/HST paid or payable on their business purchases used in those activities by claiming input tax credits (ITCs), while charities are restricted in the ITCs they may claim;
- if a charity is registered for GST/HST purposes it must calculate its net tax by using the net tax calculation for charities;
- where ITCs are not available, charities can recover some of the GST or the federal part of the HST paid or payable on their purchases (subject to certain exceptions) by claiming a 50% public service bodies' rebate; and
- charities may also be able to claim a public service bodies' rebate for some of the provincial part of the HST if they are a resident in a participating province (defined on the previous page). For more information see "Rebate information for charities that are not GST/HST registrants," on page 14 or "Rebate information for charities that are GST/HST registrants," on page 15.

What is the GST/HST?

The goods and services tax (GST) is a tax that applies to most supplies of goods and services made in Canada. The GST also applies to supplies of real property (for example, land, buildings and interests in such property) and intangible property such as trademarks, rights to use a patent, and digitized products downloaded from the Internet and paid for individually.

The participating provinces harmonized their provincial sales tax with the GST to implement the harmonized sales tax (HST) in those provinces. Generally, the HST applies to the same base of property and services as the GST. In some participating provinces, there are point-of-sale rebates equivalent to the **provincial part** of the HST on certain qualifying items. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

GST/HST registrants who make taxable supplies (other than zero-rated supplies) in the participating provinces collect tax at the applicable HST rate. GST/HST registrants collect tax at the 5% GST rate on taxable supplies they make in the rest of Canada (other than zero-rated supplies). Special rules apply for determining the place of supply. For more information on the HST and the place of supply rules, see Guide RC4022.

The HST rate can vary from one participating province to another. The chart on the next page shows the applicable GST/HST rates beginning July 1, 2010. For rates before July 2010, go to www.cra.gc.ca/gsthst.

GST/HST Rates		
	July 1, 2010 to March 31, 2013	On or after April 1, 2013
British Columbia	HST at 12%	GST at 5%
New Brunswick	HST at 13%	HST at 13%
Newfoundland and Labrador	HST at 13%	HST at 13%
Nova Scotia	HST at 15%	HST at 15%
Ontario	HST at 13%	HST at 13%
Prince Edward Island	GST at 5%	HST at 14%
Territories and other provinces in Canada	GST at 5%	GST at 5%

Exception for certain sales of new housing

Special transitional rules apply for determining the rate of the GST/HST that applies to the sale of new housing. For more information, see “Sales of new housing,” on page 27.

Who pays the GST/HST?

Almost everyone has to pay the GST/HST on purchases of taxable supplies of property and services (other than zero-rated supplies). The GST/HST also applies to most supplies of intangible personal property and certain supplies of real property. However, Indians, Indian bands and some groups and organizations, such as certain provincial and territorial governments, do not always pay the GST/HST on their purchases. For more information, go to www.cra.gc.ca/gsthst or see Guide RC4022.

Who charges the GST/HST?

Generally, GST/HST registrants have to charge and collect the GST/HST on all taxable supplies (other than zero-rated) of property and services they provide to their customers. However, there are some exceptions for taxable sales of real property. For more information, see “Real property,” on page 26.

How does the GST/HST work for charities that are GST/HST registrants?

If you are a GST/HST registrant, you have to collect and account for the GST/HST on the taxable supplies (other than zero-rated supplies) you make in Canada and file regular GST/HST returns to report that tax.

Exception for certain sales of real property and new housing

In certain cases, you do not have to collect the GST/HST on a taxable sale of real property. Instead, the purchaser may have to pay it to us directly. However, special rules apply for determining which rate applies to the sale of new housing. For more information, see “Real property,” on page 26 and Guide RC4022.

You are limited in the input tax credits (ITCs) that you can claim because of the special calculation method called the “net tax calculation for charities” that you must use to complete your GST/HST return.

Generally, you can claim ITCs only on certain items such as the GST/HST paid or payable on purchases of, or improvements to, capital property or real property that you used primarily (more than 50%) in your commercial activities (defined on page 5).

You may be eligible to claim an ITC for the GST/HST paid or payable on the purchase of, or improvements to, real property where it is used less than primarily, but more than 10%, in your commercial activities and for which you filed Form GST26, *Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply*. For more information, see “Election for real property of a public service body,” on page 29.

As a registrant, you are entitled to claim a public service bodies’ (PSB) rebate for the GST/HST paid or payable on eligible purchases for which you cannot claim ITCs or any other rebate, refund or remission whether that tax relates to your taxable or exempt activities.

You file your PSB rebate application with the same frequency as your GST/HST return (monthly, quarterly, or annually). For more information, see “Rebate information for charities that are GST/HST registrants,” on page 15.

Note

If you are an annual filer and your net tax for the previous year is \$3,000 or more, you may have to make quarterly instalment payments even if your rebate reduces your amount owing to less than \$3,000. You can use the “Instalment payment calculator” service to calculate your instalment payments and view their due dates using our online services at www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives. For more information, go to www.cra.gc.ca/gsthst or see Guide RC4022.

How does the GST/HST work for charities that are not GST/HST registrants?

If you are not a GST/HST registrant, you do not have to collect the GST/HST even if you supply taxable property and services. However, you may be required to collect the GST/HST on taxable sales of real property even if you are not a registrant. For information about liability for tax, see GST/HST Memorandum 19.4.1, *Commercial Real Property – Sales and Rentals*.

You can recover a percentage of the GST/HST you pay on your eligible purchases by claiming a PSB rebate, but there are specific purchases for which a rebate cannot be claimed. You can file for the PSB rebate twice in a fiscal year – one rebate application for the first six months of your fiscal year and another for the last six months of your fiscal year. For information on “eligible,” and “non-eligible,” purchases and expenses, see Guide RC4034, *GST/HST Public Service Bodies’ Rebate*.

Does a charity have to register for the GST/HST?

You **have to register** for the GST/HST if:

- you provide taxable property and services in Canada; and
- you are not a small supplier.

You **cannot register** for GST/HST purposes if you provide only exempt property and services.

You may **voluntarily register** for GST/HST purposes if you:

- provide taxable property and services in Canada; and
- you are a small supplier.

Small supplier limits

As a charity, you may qualify as a small supplier under **either** of the following tests:

- the \$250,000 gross revenue test; or
- the \$50,000 taxable supplies test.

You only have to meet **one** of these tests to be a small supplier. If you qualify as a small supplier, you do not have to register for the GST/HST, but you may choose to do so voluntarily. For more information, see “Voluntary registration,” on the next page.

If you are a small supplier and you decide **not** to register:

- you do not charge tax on your supplies except for taxable sales of real property. However, you may not have to collect the tax from the purchaser. For more information, see “Who remits the tax on a taxable sale of real property – vendor or purchaser?” on page 27;
- you cannot claim input tax credits (ITCs) to recover the GST/HST paid or payable on your purchases; and
- you can claim a public service bodies’ (PSB) rebate at the applicable rate for the GST/HST paid or payable on your eligible purchases and expenses.

Gross revenue test

The fiscal year limit for the gross revenue test for a charity is \$250,000. When calculating your gross revenue for this test, you do not have to determine if the property and services you sell or provide are subject to GST/HST.

The test is as follows:

- if you are in your first fiscal year, you do not have to register for GST/HST;
- if you are in your second fiscal year, calculate your gross revenue from your first fiscal year. If this amount is \$250,000 or less, you are considered a small supplier and you do not have to register for GST/HST; or
- if you are in your third or later fiscal year, calculate your gross revenue in each of your two previous fiscal years. If this amount is \$250,000 or less in either of these years, you are considered a small supplier and you do not have to register for the GST/HST.

Gross revenue includes:

- income from a business, or from an adventure or concern in the nature of trade;
- gifts and donations;
- grants, subsidies, forgivable loans and other assistance;
- property and investment income;
- any amount that is a capital gain from the disposition of property for income tax purposes;
- other revenue of any kind whatever during the year; and
- less any amount that is a capital loss from the disposition of property for income tax purposes.

Whether your charity is incorporated or unincorporated, you have to use the gross revenue of your organization as a whole (the legal entity) to determine if you qualify as a small supplier under this test.

\$50,000 taxable supplies test

The taxable supplies limit for charities and other public service bodies is \$50,000.

Note

If your charity is a small supplier under the gross revenue test, you do not have to do this test.

The taxable supplies test includes your worldwide revenues, and those of your associates, from supplies of property and services subject to the GST/HST, including zero-rated supplies.

Do not include exempt supplies, sales of capital property, supplies of financial services, and certain payments for goodwill.

To determine if you are a small supplier under this test, calculate:

- your total revenue from taxable supplies in the current calendar quarter; and
- your total revenue from taxable supplies in the last four calendar quarters.

If each of these amounts adds up to \$50,000 or less, you do not have to register, but you may do so voluntarily. For more information, see “Voluntary registration” on the next page.

If your charity has branches or divisions, you can apply to have them treated as individual small supplier divisions. For more information, see “Branches and divisions,” below.

If a branch or division qualifies as a small supplier division, it will not have to collect or remit GST/HST on its supplies of taxable property and services (except for certain taxable sales of real property, capital municipal property and designated municipal property).

Voluntary registration

If you make taxable supplies of property and services but you are a small supplier, based on either the \$250,000 gross revenue test or the \$50,000 taxable supplies test, you do not have to register for GST/HST. However, you can **choose** to register voluntarily, even though you do not have to.

If you register voluntarily, your effective date of registration is usually the date the application is **received**. However, the CRA will accept an earlier effective date, provided that the date is within 30 days of the date the application for registration is received, regardless of the method of registration.

Once you are registered, you have to charge and remit GST/HST on your taxable supplies of property and services. You may also be able to claim ITCs (subject to the limitations explained in “Net tax calculation for charities,” on page 21) to recover the GST/HST paid or payable on expenses you incurred to provide them.

If you have made sales and already charged GST/HST for more than 30 days before setting up your GST/HST account, call **1-800-959-5525** for more information.

A PSB rebate may be available for the GST/HST paid or payable on eligible purchases and expenses for which you cannot claim ITCs or any other rebate, refund or remission. For more information, see “Rebate information for charities that are GST/HST registrants,” on page 15.

Branches and divisions

Branches or divisions that are part of one legal entity cannot register separately. Therefore, if you register for the GST/HST, you have to do so as a single entity. You have to take into account the total revenue of the entity to determine whether or not you have to register.

However, if your charity has branches or divisions, you may apply to have each branch or division with \$50,000 or less in taxable supplies designated as a small supplier division.

To apply for this treatment, the head office must send us a completed Form GST31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*. If we approve the designation for a small supplier division, the branch or division will no longer collect GST/HST on its taxable supplies (except for certain taxable sales of real property, capital municipal property and designated municipal property) and ITCs for eligible purchases cannot be claimed by either the head office or the branch or division to the extent that those purchases are for activities of the branch or division.

A branch or division will qualify as a small supplier division if it meets **all** of the following conditions:

- it has taxable supplies of \$50,000 or less in the current calendar quarter and also \$50,000 or less over the last four consecutive calendar quarters;
- you can separately identify the branch or division by either its location or the nature of its activities;
- it has its own accounting systems and maintains separate records and books of account; and
- you have not revoked an earlier designation of the branch or division within the previous 365 days.

Once a branch or division no longer qualifies as a small supplier division, it has to start collecting the GST/HST on its taxable supplies and may qualify for ITCs, subject to the limitations in the net tax calculation for charities.

GST/HST does not apply to supplies transferred between branches or divisions that are part of one legal entity.

Members of unincorporated organizations

Generally, when one unincorporated organization (such as a club or association) is a member of an unincorporated main organization, but is a separate entity, the organizations have to charge the GST/HST on taxable transactions between them, if they are registered for the GST/HST. However, such organizations can apply jointly to have the member organization considered a branch of the main organization.

To do so, the main organization has to send us a completed Form GST32, *Application to Deem One Unincorporated Organization to be a Branch of Another Unincorporated Organization*. If the application is approved, the GST/HST will not apply to transfers of goods and services between the member organization and the main organization.

Note

When two unincorporated organizations are members of the same unincorporated main organization and each member applies jointly with the main organization, using Form GST32 and both of their applications are approved, the GST/HST will not apply to taxable transactions between the two member organizations.

How do I register?

To register for the GST/HST, go to **www.cra.gc.ca/bro**, call **1-800-959-5525**, or send us a completed Form RC1, *Request for a Business Number (BN)*.

Cancelling your registration

If you are registered for the GST/HST and you determine, after using the small supplier tests, that you do not have to be registered, you can ask us to cancel your GST/HST registration. You can only cancel your registration if you have been registered for at least one year.

If your registration is cancelled, you do not charge the GST/HST (other than on a taxable supply of real property by way of sale) and you cannot claim ITCs. You may also have to pay back some of the ITCs you claimed while you were a registrant. You do not have to be registered for GST/HST purposes to claim the PSB rebate.

To cancel your registration, complete Parts A, B, and E of Form RC145, *Request to Close Business Number (BN) Program Accounts*, and send it to us or call **1-800-959-5525**. Usually, we have to receive your request within 30 days of your year-end to cancel your registration, which will take effect after the last day of your fiscal year.

If other situations arise (for example, you stop making taxable supplies) and you no longer need to be registered, you should cancel your registration immediately as described above.

Exempt supplies

Most property and services that charities supply are exempt from GST/HST, except for those supplied by charities that have been determined or designated to be municipalities. When property or services are exempt, it means that, even if you are a GST/HST registrant, you **do not charge GST/HST** on them. Also, you **cannot claim input tax credits** for the GST/HST paid or payable on the purchases and expenses that relate to your exempt supplies.

Some property and services are exempt regardless of who supplies them. Examples of these property and services are:

- long-term residential rental accommodation;
- child care services the primary purpose of which is to provide care and supervision to children 14 years of age or under for periods less than 24 hours per day; and
- personal care services for children, underprivileged individuals, or individuals with disabilities, when supplied by a person operating an establishment for these individuals, in either institutional or non-institutional settings.

Exemptions for charities

The following are examples of property and services that are exempt when your charity supplies them:

- most services;
- supplies of used or donated goods;
- short-term residential rental accommodation (less than one month of occupancy). However, if you filed an election to treat your exempt supplies of that real property as taxable, the supply of the short-term accommodation will be taxable unless the amount payable for the supply is \$20 or less for each day of occupancy. For more information, see “Election for real property of a public service body,” on page 29;

- meals-on-wheels programs. This exemption is for a supply of food or beverages to seniors, underprivileged individuals, or individuals with a disability, under a program established and operated to provide prepared food to such individuals in their places of residence. Any supply of food or beverages made to a charity for these programs is also exempt;
- parking space and facility rentals (for example, halls for weddings). However, if you filed an election to treat your exempt supplies of that real property as taxable, these supplies are taxable. For more information, see “Election for real property of a public service body,” on page 29; and
- catering services for private functions (for example, wedding receptions).

Other exemptions

Admissions

Admissions to places of amusement, such as museums, recreational complexes, and theatres are exempt if the maximum admission charged is \$1 or less.

Admissions to a fund-raising dinner, ball, concert, show or like fund-raising events are exempt where part of the admission qualifies for a charitable donation receipt for income tax purposes.

Admissions you sell in the course of a fund-raising activity are also exempt except where you sell the admissions, or your clients are entitled to receive the admissions, on a regular or continuous basis throughout the year or a significant part of the year.

Admissions are also exempt if you sell them to spectators of a performance, athletic, or competitive event at which 90% or more of the performers, athletes, or competitors are not paid, directly or indirectly, for their participation other than by government grants, reasonable gifts, prizes, compensation for travel, and other incidental costs.

The admissions will not be exempt if they are for events specifically advertised as featuring paid participants or events at which professional athletes compete for cash prizes.

Direct cost exemption

Tangible personal property (goods) and services you sell for an amount that is not more than your direct cost may also be exempt. The direct cost exemption applies to sales of personal property (other than capital property or designated municipal property) and services that are bought for resale.

Direct cost includes the following amounts:

- the amount you paid when you bought the goods or service;
- the amount you paid for an article or material (other than capital property or designated municipal property) directly used to manufacture, produce, process, or package the goods; and

- GST, HST, Quebec sales tax (QST), and non-recoverable provincial taxes, duties, and fees you paid when you bought the goods or services.

Direct cost does not include administrative or overhead expenses, or employee salaries that you incur to provide these goods or services.

If you only want to recover your direct cost, you can choose to make your sales taxable or exempt depending on your tax treatment of the sale.

If you sell particular goods or services for a price that is no more than your direct cost and you do not charge the GST/HST, these sales are exempt.

Example

You buy T-shirts with your logo in Nova Scotia for \$20 each plus \$3 HST. You sell them to customers in Nova Scotia for \$23 and do not charge the HST on the \$23. Since the price you charged was not more than your direct cost ($\$20 + \$3 = \$23$), and since you did not charge the HST on the selling price, your sales of these T-shirts are exempt.

However, if you sell particular goods and services for a price that is equal to or more than your direct cost (not including GST, HST, and QST, where you are a QST registrant), and you charge an amount as GST/HST on the selling price, these sales are considered to be taxable sales.

Example

You buy T-shirts with your logo in Nova Scotia for \$20 each plus \$3 HST. You sell them to customers in Nova Scotia for \$20 each plus \$3 HST. Since you charged an amount equal to your direct cost not including the HST (\$20), and you charged HST separately, the sales of these T-shirts are taxable.

The sale of the T-shirt would be exempt if you sold it for **less** than \$20, **even if you charged the HST to your customer**. In this case, you would have collected the tax in error.

Free supplies

If 90% or more of supplies of a property or a service you make are free of charge, all of your supplies of that property or service are exempt, including any for which an amount is charged.

Fund-raising activities

Most property and services you sell in the course of a fund-raising activity that are not covered under the exemptions described above are exempt **unless**:

- you sell these property or services regularly or continuously throughout the year, or a significant part of the year; or
- your clients are entitled to receive these property or services regularly or continuously throughout the year, or a significant part of the year.

Examples of supplies that are exempt include:

- greeting cards you sell only in the Christmas season; and
- chocolate bars you sell in an eight-week fund-raising drive.

Examples of supplies this exemption does **not** cover and that you will generally have to collect tax on if you are a GST/HST registrant, include:

- goods you sell year-round in a tuck shop; and
- subscriptions to your charity's magazine.

Fund-raising events

The full amount you charge for admission to a fund-raising dinner, ball, concert, or similar event is exempt if part of the admission qualifies as a charitable donation for income tax purposes.

Example

You sell tickets to a fund-raising dinner for \$100 but \$75 of the ticket price qualifies as a charitable donation for income tax purposes. You do not charge the GST/HST on any part of the admission.

Gambling events

GST/HST does not apply to revenues you receive from sales of lottery, break-open, or raffle tickets. However, lottery tickets you sell for a provincial or inter-provincial lottery corporation are taxable, and the tax is included in the price of the tickets. Lottery corporations are required to remit any tax collected on lottery tickets and will tell you how to treat the proceeds from these lottery tickets.

If you operate bingo games or casino nights, the fees you charge for the sale of bingo cards or the taking of bets during a casino night are exempt.

If you run a bingo game, casino night, or other gambling event and charge admission, the admission is exempt if you meet the following conditions:

- volunteers run the event and take the bets; and
- for bingo and casino nights, the event is not held in a commercial hall or temporary structure (such as a bingo tent put up on a fair ground) used mainly for gambling activities.

Memberships

A supply of a membership by a charity is exempt, **unless** the value of the following benefits is significant (generally considered to be 30% or more) in relation to the cost of the membership:

- free or reduced admission to a place of amusement;
- the right to use facilities at a place of amusement; or
- the right to participate in a recreational or athletic activity at a place of amusement.

A service, membership, or right you supply is **not** exempt if it includes supervision or instruction in any recreational or athletic activity unless:

- you provide it primarily to children 14 years of age or under and it does not involve overnight supervision throughout a large part of the program; or
- you provide it primarily to individuals who are underprivileged or who have a disability.

For more information, see “Taxable supplies,” below.

Recreational programs

If you provide recreational programs primarily to children 14 years of age or under, the fees you charge are exempt. However, if there is overnight supervision throughout a substantial part of these programs, the fees are taxable.

If you provide recreational services primarily to underprivileged individuals, or individuals with a disability, these services are also exempt.

Relief of poverty, suffering, or distress

Supplies of food, beverages, or short-term accommodation that are provided in the course of an activity, the purpose of which is to relieve the poverty, suffering, or distress of individuals, and is not fund-raising, are exempt.

For example, GST/HST does not apply to charges for meals or accommodation at a shelter for needy individuals.

Taxable supplies

If no exempting provisions apply to your supply of particular property or service, the supply is a taxable supply. The following are examples of supplies of property and services that are generally taxable at 5%, 12%, 13%, 14%, 15%, or 0%.

Although a supply of a property or service may be taxable, you do not collect tax on your supplies (except for certain taxable sales of real property, capital municipal property and designated municipal property) **unless** you are a registrant. For more information, see “Does a charity have to register for the GST/HST?” on page 8.

Note

If you make a taxable sale of real property, you do not have to collect the tax payable if the purchaser is registered for the GST/HST, unless the purchaser is an individual (whether registered or not) and you make a taxable sale to the individual, of a house or a cemetery plot or place of burial, entombment or deposit of human remains or ashes. For more information, see “Who remits the tax on a taxable sale of real property – vendor or purchaser?” on page 27.

Taxable supplies at the rate of 5%, 12%, 13%, 14%, or 15%

These are examples of supplies that are taxable at 5%, 12%, 13%, 14%, or 15%:

- supplies of certain personal property that you used in your taxable activities (such as the sale of a cash register used in a gift shop where you sell taxable supplies);
- new goods that you bought, manufactured, or produced to resell (such as sales of new goods that you bought to resell in a gift shop for a price that is more than their direct cost – see page 10). Sales of used goods or goods donated to the charity remain exempt;
- certain sales and leases of real property (see “Sales and leases,” on page 26);
- admissions to a place of amusement such as a museum, recreational complex, or theatre if any admission charged is more than \$1 (except for certain fund-raising activities). For example, if you charge adults a \$5 admission and children a \$0.50 admission, **both** admissions will be taxable;
- memberships that entitle members to benefits such as free or discounted admission to a place of amusement (for example, a museum, a theatre, or a recreational complex), the use of facilities, or the right to participate in recreational activities at a place of amusement. However, if the value of these benefits is insignificant (less than 30%) in relation to the membership fee, the membership is exempt;
- a service involving, or a membership that allows the member to receive, supervision or instruction in a recreational or athletic activity, unless it is provided primarily to children 14 years of age or under and does not involve overnight supervision throughout a substantial part of the program, or unless it is provided primarily to individuals who are underprivileged or who have a disability;
- services of performing artists if you provide the services to another organization that is selling taxable supplies of admissions to the performance;
- lottery tickets (tax is included in the price of the ticket) if your charity sells them for a provincial lottery corporation (see “Gambling events,” on the previous page);
- restaurant operations; and
- professional theatre subscriptions.

Zero-rated supplies

Supplies of zero-rated property and services are taxable at a rate of 0%. Therefore, you do not collect GST/HST when you supply zero-rated property and services.

Generally, GST/HST registrants (other than charities) can claim input tax credits (ITCs) for the GST/HST paid or payable on purchases and expenses they make to provide zero-rated supplies. Special rules concerning ITCs apply to charities. For more information, see “Net tax calculation for charities,” on page 21.

If your supply of a particular property or service does not satisfy any exempting provisions, a zero-rating provision may nevertheless apply to zero-rate the supply.

Some examples of zero-rated supplies are:

- basic groceries (such as milk, bread, vegetables, meat, and fish);
- certain goods when they are exported outside Canada (supplies otherwise taxable at 5%, 12%, 13%, 14% or 15%);
- prescription drugs;
- supplies of blood and blood derivatives;
- certain medical devices (such as artificial limbs and hearing aids); and
- the rental of farmland to a GST/HST registrant on a crop-share basis to the extent that the crop is zero-rated.

Charities providing employment assistance to individuals with disabilities

If your charity regularly provides employment or employment assistance to individuals with disabilities and supplies services that are performed by such individuals to clients, these supplies would usually be exempt. However, you can apply to us in writing to be designated for the purpose of having the supply of these services made taxable **when provided to a GST/HST registrant** (unless you are providing them to a public sector body or to a board, commission, or other body established by a government or a municipality).

To qualify for this designation, a charity must meet the two following conditions:

- one of the main purposes of the charity is to provide employment or employment-related assistance to individuals with disabilities; and
- the charity must supply, on a regular basis, certain services that are performed, in whole or in part, by individuals with disabilities.

A charity requesting designation should submit governing documents, a statement of activities and the requested effective date of designation. This information, including the charity's legal name and business number should be sent to the following address:

Director, Public Service Bodies and Governments Division
Excise and GST/HST Rulings Directorate
320 Queen Street, Tower A, 15th Floor
Ottawa, ON K1A 0L5

Donations, grants, subsidies and sponsorships

Donations and gifts

GST/HST does not apply to donations and gifts. A donation or a gift is a voluntary transfer of money or property for which the donor does not receive any benefit in return. If the donor receives property having nominal value, such as a key ring, a pin, or an envelope seal, in exchange for the donation, the donation will still not be subject to the GST/HST. However, if the donor receives property or service having more than nominal value in exchange for the donation, the payment will be subject to GST/HST, **unless** the property or service is an exempt or zero-rated supply.

Grants and subsidies

As a charity, you may receive grants, contributions, subsidies, forgivable loans and similar payments (often referred to as transfer payments). Usually, when transfer payments are made in the public interest or for charitable purposes, they are not regarded as payment for a supply. Therefore, the payment would not be subject to the GST/HST.

However, if there is a direct link between a payment you receive and a supply you provide to either the grantor of the transfer payment or to a third party; the transfer payment may be regarded as payment for a supply.

If this is the case, the transfer payment may be subject to the GST/HST. Generally, this would not apply to a payment for services, since most services provided by a charity are exempt.

The tax treatment of transfer payments will be determined on a case-by-case basis. For more information, see Technical Information Bulletin B-067, *Goods and Services Tax Treatment of Grants and Subsidies*, or call 1-800-959-5525.

Sponsorships

Sponsorships may not be subject to the GST/HST depending on the nature and the extent of the promotional benefits you give to the sponsor.

The following are examples of sponsorships that are not subject to the GST/HST:

- Sponsorships when a business financially supports your activity in return for which you promote the business. For example, your charity organizes a softball team and you agree to feature a sponsor's trade name on your team uniforms or you run a sporting event and publish an acknowledgment of the sponsor in the event's program.
- Sponsorships when you receive funding in return for allowing the sponsor the right to use your charity's logo. For example, a corporation uses a national charity's logo in its advertising campaign.

We do not consider the payments you receive from a sponsor in either of these circumstances to be payment for a property or service. These payments are not subject to the GST/HST.

If the payment by a sponsor is made primarily (more than 50%) to obtain advertising on television or radio, or in a newspaper, magazine, or other publication published periodically, we do not consider the payment to you to be a sponsorship, but rather a payment for advertising services. However, advertising services are generally exempt from the GST/HST when provided by a charity.

Receipt of donations, grants, subsidies, and sponsorships do not affect your entitlement to GST/HST rebates or input tax credits. For more information, see “Rebate information for charities that are GST/HST registrants,” on the next page and “Input tax credits,” on page 23.

Rebate information for charities that are not GST/HST registrants

In this section, we discuss rebate information for charities that are **not GST/HST registrants** and are **not selected public service bodies** (defined on page 6). If you are a registrant, see “Rebate information for charities that are GST/HST registrants,” on the next page.

There are special rebates that allow certain public service bodies, including charities, to recover a percentage of the GST/HST paid or payable on their purchases and expenses.

As a charity, you are eligible for a public service bodies’ (PSB) rebate of **50%** of the GST or the **federal part** of the HST, paid or payable on eligible purchases and expenses. If you are eligible to claim this rebate, enter the amount on **line 305** of Part D of your rebate application (Form GST66, *Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund*, or Form GST284, *Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund*).

If you are a resident of a participating province, you may also be eligible for a PSB rebate of some of the **provincial part** of the HST.

If you are eligible to claim this rebate complete the provincial schedule (Form RC7066 SCH, *Provincial Schedule – GST/HST Public Service Bodies’ Rebate*, or Form GST284 SCH, *Provincial Schedule – GST/HST Public Service Bodies’ Rebate*) as follows and attach it to your rebate application:

- charities resident in Ontario, qualify for an **82%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-ON**;
- charities resident in British Columbia qualify for a **57%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-BC**. (In British Columbia, the HST was in effect from July 1, 2010 to March 31, 2013.);
- charities resident in Nova Scotia qualify for a **50%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-NS**;

- charities resident in New Brunswick qualify for a **50%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-NB**;
- charities resident in Newfoundland and Labrador qualify for a **50%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-NL**. However, charities that are facility operators and external suppliers resident in Newfoundland and Labrador qualify for a **50%** public service bodies’ rebate of the **provincial part** of the HST only to the extent that they intended to consume, use, or supply property or services in the course of their non-selected public service body activities in Newfoundland and Labrador; and
- charities resident in Prince Edward Island qualify for a **35%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-PE**. However, charities that are facility operators and external suppliers resident in Prince Edward Island qualify for a **35%** public service bodies’ rebate of the **provincial part** of the HST only to the extent that they intended to consume, use, or supply property or services in the course of their non-selected public service body activities in Prince Edward Island.

Note

As of April 1, 2013, Prince Edward Island harmonized its PST with the GST to implement the HST.

For information on “facility operators”, “external suppliers”, and “non-selected public service body activities,” see Guide RC4034, *GST/HST Public Service Bodies’ Rebate*.

Under the PSB rebate provisions, a charity also includes a non-profit organization, to the extent that it operates, other than for profit, a health care facility for the purpose of providing residents of the facility with:

- nursing and personal care;
- assistance with the activities of daily living;
- social and recreational services; and
- meals and accommodation.

This is restricted to facilities where residents have limited physical or mental capacity for self-supervision and self-care.

Note

If you are a charity that is a **selected public service body**, you may qualify for a PSB rebate at a different percentage for the GST/HST paid or payable on eligible purchases and expenses used in your activity as a selected public service body. If you engage in more than one type of activity, as a charity and a selected public service body, you may have to calculate your rebate using different percentages based on the extent to which you use eligible purchases and expenses in each activity.

For more information on the applicable PSB rebate percentages that may apply to your activities, see Guide RC4034, *GST/HST Public Service Bodies’ Rebate*.

If you buy property or services in a participating province for consumption, use or supply outside the province, you may be entitled to a separate rebate for the provincial part of the HST. For more information, see “Rebate for property or services removed from a participating province,” on page 20.

You may also be entitled to a rebate on exported property and services, as well as purchases of printed books. For more information, see “Other rebates available,” on page 18.

For information on which purchases and expenses qualify for the PSB rebate, see “Purchases and expenses eligible for the public service bodies’ rebate” and “Purchases and expenses not eligible for the public service bodies’ rebate,” on page 17.

How to apply for the rebate

You can file your PSB rebate application by using our online services at www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives.

If you file your PSB rebate by paper for the first time, you have to complete Form GST66, *Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund*. If you are a resident of a participating province, you also have to complete the provincial schedule, Form RC7066 SCH, *Provincial Schedule – GST/HST Public Service Bodies’ Rebate*, and attach it to your application.

Since the rebate percentages for the provincial part of the HST are different for some of the participating provinces, you have to separately track the federal and the provincial parts of the HST paid or payable on your eligible purchases and expenses in order to claim the PSB rebate for both the federal and provincial parts of the HST. You also have to ensure that you do not include amounts for which you received a point-of-sale rebate for the provincial part of the HST in your provincial calculation.

After we process your first rebate application, we will send you the personalized version, Form GST284, *Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund*, and Form GST284 SCH, *Provincial Schedule – GST/HST Public Service Bodies’ Rebate*, for your next rebate application.

Guide RC4034, *GST/HST Public Service Bodies’ Rebate*, includes completion instructions for the rebate applications. You do not have to include original invoices or receipts with your rebate application. However, you must keep these documents for six years after the calendar year to which they relate, in case we ask to see them at a later date.

Time limit

You have four years from the end of the claim period to file your PSB rebate application. You can claim a rebate no more than two times per fiscal year (one for the first six months of your fiscal year and another for the last six months of your fiscal year).

Branches and divisions

You can file the rebate application for your charity as a whole or, if your charity has branches or divisions, you can apply to have the branches or divisions file separate GST/HST returns and rebate applications. To do so, each branch or division has to be identifiable by either its location or the nature of its activities. Separate books and records have to be kept for each branch or division.

To apply, the charity’s head office has to complete and send us Form GST10, *Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions*.

Rebate information for charities that are GST/HST registrants

In this section, we discuss rebate information for charities that are **GST/HST registrants** and **are not selected public service bodies** (defined on page 6).

If you are a GST/HST registrant, you can claim a public service bodies’ (PSB) rebate of the GST or of the **federal part** of the HST paid or payable on eligible purchases and expenses you made during the claim period for which you cannot claim input tax credits (ITCs) or any other rebate, refund, or remission. Special rules concerning ITCs apply to charities under the mandatory “Net tax calculation for charities,” found on page 21. However, certain purchases of property and services do not qualify for the PSB rebate (see “Purchases and expenses not eligible for the public service bodies’ rebate,” on page 17).

If you are eligible to claim this rebate, enter the amount on **line 305** of Part D of your rebate application (Form GST66, *Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund*, or Form GST284, *Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund*).

If you are a resident of a participating province, you may also be eligible for a PSB rebate of the **provincial part** of the HST. If you are eligible to claim this rebate, complete the provincial schedule (Form RC7066 SCH, *Provincial Schedule – GST/HST Public Service Bodies’ Rebate*, or Form GST284 SCH, *Provincial Schedule – GST/HST Public Service Bodies’ Rebate*) as follows, and attach it to your rebate application:

- charities resident in Ontario, qualify for an **82%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-ON**;
- charities resident in British Columbia qualify for a **57%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-BC**. (In British Columbia, the HST was in effect from July 1, 2010 to March 31, 2013.);
- charities resident in Nova Scotia qualify for a **50%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-NS**;

- charities resident in New Brunswick qualify for a **50%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-NB**;
- charities resident in Newfoundland and Labrador qualify for a **50%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-NL**. However, charities that are facility operators and external suppliers resident in Newfoundland and Labrador qualify for a **50%** public service bodies' rebate of the **provincial part** of the HST only to the extent that they intended to consume, use, or supply property or services in the course of their non-selected public service body activities in Newfoundland and Labrador; and
- charities resident in Prince Edward Island qualify for a **35%** rebate of the **provincial part** of the HST. Enter this amount on **line 305-PE**. However, charities that are facility operators and external suppliers resident in Prince Edward Island qualify for a **35%** public service bodies' rebate of the **provincial part** of the HST only to the extent that they intended to consume, use, or supply property or services in the course of their non-selected public service body activities in Prince Edward Island.

Note

As of April 1, 2013, Prince Edward Island harmonized its PST with the GST to implement the HST.

For information on "facility operators", "external suppliers", and "non-selected public service body activities," see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

Under the PSB rebate provisions, a charity also includes a non-profit organization, to the extent that it operates, other than for profit, a health care facility for the purpose of providing residents of the facility with:

- nursing and personal care;
- assistance with the activities of daily living;
- social and recreational services; and
- meals and accommodation.

This is restricted to facilities where residents have limited physical or mental capacity for self-supervision and self-care.

Note

If you are a charity that is a **selected public service body**, you may qualify for a PSB rebate at a different percentage for the GST/HST paid or payable on eligible purchases and expenses used in your activity as a selected public service body. If you engage in more than one type of activity, as a charity and a selected public service body, you may have to calculate your rebate using different percentages based on the extent to which you use eligible purchases and expenses in each activity.

For more information on the applicable PSB rebate percentages that may apply to your activities, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

If you buy property or services in a participating province for consumption, use or supply outside the province, you may be entitled to a separate rebate for the provincial part of the HST. For more information, see "Rebate for property or services removed from a participating province," on page 20.

You may also be entitled to a rebate on exported property and services, as well as purchases of printed books. For more information, see "Other rebates available," on page 18.

For information on which purchases and expenses qualify for the PSB rebate, see "Purchases and expenses eligible for the public service bodies' rebate" and "Purchases and expenses not eligible for the public service bodies' rebate," on the next page.

How to apply for the rebate

If you are filing your return electronically, you can file this rebate application and schedule by using our online services either through GST/HST NETFILE at www.cra.gc.ca/gsthst-netfile or through www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives.

If you file your PSB rebate by paper for the first time, you have to complete Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*. If you are a resident of a participating province, you also have to complete the provincial schedule, Form RC7066 SCH, *Provincial Schedule – GST/HST Public Service Bodies' Rebate*, and attach it to your application.

Since the rebate percentages for the provincial part of the HST are different for some of the participating provinces, you have to separately track the federal and the provincial parts of the HST paid or payable on your eligible purchases in order to claim the PSB rebate for both the federal and provincial parts of the HST. You also have to ensure that you do not include amounts for which you received a point-of-sale rebate for the provincial part of the HST in your provincial calculation.

After we process your first rebate application, we will send you the personalized version, Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*, and Form GST284 SCH, *Provincial Schedule – GST/HST Public Service Bodies' Rebate*, for your next rebate application.

Guide RC4034 includes completion instructions for the rebate applications. You do not have to include original invoices or receipts with your rebate application. However, you must keep these documents for six years after the calendar year to which they relate, in case we ask to see them at a later date.

If you are a GST/HST registrant and you are claiming your rebate on your GST/HST return, include your rebate amount on **line 111** of your GST/HST return and remit the difference between the amount of your net tax owing and the amount of your rebate.

If the rebate amount is more than the net tax owing, we will refund you the difference. Send the rebate application and the provincial schedule with your GST/HST return.

Time limit

The deadline for filing your rebate application is four years from the due date of your GST/HST return for the claim period in which you incurred the expense.

Branches and divisions

You can file the rebate application for your charity as a whole or, if your charity has branches or divisions, you can apply to have the branches or divisions file separate GST/HST returns and rebate applications. To do so, each branch or division has to be identifiable by either its location or the nature of its activities. Separate books and records have to be kept for each branch or division.

To apply, the charity's head office has to complete and send us Form GST10, *Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions*.

Purchases and expenses eligible for the public service bodies' rebate

You can claim a public service bodies' rebate at the applicable rates of the GST/HST paid or payable on your eligible purchases and expenses for which you cannot claim input tax credits or any other rebate, refund or remission including:

- general operating and overhead expenses such as rent, utilities, and administration expenses;
- most allowances and reimbursements you paid to employees and volunteers engaged in activities for the charity;
- property and services used, consumed, or supplied in your exempt activities; and
- capital property such as buildings, equipment, vehicles, machinery, office furniture, computers, and photocopiers you use to carry on your activities. However, you **cannot** claim the rebate when you change the use of capital property from **more than 50%** in commercial activities to **50% or less** in commercial activities. For more information, see "Changing the use to 50% or less in commercial activities," on page 26.

Purchases and expenses not eligible for the public service bodies' rebate

Certain purchases and expenses are **not** eligible for the public service bodies' (PSB) rebate. These include:

- memberships in dining, recreational, or sporting clubs;
- tobacco products or alcoholic beverages you supply and for which you are not required to collect the GST/HST (except where the tobacco or alcohol is included in the price of a meal);
- property or services you acquire primarily (more than 50%) for making supplies of long term residential accommodation (one month or more) including associated parking, **unless** more than 10% of the accommodation is restricted to seniors, youths, students, individuals with a disability or who are in distress, or individuals with limited finances who qualify for occupancy or reduced rent payments under a means or income test;
- property or services you acquire primarily for making exempt supplies of real property by way of lease, licence or similar arrangement to another person for use by that person in leasing residential property on an exempt basis, including incidental parking, **unless** that person is a public sector body and more than 10% of the residential accommodation is restricted to seniors, youths, students, individuals with a disability or who are in distress, or individuals with limited finances who qualify for occupancy or reduced rent payments under a means or income test;
- property or services considered to be acquired by you acting as the operator of a joint venture (where an election has been filed) if any of the co-venturers would not be entitled to claim a PSB rebate for the property or service if they were otherwise acquired by a co-venturer;
- property or services you acquire to supply to an officer, employee, or member of the charity, or to another person related to that person, for personal use **unless**:
 - you supply it in the same year you acquire it for its fair market value and tax is payable for the supply; or
 - you supply it free of charge to the person and it is not a taxable benefit; and
- property or services you supply to another person, if the property or service is a taxable benefit to that person for income tax purposes, but you do not have to remit any GST/HST on the supply.

Example

You own an apartment building and have contracted with the province to restrict 30% of the apartments to individuals with a disability. You can apply for the PSB rebate at the applicable rate for the GST/HST paid or payable on all eligible expenses you incurred to maintain the apartment building. You qualify for the rebate because more than 10% of the apartment building is restricted to individuals with a disability.

Charities that provide municipal services

The Minister of National Revenue may designate a charity to be a municipality for certain municipal services that it provides. For example, charities that receive ongoing government funding to provide long-term residential accommodation to tenants on a rent-geared-to-income basis may qualify for municipal designation for the purpose of claiming the municipal rebate.

When the Minister of National Revenue designates a charity to be a municipality, the designation only applies to those municipal activities for which the charity has been designated. We refer to these as designated activities. This restriction recognizes that the designated activities are the **only** activities in which the charity is like a municipality for purposes of the GST/HST.

Rebate for the GST and the federal part of the HST for charities that have received municipal designation

If your charity receives a municipal designation for purposes of the public service bodies' (PSB) rebate, you may be eligible to claim a **100%** rebate of the GST and the **federal part** of the HST paid or payable on expenses to the extent that the expenses are related to your designated activities.

You can claim this amount by completing **line 300** of Part D of Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*, or Form GST66, which is the non-personalized version of Form GST284. You can file this application with your GST/HST return either by paper, or electronically by using our online services either through GST/HST NETFILE at www.cra.gc.ca/gsthst-netfile, or through www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives.

If you are a non-registrant, you can file your rebate application by paper or electronically by using our online services at www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives. If you file this rebate application electronically, you must also file any associated provincial rebate application electronically.

You remain eligible to claim the PSB rebate at the applicable rate on your other activities.

Rebate for the provincial part of the HST for charities that have received municipal designation

If you are a resident in a participating province and you receive municipal designation for certain activities, you may qualify for a municipal rebate for some of the **provincial part** of the HST that relates to those activities for which you could not claim input tax credits, as follows:

- in Ontario you may claim a rebate of **78%** of the **provincial part** of the HST paid or payable on expenses related to your designated activities. Claim this amount on **line 300-ON** of the provincial schedule;
- in British Columbia you may claim a rebate of **75%** of the **provincial part** of the HST paid or payable on expenses related to your designated activities. Claim this amount on **line 300-BC** of the provincial schedule. (**In British Columbia, the rebate applies to eligible transactions dated from July 1, 2010 to March 31, 2013;**)
- in Nova Scotia you may claim a rebate of **57.14%** of the **provincial part** of the HST paid or payable on expenses related to your designated activities. Claim this amount on **line 300-NS** of the provincial schedule; and
- in New Brunswick you may claim a rebate of **57.14%** of the **provincial part** of the HST paid or payable on expenses related to your designated activities. Claim this amount on **line 300-NB** of the provincial schedule.

Note

In Newfoundland and Labrador and in Prince Edward Island, if your charity has received municipal designation, you **cannot** claim a rebate of the provincial part of the HST for your designated activities. However, in Newfoundland and Labrador you can claim a **50%** rebate of the **provincial part** of the HST for your **non-designated** activities. In Prince Edward Island you can claim a **35%** rebate of the **provincial part** of the HST for your **non-designated** activities.

For more information, see Guide RC4049, *GST/HST Information for Municipalities*, or call 1-800-959-5525.

Other rebates available

Exported property and services

You can claim a rebate to recover **100%** of the GST/HST paid to your suppliers on property and services you exported outside Canada and for which you cannot claim input tax credits (ITCs). In this case, you can recover all of the GST/HST paid, whether or not you are registered for the GST/HST.

You can claim this amount by completing **line 308** of Part D of Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self Government Refund*, or Form GST66, which is the non-personalized version of Form GST284. You can file this application with your GST/HST return either by paper, or electronically by using our online services either through GST/HST NETFILE at www.cra.gc.ca/gsthst-netfile, or through www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives. Amounts included on this line cannot be included anywhere else in the calculation of your rebate on this form.

If you are a non-registrant, you can file your rebate application by paper or electronically by using our online services at www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives. If you file this rebate application electronically, you must also file any associated provincial rebate application electronically.

The rebate factor for exported goods and services is **100%** of the GST or the **federal part** of the HST paid.

If you are eligible to claim a rebate for exported goods and services, claim the amount of the GST/HST on **line 308** of Part D of the application.

The rebate factor for the **provincial part** of the HST is also **100%**. Claim this rebate as follows:

- If you are resident in Ontario, claim this amount on **line 308-ON** of the provincial schedule.
- If you are resident in British Columbia, claim this amount on **line 308-BC** of the provincial schedule.
- If you are resident in Nova Scotia, claim this amount on **line 308-NS** of the provincial schedule.
- If you are resident in New Brunswick, claim this amount on **line 308-NB** of the provincial schedule.
- If you are resident in Newfoundland and Labrador, claim this amount on **line 308-NL** of the provincial schedule.
- If you are resident in Prince Edward Island, claim this amount on **line 308-PE**.
- Charities and public institutions not resident in a participating province should claim their rebate of the provincial part of the HST paid on goods and services exported from Canada on **line 308** of Part D of the application.

Note

You will still be entitled to claim a PSB rebate for GST/HST paid or payable on purchases or expenses for which you cannot claim ITCs or any other rebate, refund or remission.

Purchases of printed books

If you operate a public lending library, you can claim a **100%** rebate of the GST, or the **federal part** of the HST, paid or payable on publications such as most printed books, audio recordings of printed books, and printed versions of religious scriptures you buy or import, if you are not reselling these items or giving them away.

If the primary purpose of your charity is the promotion of literacy, and you are prescribed by regulation, you could be entitled to this rebate. In addition, a rebate of the GST, or the federal part of the HST, that becomes payable after **March 29, 2012**, is also available to your prescribed charity on acquisitions or importations of printed books that are to be given away at no cost.

For more information, see GST/HST Memorandum 13.4, *Rebate for Printed Books, Audio Recording of Printed Books, and Printed Versions of Religious Scriptures*, go to www.cra.gc.ca/gsthst or call 1-800-959-5525.

You can claim this amount by completing **line 307** of Part D of Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self Government Refund*, or Form GST66, which is the non-personalized version of Form GST284. You can file this application with your GST/HST return either by paper, or electronically by using our online services either through GST/HST NETFILE at www.cra.gc.ca/gsthst-netfile, or through www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives. Amounts included on this line cannot be included anywhere else in the calculation of your rebate on this form.

If you are a non-registrant, you can file your rebate application by paper or electronically by using our online services at www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives. If you file this rebate application electronically, you must also file any associated provincial rebate application electronically.

A provincial point-of-sale rebate is also available for the **provincial part** of the HST payable on the above mentioned publications bought in a participating province. This means that the person selling qualifying publications should give the rebate at the time of the sale. Publications that qualify for the provincial point-of-sale rebate also include composite property that consists of a printed book and a read-only medium (or a right to access a Web site under certain conditions), which are wrapped, packaged, or prepared for sale as a single product under specific situations.

In addition, certain qualifying items in Nova Scotia, Ontario and Prince Edward Island are also eligible for a provincial point-of-sale rebate for the provincial part of the HST. Do **not** include any amounts in your PSB rebate calculation for which you received a point-of-sale rebate.

For more information on point-of-sale rebates, see "Reason code 16" in Guide RC4033, *General Application for GST/HST Rebates*.

Rebate for property or services removed from a participating province

Any amounts claimed (or entitled to be claimed) as a rebate on Form GST495, *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)* or GST189, *General Application for Rebate of GST/HST*, must be deducted from the HST paid or payable by the PSB prior to calculating its PSB rebate.

Tangible personal property

You may be eligible to claim a rebate of the **provincial part** of the HST you paid on tangible personal property (goods) that you bought in a participating province and removed from the province. A rebate of the amount is not available to the extent that you may otherwise recover the amount, for example by claiming a rebate or an input tax credit for the amount.

To qualify for the rebate of the **provincial part** of the HST that you paid on eligible goods that you bought in a participating province, you have to meet **all** of the following conditions:

- you are a resident of Canada;
- you bought the goods for consumption, use, or supply exclusively (generally 90% or more) outside the participating province;
- you removed the goods from the participating province to a non-participating province or a participating province with a lower HST rate no later than 30 days after they were delivered to you (excluding any amount of time that the goods were in storage);
- you paid any applicable provincial sales tax of the province to which the goods were removed and any other applicable taxes;
- you file the rebate application no later than one year after the day you remove the goods from the participating province;
- each receipt for an eligible good shows an eligible amount of tax of at least \$5; and
- the total amount of eligible tax is at least \$25.

You **cannot** file more than one rebate application in a calendar month.

The following goods **are not eligible** for this rebate:

- excisable goods such as liquor; and
- most gasoline, diesel fuel, and certain other types of fuel.

To apply for this rebate, use Form GST495, *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)*. The form describes the documentation that is required to support your rebate claim.

You can claim a rebate of the **federal part** of the HST paid on the property by completing Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*, or Form GST66, which is the non-personalized version of Form GST284. You can file this application with your GST/HST return either by paper, or electronically by using our online services either through GST/HST NETFILE at www.cra.gc.ca/gsthst-netfile, or through www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives.

If you are a non-registrant, you can file your rebate application by paper or electronically by using our online services at www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives. If you file this rebate application electronically, you must also file any associated provincial rebate application electronically.

Intangible personal property and services

You may be eligible for a rebate of the **provincial part** of the HST payable on intangible personal property (such as goodwill, contractual rights, trademarks and intellectual property) or services you acquire in a participating province for consumption, use, or supply, in whole or in part, in non-participating provinces or in participating provinces with lower HST rates. A rebate of the amount is not available to the extent that you may otherwise recover the amount, for example by claiming an input tax credit for the amount.

Generally, the rebate is calculated by multiplying the eligible amount of the **provincial part** of the HST payable by the percentage to which the intangible personal property or service is acquired for consumption, use, or supply outside the participating province.

To qualify for the rebate of the **provincial part** of the HST on intangible personal property or a service you acquired in a participating province, you have to meet **all** of the following conditions:

- you are a resident of Canada;
- the intangible personal property or service is acquired for consumption, use, or supply significantly (10% or more) in non-participating provinces or participating provinces with lower HST rates;
- you file the rebate application no later than one year after the day the tax became payable;
- each receipt for eligible intangible personal property or eligible service shows an eligible amount of tax of at least \$5; and
- the total amount of eligible tax is at least \$25.

You **cannot** file more than one rebate application in a calendar month.

To apply for the rebate, use Form GST189, *General Application for Rebate of GST/HST*. The form describes the documentation that is required to support your rebate claim.

For more information, go to www.cra.gc.ca/gsthst or see Guide RC4033, *General Application for GST/HST Rebates*.

Determining your net tax as a charity

If you are a GST/HST registrant, you have to file your GST/HST return either by paper or electronically by using our online services either through GST/HST NETFILE at www.cra.gc.ca/gsthst-netfile, or through www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives.

If you file a paper return use Form GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, which is automatically sent to you; or Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized)*, which you can order at www.cra.gc.ca/orderforms or by calling 1-800-959-5525.

On your return, you calculate your net GST/HST remittance or refund.

Note

When a charity fails to remit tax, the directors, officers, or members may be liable to remit the amount of net GST/HST owing.

If your charity is a GST/HST registrant, you have to use a special net tax calculation (see “Net tax calculation for charities” on the next page). When you use this calculation, you generally remit 60% of the GST/HST you charge and claim input tax credits (ITCs) only on certain items (listed in Step 2 of “Net tax calculation for charities”). In addition, you can claim the public service bodies’ (PSB) rebate for the GST/HST paid or payable on your eligible purchases and expenses and for which you cannot claim ITCs, whether the GST/HST relates to your taxable or exempt activities.

You can **elect not to use** the net tax calculation for charities if you make supplies outside Canada or zero-rated supplies in the ordinary course of your business, or if 90% or more of your supplies are taxable. To make the election, send us a completed Form GST488, *Election or Revocation of an Election Not To Use the Net Tax Calculation for Charities*. You can then calculate your net tax using the general rules. In addition, you may be eligible to use the simplified method to calculate ITCs. For more information on the general rules for calculating net tax and the simplified method to calculate your ITCs, see Guide RC4022, *General Information for GST/HST Registrants*.

Note

You may be eligible to use the simplified method to calculate your PSB rebate. For more information, go to www.cra.gc.ca/gsthst or see Guide RC4034, *GST/HST Public Service Bodies’ Rebate*.

Designated Charities

A designated charity is a charity that has applied for designation and has been designated by the Minister of National Revenue to have certain exempt services it provides made taxable. To qualify for this designation, a charity must meet the two following conditions:

- one of the main purposes of the charity is to provide employment or employment-related assistance to individuals with disabilities; and
- the charity must supply, on a regular basis, certain services that are performed, in whole or in part, by individuals with disabilities.

If your charity is a designated charity, you cannot use the net tax calculation for charities. Instead, use the general rules to calculate your net tax. For more information, go to www.cra.gc.ca/gsthst or see Guide RC4022, *General Information for GST/HST Registrants*.

Reporting periods

We assign all charities registered for the GST/HST an annual reporting period, regardless of their revenues. This means that most charities registered for the GST/HST file annual returns. You can choose to file your GST/HST returns either monthly or quarterly.

You can change your reporting period by using our online services at www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives, or by sending us a completed Form GST20, *Election for GST/HST Reporting Period*.

Net tax calculation for charities

To calculate your net tax remittance for a reporting period using the net tax calculation for charities, follow these steps:

Step 1 – Determine the total of:

- 60% of the GST/HST you charged, whether you have collected it or not, on most taxable supplies;
- all of the GST/HST you charged on taxable sales of capital and real property, including deemed taxable sales of capital and real property;
- all of the GST/HST deemed collected on property or services you appropriated to, or for the benefit of, a member or relative of a member of the charity (for example, an inventory item or other asset you gave to this person);
- all of the GST/HST deemed collected on any property or service you provided to an employee that is a taxable benefit for income tax purposes;

- all of the GST/HST collected or collectible on supplies of goods you made as acting as an agent, or auctioneer and agent where you have to account for the tax;
- all of the GST/HST collected from a person by mistake;
- all amounts you have to consider as GST/HST because of the recovery of a bad debt for a taxable sale of real property or capital property;
- the total GST/HST adjustments for the reporting period on acquisitions of real property or capital property for which you previously claimed ITCs; and
- if you received approval from the Canada Revenue Agency to temporarily stop filing GST/HST returns for specific reporting periods in which you had \$1,000 or less of net GST/HST to report, add any amount you carried forward from those periods.

Enter this total on **line 105** on your GST/HST return.

Step 2 – Determine the total of:

- all ITCs you are claiming for purchases of, or improvements to, real property and capital property for use more than 50% in commercial activities, including the deemed tax payable when capital property is brought into a participating province to use in your commercial activities;
- any ITC on your acquisition of, or improvement to, real property based on its percentage of use in your commercial activity (must be more than 10%) and for which you filed Form GST26, *Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply*, that is effective the day you acquired the property;
- any ITC equal to the basic tax content of real property just before an election (Form GST26) filed by you takes effect to treat that property as a taxable supply and any ITC on the deemed purchase of that property based on its percentage of use in your commercial activity (must be more than 10%), where the election takes effect on a day other than the day you acquired the property or became a registrant;
- all ITCs for goods you bought, imported or brought into a participating province that are sold by an agent or an auctioneer acting as your agent;
- all ITCs for goods you imported on behalf of a non-resident for use exclusively in your commercial activities and sold when you are acting as an agent, or auctioneer and agent for the non-resident person;
- 60% of the total of the GST/HST adjustments that you gave in the period for:
 - price reductions for taxable supplies of property or services (for example, a subsequent volume rebate);
 - rebates for foreign conventions, tour packages, and to non-residents; and
 - rebates for the provincial part of HST that you gave on purchases of printed books;

- all amounts for GST/HST adjustments you gave for tax charged in excess of the GST/HST collectible on certain supplies of property and services;
- all GST/HST adjustments you gave for tax collected in error or bad debts you wrote off during the period for the sale of real property or capital property;
- all GST/HST adjustments for new housing rebates you credited during the period; and
- all ITCs that you were entitled to claim and that you carried forward from a reporting period when you did not have to use this net tax calculation method.

Enter this total on **line 108** on your GST/HST return.

Step 3 – Subtract your total in Step 2 (**line 108**) from your total in Step 1 (**line 105**). The result is your net tax. Enter this amount on **line 109** on your GST/HST return.

Example

You are a charity resident in Alberta, and you are registered for the GST/HST. You operate an art gallery and use the net tax calculation for charities. Your main revenue is taxable gallery admissions.

During your reporting period, you earned revenues from exempt supplies of parking and admissions to a fund-raising dinner. In addition, you purchased computer equipment for use **more than 50%** in your commercial activities. You also purchased and installed a ventilation system in a building that you own and use **more than 50%** in commercial activities.

Your taxable revenues and expenses are as follows:

Taxable revenues:

Gallery admissions.....	\$20,000
Sales from gift shop	<u>\$5,000</u>
Total	<u>\$25,000</u>
GST collected (\$25,000 × 5%)	\$1,250

Taxable purchases:

Contracted services (maintenance).....	\$3,000
Utilities	\$1,500
Ventilation system	\$9,200
Computer equipment.....	\$2,000
Gift shop inventory purchases	\$2,500
Catering services for fundraising dinner	<u>\$3,500</u>
Total	<u>\$21,700</u>
GST paid on purchases (\$21,700 × 5%)	\$1,085

Net tax calculation

Step 1

Enter \$750 on **line 105** of your GST/HST return (60% of the \$1,250 GST collected).

Step 2

You can claim ITCs for the GST you paid for the ventilation system (improvement to real property) and for the computer equipment (capital property purchase) that you intend to use **more than 50%** in your commercial activities.

ITC $5\% \times (\$9,200 + \$2,000) = \$560$

Step 3

The amount you calculate in Step 1 **less** the amount you calculated in Step 2 equals your net tax before any rebates.

Net tax $\$750 - \$560 = \$190$

Enter this amount on **line 109**.

You would also be entitled to claim a PSB rebate of the **remaining** GST/HST paid. For more information, see "Rebate information for charities that are GST/HST registrants," on page 15.

Input tax credits

This section is for charities that elected **not** to use the net tax calculation for charities by filing Form GST488, *Election or Revocation of an Election Not to Use the Net Tax Calculation for Charities*. If you use the net tax calculation for charities, see "Net tax calculation for charities" on page 21.

You can use the general rules **or** a simplified method to calculate input tax credits (ITCs). For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Examples of expenses eligible for ITCs include:

- general operating expenses, such as office rent and utilities, to the extent that they are for use in your commercial activities;
- purchases related to taxable restaurant sales;
- new merchandise bought to sell year round at a price equal to or more than its direct cost and you charged tax separately on the selling price;
- meals and entertainment expenses relating to your commercial activities;
- allowances and reimbursements relating to your commercial activities that you paid to employees and volunteers;
- capital personal property (such as office furniture, photocopiers, computers, and vehicles) that you bought and use more than 50% in your commercial activities;
- real property that you bought for use more than 50% in your commercial activities; and
- improvements to real property that you bought if you use the real property more than 50% in commercial activities.

Charities can claim a rebate to recover part of the GST/HST paid or payable on expenses for which they cannot claim ITCs or any other rebate, refund or remission. For more information, see "Rebate information for charities that are GST/HST registrants" on page 15.

Most GST/HST registrants claim their ITCs when they file their GST/HST returns for the reporting period in which they made their purchases. However, you can generally claim ITCs in a later return, as long as it is claimed by the due date of the return for the reporting period that ends within four years after the period in which the credit could first have been claimed.

Example

You are a quarterly filer and you pay GST on goods for resale in the reporting period of January 1, 2012, to March 31, 2012, for which you can claim ITCs. Since the end of the reporting period is March 31, 2012, you can claim ITCs no later than April 30, 2016 (the due date of the return for the last reporting period that ends on or before March 31, 2016).

There are different rules for claiming ITCs for charities that are financial institutions. For more information, go to www.cra.gc.ca/gsthst or call 1-800-959-5525.

Note

You cannot claim ITCs for the GST/HST paid or payable on purchases and expenses that relate to property and services you sell, use, or consume in the course of your exempt activities.

For more information on ITC allocation, see GST/HST Memorandum 8.1, *General Eligibility Rules* and GST/HST Memorandum 8.3, *Calculating Input Tax Credits*.

How to claim both rebates and input tax credits

This section applies to charities that are GST/HST registrants and that are involved in both commercial **and** exempt activities. It explains how to claim both input tax credits (ITCs) and a public service bodies' (PSB) rebate on your purchases and expenses.

Charities using the net tax calculation

For charities using the net tax calculation, all amounts of GST/HST paid or payable on eligible purchases and expenses that are not included as ITCs in the net tax calculation qualify for the PSB rebate (whether the GST/HST amounts relate to taxable or exempt activities). For more information, see Step 2 in "Net tax calculation for charities," on page 21.

Charities not using the net tax calculation

General operating expenses

The rules outlined in this section apply if you have elected not to use the net tax calculation method.

General operating expenses include those for management, administration, and other support functions of your charity, such as office rent, utilities, and office supplies such as paper and pens.

When you can attribute the use of an operating expense to either a commercial activity or an exempt activity, the rules are as follows:

- if you use a particular general operating expense all or substantially all (generally 90% or more) to provide taxable property and services, you can claim full ITCs for the GST/HST paid or payable on that expense; or
- if you use a particular general operating expense all or substantially all to provide exempt property and services, you cannot claim ITCs. Instead, you can claim a PSB rebate.

When your charity provides both taxable and exempt property and services, and you cannot directly attribute all or substantially all (90% or more) of a general operating expense to either a taxable or an exempt activity, you have to apportion the GST/HST paid or payable on the expense.

You can claim an ITC for the GST/HST paid or payable on a general operating expense to the extent that it was acquired for use in your commercial activities, and a PSB rebate for the tax on eligible purchases and expenses you use to provide exempt supplies of property and services.

The method you use to determine the extent that a particular property or service is used in your commercial activities and in your exempt activities has to be fair and reasonable and be used consistently throughout the year.

Example

You are a charity operating in Saskatchewan and your overhead expenses, for both commercial activities and exempt activities combined, are \$2,000 per month plus \$100 GST. You use an appropriate ITC allocation method to determine that 40% of your overhead expenses are for use in making taxable supplies for consideration.

You claim ITCs and a PSB rebate as follows:

GST paid	\$100
Amount related to commercial activities eligible for an ITC (\$100 × 40%).....	\$40
Amount related to exempt activities eligible for a public service bodies' rebate (\$100 × 60%)	\$60
Rebate (\$60 × 50%)	\$30

Include \$40 on line 108 of your GST/HST return, and \$30 on line 305 of Part D of Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund* (or line 305 of Part D of Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*).

For more information on ITC allocation, see GST/HST Memorandum 8.1, *General Eligibility Rules* and GST/HST Memorandum 8.3, *Calculating Input Tax Credits*.

Allowances and reimbursements

You may claim an ITC for the GST/HST part of reasonable allowances you pay to employees or volunteers for taxable expenses that they incur in Canada, or for the use of a motor vehicle in Canada that relates to your commercial activities. You may also claim an ITC for the GST/HST included in the reimbursements you pay to your employees or volunteers for property or services based on the extent they are used in your commercial activities. For example, you pay a volunteer an allowance for the use of his or her automobile for errands related to your commercial activities. You can claim an ITC for the GST/HST part of the allowance paid.

If the allowances or reimbursements you pay relates to your exempt activities, you may claim a PSB rebate at the applicable rate for the GST/HST paid or payable on eligible expenses. For example, you may claim a PSB rebate at the applicable rate for the GST/HST included in the reimbursement you give a volunteer for fuel used to transport meals to seniors in their own homes for a meals-on-wheels program.

For more information and details on how to calculate the ITCs for allowances and reimbursements, see Guide RC4022, *General Information for GST/HST Registrants*.

Capital property

Special rules exist for calculating ITCs for capital property. For GST/HST purposes, capital property includes:

- depreciable property. This means property that is eligible, or would be eligible, for capital cost allowance for income tax purposes; and
- property, other than depreciable property, from which any gain or loss if you disposed of the property would be a capital gain or capital loss for income tax purposes.

There are two types of capital property – capital personal property and capital real property:

- capital personal property includes computers, photocopiers, office furniture, cash registers, equipment, and machinery; and
- capital real property includes land and buildings.

A charity that is not a financial institution can claim full ITCs for both types of capital property if it uses the property more than 50% in its commercial activities.

If the charity uses the property **50% or less** in commercial activities, the charity cannot claim an ITC. However, the charity may be entitled to claim a PSB rebate for the GST/HST paid or payable on the acquisition of the property.

Example

You bought a computer for \$2,000 plus \$100 GST. You use the computer 60% in your commercial activities and 40% in your exempt activities. Since the computer is used more than 50% in your commercial activities, you can claim the full amount of GST paid (\$100) as an ITC.

Capital property changes in use

You may change the use of capital property over the years. The change-in-use rules apply in the following situations:

- your capital property that was used **50% or less** in commercial activities is now used **more than 50%** in commercial activities; or
- your capital property that was used **more than 50%** in commercial activities is now used **50% or less** in commercial activities.

In each situation, you have to determine the **basic tax content** of the property when the change occurs. If you change the use from 50% or less in commercial activities to more than 50% in commercial activities, you can claim an ITC to recover all or part of the GST/HST you paid when you last acquired the property. However, if you change the use from more than 50% in commercial activities to 50% or less in commercial activities, you have to repay all or part of the tax you claimed as an ITC when you last acquired the property.

Calculating the basic tax content

Generally, you calculate the **basic tax content** of a property as follows:

$$(A - B) \times C$$

where:

- A is the GST/HST payable for your last acquisition of the property and for improvements to the property;
- B is any rebate or refund you were entitled to claim (or would have been entitled to claim if you had not been entitled to claim an ITC) for the GST/HST payable on your last acquisition of the property and improvements you made to it but not including ITCs you were entitled to claim; and
- C is the **lesser** of:
 - 1; and
 - the fair market value of the property at the time of the change in use **divided** by the total cost (not including GST/HST) for your last acquisition of the property and any improvements you made to it since you last acquired it.

This formula may not apply to a charity that has been determined or designated to be a municipality. For more information, call **1-800-959-5525**.

Changing the use to more than 50% in commercial activities

When you buy capital property for use **50% or less** in commercial activities, you cannot claim an ITC to recover the GST/HST paid or payable. However, if you later change the use of the property to **more than 50%** in commercial activities, we consider you to have sold the property, reacquired it, and to have paid the GST/HST equal to the basic tax content of the property at that time. This means that you can claim an ITC based on the basic tax content of the property at that time.

Note

If you later change the use again and begin to use the property **50% or less** in commercial activities, you may have to repay part or all of the GST/HST that you claimed as an ITC. For more information, see “Changing the use to 50% or less in commercial activities”, on the next page.

Example

Your charity is registered for the GST/HST and operates in Alberta. You paid the GST on a machine bought for use 60% in exempt activities and 40% in commercial activities. Since you are not using the machine more than 50% in commercial activities, you could not claim an ITC for the GST you paid on the purchase. However, you claimed and received a PSB rebate for the GST you paid on the purchase.

Cost of machine	\$50,000
GST payable (\$50,000 × 5%)	\$2,500
50% PSB rebate (\$2,500 × 50%)	\$1,250

Later, you change the use of the machine to 70% in commercial activities. As you are now using the machine **more than 50%** in commercial activities, you can claim an ITC to recover part of the GST you paid to purchase the machine based on the basic tax content of the machine when the use changed. If you made any improvements to the machine, the basic tax content would also include the GST that was paid or payable on these improvements. However, in this case, no improvements were made.

The fair market value of the machine is \$40,000 at the time of the change in use. You calculate the basic tax content of the machine as follows:

Basic tax content = (A - B) × C
= (\$2,500 - \$1,250) × \$40,000 / \$50,000
= \$1,000

You can claim an ITC of \$1,000 by including this amount in the total on **line 108** of your GST/HST return.

Changing the use to 50% or less in commercial activities

When you buy capital property for use **more than 50%** in commercial activities, you can claim an ITC to recover the GST/HST paid or payable on your purchase. However, if you change the use of the capital property from more than 50% in commercial activities to **50% or less** in commercial activities, we consider you to have sold the capital property at that time and to have collected the GST/HST equal to the basic tax content of the capital property. You have to include the GST/HST you are considered to have collected in your net tax calculation for the reporting period in which the change in use occurred.

Notes

There is no entitlement to the PSB rebate for the change in use, as the basic tax content formula takes this rebate into account.

If you later change the use again and begin to use the capital property **more than 50%** in commercial activities, you may be entitled to claim an ITC. For more information, see “Changing the use to more than 50% in commercial activities,” on the previous page.

Example

Your charity is a GST/HST registrant resident in Newfoundland and Labrador. On January 1, 2011, you bought a machine for \$50,000 plus \$6,500 HST for use 80% in commercial activities. Since you were using the machine **more than 50%** in commercial activities, you were entitled to, and you claimed, a full ITC for the \$6,500 HST.

You later change the use of the machine to 40% in commercial activities. Since you are no longer using the machine **more than 50%** in commercial activities, you have to pay tax based on the basic tax content of the property at the time of the change in use.

No improvements were made to the property since you acquired it. The fair market value of the machine at the time of the change in use is \$40,000.

You calculate the basic tax content as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= (\$6,500 - \$3,250) \times \$40,000 / \$50,000 \\ &= \$2,600\end{aligned}$$

Amount B is equal to \$3,250 because you would have been entitled to claim a PSB rebate for the HST you paid (50% of the federal part plus 50% of the provincial part since your charity is resident in Newfoundland and Labrador) when you purchased the property if you had not been entitled to claim a full ITC for that tax.

As the basic tax content calculation already takes into account the amount of the PSB rebate you would have been entitled to claim, the amount of tax you have to pay is reduced. Therefore, you are not entitled to claim a PSB rebate for the tax you have to pay on your change in use of the capital property.

The basic tax content of the capital property at the time of the change in use is \$2,600. When determining your net tax, include this amount on **line 105** of your GST/HST return for the reporting period in which the change occurred.

Real property

In this section, we explain how charities treat certain sales, leases, and other types of supplies of real property. We summarize the general rules for claiming input tax credits (ITCs) and rebates. We also discuss the special election available to have exempt supplies of real property treated as taxable supplies and the special self-supply rules for subsidized housing.

Sales and leases

Many sales, leases, or other supplies of real property made by a charity (other than a municipality) are exempt from GST/HST.

However, if your charity makes the following supplies of real property, **the supplies are not covered by the general exemption for charities and are subject to the GST/HST:**

- sales of new or substantially (90% or more) renovated housing;
- sales of used housing if you are the builder of the housing for GST/HST purposes and you claimed ITCs on your last acquisition of, or on an improvement to, the housing;
- sales of new or substantially renovated housing that you are considered to have made (self-supplies). For example, this may occur if you are a builder of the housing for GST/HST purposes and you first give possession of the housing, or a unit in it, to an individual for use as a place of residence;
- most sales of real property that you are considered to have made due to a change in use of the property from **more than 50%** in commercial activities to **50% or less** in commercial activities. For more information, see “Changing the use to 50% or less in commercial activities,” on this page;
- sales of real property to an individual or a personal trust, other than a supply of real property on which is situated a structure that you used as an office or in commercial activities or in making exempt supplies;
- sales of real property that you used more than 50% in your commercial activities immediately before the time of the sale;
- certain supplies of designated municipal property if you are a designated municipality and if no other exemptions (for example, for housing or for free supplies) apply; and
- otherwise exempt supplies of real property that you choose to treat as taxable by filing an election with us (see “Election for real property of a public service body,” on page 29), as long as no other exemptions (for example, for housing or for free supplies) apply.

Note

If a charity makes an exempt supply by way of lease of real property to a person together with goods that the charity is supplying by way of lease to the person, the supply of those goods is also exempt. For example, if a charity makes an exempt supply of a meeting room by way of lease together with a supply of audio visual equipment by way of lease, the supply of that equipment is also exempt.

Are you a builder for GST/HST purposes?

For GST/HST purposes, the term **builder** has a very specific meaning that is not limited to a person who physically constructs housing.

It is important to determine whether you are a builder of housing for GST/HST purposes as there are many special rules that apply to builders of housing (including builders of subsidized housing).

For more information, see Guide RC4052, *GST/HST Information for the Home Construction Industry*.

Sales of new housing

New housing in British Columbia

In British Columbia, the HST was in effect from July 1, 2010 to March 31, 2013.

The HST applies to a builder's sale of newly constructed or substantially renovated housing in British Columbia where both ownership and possession of the housing transfer to the purchaser under the agreement for the supply on or after **July 1, 2010** and before **April 2013**. However, the HST does not apply to a grandparented sale.

A sale of certain types of newly constructed or substantially renovated housing is generally grandparented in British Columbia, where a written agreement of purchase and sale was entered into **before November 19, 2009**, and both ownership and possession of the housing transfer to the purchaser under the agreement for the supply **after June 2010**. If the sale of the housing is grandparented, the builder is not required to collect the provincial part of the HST from the purchaser on the sale of the housing and the GST at 5% applies.

For more information, see GST/HST Info Sheets GI-084, *Harmonized Sales Tax: Information for Builders of New Housing in British Columbia* and GI-132, *Elimination of the HST in British Columbia: Builder Information Requirements for the Transition Period*, and GST/HST Notice 276, *Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing*.

New housing in Nova Scotia

In Nova Scotia, the HST at 15% generally applies to a builder's sale of newly constructed or substantially renovated housing where both ownership and possession of the housing transfer to the purchaser under the agreement for the supply **after June 2010**. However, the HST at 13% still applied to taxable sales of single unit homes, duplexes, mobile homes, floating homes, residential condominium units and sales of single unit homes on leased land where a written agreement of purchase and sale was entered into **before April 7, 2010**.

For more information, see GST/HST Info Sheet GI-104, *Nova Scotia HST Rate Increase: Sales and Rentals of New Housing*.

New housing in Ontario

In Ontario, the HST at 13% applies to a builder's sales of newly constructed or substantially renovated housing where both ownership and possession of the housing transfer to the purchaser under the agreement for the supply after June 2010, unless the sale is grandparented. A builder's sale of certain types of newly constructed or substantially renovated housing is generally grandparented in Ontario where a written agreement of purchase and sale was entered into **before June 19, 2009**, and both ownership and possession transfer to the purchaser under the agreement for the supply **after June 2010**. The GST at 5% applies to taxable sales of grandparented housing.

For more information, see GST/HST Info Sheet GI-083, *Harmonized Sales Tax: Information for Builders of New Housing in Ontario*.

New housing in Prince Edward Island

In Prince Edward Island, the HST at 14% generally applies to a builder's sale of a newly constructed or substantially renovated housing where both ownership and possession of the housing transfer to the purchaser under the agreement for the supply **after March 2013**. If either ownership or possession of the housing is transferred to the purchaser before **April 2013**, the 5% GST applies.

For more information, see GST/HST Info Sheet GI-146, *Harmonized Sales Tax: Information for Builders of New Housing in Prince Edward Island*.

Who remits the tax on a taxable sale of real property – vendor or purchaser?

Generally, if you make a taxable sale of real property, you have to charge and collect the GST/HST on the sale and remit it to us, **even if you are not registered for the GST/HST**. However, if you make a taxable sale of real property to a purchaser who is registered for the GST/HST, you do not collect the tax from the purchaser or remit it to us. In this case, the purchaser has to pay the tax due directly to us.

Exception

If you make a taxable sale of housing or a cemetery plot or place of burial, entombment or deposit of human remains or ashes to an individual, you have to collect and remit the tax, whether or not the individual purchaser is registered for the GST/HST.

If the vendor has to collect and remit the tax

If you are a vendor who has to collect the tax due on your taxable sale of real property, account for the tax as follows:

- if you are registered for the GST/HST, include the GST/HST collectible on the sale of real property on **line 103** of your regular GST/HST return (or include it in your **line 105 calculation** if you are filing electronically); or
- if you are **not** registered for the GST/HST, report the tax collectible on **line 103** of Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized)*. File this return by the end of the month following the month in which the tax became collectible and remit the net tax due with that return.

Note

Only a Form GST62 in the **pre-printed format** may be used to file your return or make a payment at your financial institution. You can order a pre-printed Form GST62 at www.cra.gc.ca/orderforms, or by calling 1-800-959-5525.

If the purchaser has to pay the tax directly to us

If you are a purchaser who has to pay the tax directly to us on the purchase of real property, account for the tax as follows:

- if you are a GST/HST registrant and you will use or supply the real property:
 - more than 50% in your commercial activities, report the tax due on **line 205** (GST/HST due on the acquisition of taxable real property) of your GST/HST return for the reporting period in which the tax became payable and remit any amount of tax owing for that return;
 - 50% or less in your commercial activities, you have to report the tax due on Form GST60, *GST/HST Return for Acquisition of Real Property*. File this return by the end of the month following the month in which the tax became payable and pay the tax due with that return; or
- if you are a non-registrant, report the tax due on Form GST60, *GST/HST Return for Acquisition of Real Property*. File this return by the end of the month following the month in which the tax became payable and pay the tax due with that return.

Input tax credits and real property

Purchases related to real property

If you are a GST/HST registrant **and you made the election not to use the net tax calculation method for charities**, you may be entitled to claim ITCs for the GST/HST paid or payable on expenses related to real property (such as rent, maintenance and utilities) based on the percentage of use of those expenses in your commercial activities. For more information, see “General operating expenses,” on page 24.

Purchases of real property

Charities generally have to use the **primary use rule** to determine their ITCs for purchases of real property.

The primary use rule is as follows:

- If you intend to use the property **more than 50%** in your commercial activities, you can claim a full ITC. In this case, you cannot claim a public service bodies’ (PSB) rebate.
- If you intend to use the property **50% or less** in your commercial activities, you cannot claim an ITC. However, you can claim a PSB rebate.

Exception

If a charity has filed an election for a particular real property, **the primary use rule does not apply** for determining ITCs for the purchase of that particular property. For more information, see “Election for real property of a public service body,” on the next page.

Purchases of improvements to real property

The availability of an ITC for the purchase of an improvement to real property depends on the use of the underlying real property in commercial activities, not the use of the improvement itself in such activities. For ITC purposes, it does not matter whether the improvement to the property can be attributed entirely to a commercial activity; to the making of exempt supplies; or some combination of the two.

Therefore, where the primary use rule applies, a charity can claim a full ITC for the purchase of an improvement to real property if the real property to which the improvement is made is being used **more than 50%** in the charity’s commercial activities at the time that the tax on the improvement becomes payable or is paid without having become payable. However, a charity cannot claim any ITCs for the purchase of an improvement if the real property is being used **50% or less** in its commercial activities at that time.

The charity may become eligible to claim ITCs at a later date if a triggering event (a change in use, taxable sale, or deemed taxable sale of the property) takes place.

Exception

If a charity has filed an election for a particular real property, **the primary use rule does not apply** for determining ITCs for the purchase of that particular property or for improvements made to it. For more information, see “Election for real property of a public service body,” on the next page.

Real property changes in use

Ordinarily, the change-in-use rules apply in the following situations:

- you were using real property **more than 50%** in your commercial activities and you begin to use that property **50% or less** in those activities; or
- you were using real property **50% or less** in commercial activities and you begin to use that property **more than 50%** in commercial activities.

For more information on the change-in-use rules, see “Capital property changes in use,” on page 25.

Note

If the charity changes its use of a particular real property for which it filed an election, different change-in-use rules will apply. For more information, see “Election for real property of a public service body,” below.

Election for real property of a public service body

Charities can elect, on a property-by-property basis, to treat certain exempt sales and leases of real property as taxable supplies by filing Form GST26, *Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply*. This election may be available whether you are a GST/HST registrant or not.

This election can apply to the following real property:

- capital real property;
- real property that you hold in inventory for the purpose of supply; and
- real property that you acquired by way of lease, licence or similar arrangement, in order to supply all of that property by way of lease, licence or similar arrangement or to assign the arrangement.

For purposes of this election, **real property** generally means the entire estate or interest in the real property (including a leasehold interest) held by the charity and that is contained within a single legal description (which includes the land and all structures and other improvements that are fixtures to the land). Real property acquired by licence refers to the charity’s entire entitlement to use the property under the licence.

Effect of election

Generally, when you make this election for real property, a supply of the property that would normally be exempt when you made it will now be treated as taxable.

Exception

Certain supplies of the real property will remain exempt even when the election is in effect, such as supplies of long-term residential rental accommodation.

If you are a GST/HST registrant, you will have to charge the GST/HST on all taxable supplies of the real property (that is, sale, lease, licence, or similar arrangement). If you are not a GST/HST registrant, only a taxable sale of the property would be subject to the GST/HST.

The election for real property may also affect your tax recovery entitlements: If you are a GST/HST registrant, once the election is in effect you may also be entitled to claim input tax credits (ITCs) for GST/HST paid or payable for the property. For example, if you bought or leased the property, you may be entitled to claim ITCs for the tax paid or payable on the purchase or on your lease payments, and you may also be entitled to claim ITCs for tax you paid or owe on purchases and expenses, such as utilities, that are for the property.

For more information, see Form GST26.

If you are a GST/HST registrant and you own the real property when the election comes into effect, you may be entitled to claim an ITC for the GST/HST paid or payable on the purchase of the real property.

If you acquired the real property by way of lease, licence or similar arrangement **and you filed the election not to use the net tax calculation method for charities**, you may be entitled to claim ITCs for the GST/HST paid or payable on your lease payments that become due while the election for the property is in effect.

If you filed the election not to use the net tax calculation method, you may also become entitled to claim ITCs for the GST/HST paid or payable on eligible purchases and expenses related to the real property, such as utilities and maintenance.

Election effective the day of acquisition

The following sections discuss the effect of the election if you are a GST/HST registrant on the day the election takes effect. If you are not a GST/HST registrant when you make the election, see Form GST26 for information on the effect of this election.

Acquisitions of real property by way of purchase

If you purchased real property, you can claim an ITC for the GST/HST paid or payable on the purchase based on the percentage of use of the property in your commercial activities if:

- it is for use more than 10% in your commercial activities;
- the election becomes effective on the same date you purchased the real property; and
- you were a GST/HST registrant before you purchased the real property.

Acquisitions of real property by way of lease, licence or similar arrangement

If you acquired real property by way of lease, licence or similar arrangement, you can claim ITCs for the GST/HST paid or payable on your lease payments, based on the percentage of use of the property in your commercial activities if:

- the lease payments become due on or after the day you acquired the property;
- you filed the election not to use the net tax calculation method;
- the election for the real property becomes effective on the same day that you acquire the property; and
- the real property is for use more than 10% in your commercial activities.

If you use the net tax calculation method for charities, you cannot claim ITCs for the GST/HST you pay on your lease payments. Instead, you include 60% of any GST/HST you charge on your supply of the property by way of lease, licence or similar arrangement when you calculate your net tax. For more information, see “Net tax calculation for charities,” on page 21.

Example

You are a charity that is registered for the GST/HST and you have filed the election not to use the net tax calculation method. You buy a four-story non-residential building (including the land) and you paid the HST on your purchase. You will supply all of the space in the building by way of exempt leases.

Since the entire building will be used for exempt activities, you cannot claim an ITC to recover the HST you paid on your purchase. However, if you file Form GST26 and make the election effective on the day you acquire the building, you will charge the HST on the rent you charge to your tenants and you will be entitled to claim an ITC for the HST you paid on your purchase of the building.

Since you filed the election not to use the net tax calculation method, you will also be entitled to claim ITCs for the HST paid or payable on utilities and maintenance that relate to the building.

Election effective after the day of acquisition

Acquisitions of real property by way of purchase

If the election becomes effective after the day you acquired the real property and you were a GST/HST registrant before the election took effect, you are considered (that is, deemed) to have made a taxable sale of the property immediately before the effective date of the election and to have purchased the property again on the effective date of the election. You are also considered to have collected GST/HST on that sale and to have paid the GST/HST on this purchase equal to the basic tax content (see "Calculating the basic tax content," on page 25) of the property on the effective date of the election.

You have to report the GST/HST you are considered to have collected on **line 103** of your GST/HST return for the reporting period during which you are considered to have sold the property or include it in your **line 105** calculation if you are filing your return electronically.

You are entitled to claim:

- an ITC equal to the basic tax content of the property (to recover previously unrecoverable GST/HST payable by you on the last acquisition of the property, and for improvements you made to it) since you are considered to have made a taxable sale of the property;
- an ITC for the GST/HST you are considered to have paid on your repurchase of the property, based on the extent of use of the property in your commercial activities, as long as you use the property more than 10% in those activities (no PSB rebate is available); and
- ITCs for the GST/HST paid or payable on purchases and expenses related to the real property (such as utilities and maintenance) but **only if** you filed the election not to use the net tax calculation method for charities. If you filed that election, the ITC you can claim is based on the extent that the purchase or expense is for use in your commercial activities (as long as it is for use more than 10% in those activities). If you did not file the election, you can claim a PSB rebate for tax payable on these expenses.

Acquisitions of real property by way of lease, licence, or similar arrangement

If you acquired the real property by way of lease, licence or similar arrangement, you can claim ITCs for the GST/HST paid or payable on your lease payments to the extent that you use the property in your commercial activities if:

- you filed the election not to use the net tax calculation method for charities;
- the lease payments became due on or after the effective date of the Form GST26 election; and
- the real property is for use more than 10% in your commercial activities.

If you **did not** file the election to not use the net tax calculation method, you cannot claim any ITCs for the tax paid or payable on the lease payments. However, you may be eligible to claim a PSB rebate at the applicable rate for the GST/HST paid or payable on your lease payments. You would also include 60% of any GST/HST you charge on your supplies of that property by way of lease, licence, or similar arrangement when you calculate your net tax. For more information, see "Net tax calculation for charities," on page 21.

Example

You are a charity that is a GST/HST registrant and you have filed the election not to use the net tax calculation method for charities.

In 2008, you bought a building, including the land, in Manitoba for \$300,000 plus \$18,000 GST. At that time, 70% of the building was used in your exempt activities and you supplied the remaining 30% of the building by way of lease, therefore, you also used the remaining part of the building in an exempt activity. Since the property was not for use more than 50% in your commercial activities, you could not claim an ITC. However, you were able to claim the PSB rebate of 50% of the GST paid ($\$18,000 \times 50\% = \$9,000$).

You filed the election to treat the exempt leases as taxable using an effective date of July 2, 2011. This means that you are now using the property 30% in your commercial activities. The fair market value of the property on July 2, 2011 is \$310,000. You have not made any improvements to the property.

You are considered to have made a taxable sale of the property on July 1, 2011, and to have collected the GST on the sale equal to the basic tax content of the property on July 2, 2011. You are also considered to have repurchased the property and to have paid the GST on that purchase on July 2, 2011.

You calculate the amount of the GST that you are considered to have collected and that you have to report on your GST/HST return as follows:

Basic tax content = (A – B) × C

$$\begin{aligned} &= (\$18,000 - \$9,000) \times \$310,000 / \$300,000 \\ &= (\$18,000 - \$9,000) \times 1 \text{ (the maximum)} \\ &= \$9,000 \end{aligned}$$

You report \$9,000 on **line 103** of your GST/HST return for the reporting period during which the election was made or include it in your **line 105** calculation if you are filing your return electronically.

You calculate your ITC for the tax you are considered to have paid on the repurchase of the property when the election takes effect, which is based on the basic tax content of the property, as follows:

$$\begin{aligned}\text{ITC} &= \$9,000 \times 30\% \text{ (use in commercial activities)} \\ &= \$2,700\end{aligned}$$

In addition, since you are considered to have made a taxable sale of the property, you can claim an ITC for \$9,000 (which is equal to the basic tax content of the property) to recover the GST you paid to originally purchase the property that you were not previously able to recover.

Therefore, the total ITC you are entitled to claim as a result of making the election is \$11,700 (\$2,700 + \$9,000).

Since you filed the election to **not** use the net tax calculation method, you will also be entitled to claim ITCs to recover the GST paid or payable on operating expenses (such as utilities and maintenance) that relate to the property, to the extent that they are for use in your commercial activities.

You cannot claim a PSB rebate for any of the tax you are considered to have paid on the repurchase of the property on July 2, 2011, as the basic tax content calculation takes the amount of the PSB rebate into account (amount B).

Election effective the same day you become a registrant

Provided that just before you became a registrant, you were a small supplier and you owned the real property for consumption, use, or supply in your commercial activities, you may be entitled to claim an ITC to recover tax paid on its purchase or on improvements you made to it before becoming a registrant. The amount of the ITC will be based on the tax you are considered to have paid (which is equal to the basic tax content of the property), and the extent to which you use the property in your commercial activities.

If you acquired the real property by way of lease, licence or similar arrangement, and provided you elected to **not** use the net calculation for charities, you can claim an ITC for tax on rent that was payable before you became a registrant, but only to the extent that it relates to the period after you became a registrant, and to the extent to which you use the property in your commercial activities. Otherwise, your tax recovery would be restricted to a PSB rebate.

Filing the election

To make the election, you have to send us a completed Form GST26 within one month after the end of the reporting period in which the election is to become effective. You have to file this election for **each** property that you want to treat as taxable.

Change-in-use rules when the election is in effect

The following rules will **only** apply to you if you are a GST/HST registrant who purchased capital real property and you made an election to treat exempt supplies of that real property as taxable supplies.

When you make the election to treat exempt supplies of real property as taxable supplies, an ITC for the purchase of the property is calculated based on the percentage of use of the property in commercial activities.

It is possible that this percentage will change over time. If you increase the percentage of use in commercial activities, you may be able to claim an additional ITC. If you decrease the percentage of use in commercial activities, you may have to repay some or all of the ITC you previously claimed.

Increasing use in commercial activities

When you increase the percentage of use of real property in your commercial activities by 10% or more cumulatively, you can claim an ITC equal to the **basic tax content** of the property multiplied by the percentage of the increase in the use of the property in your commercial activities.

Decreasing use in commercial activities

When you decrease the use of real property in your commercial activities by 10% or more cumulatively (without stopping or reducing the total commercial use to 10% or less), we consider you to have sold the part of the property that you no longer use in your commercial activities and to have collected the GST/HST on that sale.

The amount of the GST/HST you are considered to have collected is equal to the **basic tax content** of the property multiplied by the percentage of the decrease in the use of the property in your commercial activities.

You have to report the amount on **line 103** of your GST/HST return for the reporting period during which you decreased the use of the property in your commercial activities or include it in your **line 105** calculation if you are filing your return electronically.

Stopping use in commercial activities

When you stop using the real property for commercial activities or when you decrease the use in commercial activities to 10% or less, we consider you to have sold and repurchased the property. If the sale is considered to be a taxable sale, you are considered to have collected GST/HST on that sale and you have to include that tax in determining your net tax for the reporting period in which you stopped using the property in commercial activities. The GST/HST you are considered to have collected is equal to the **basic tax content** of the property at the time of the change in use.

If the sale is considered to be a taxable sale of the property and you had paid the GST/HST on that property when you last acquired it, you may also now be able to claim an ITC for all or part of that tax if you were unable to previously recover that tax. For more information, call 1-800-959-8287.

Revoking the election

You can revoke this election by filing another Form GST26. The revocation will be effective on the day you specify on Form GST26 as long as you file the form within one month after the end of the reporting period in which the election ceases to be effective.

If you revoke the election, you are considered to have sold the property immediately before the effective day of the revocation and to have collected and paid the GST/HST equal to the basic tax content of the property on the day of revocation. You have to include the GST/HST you are considered to have collected on the deemed sale of the property in your net tax calculation. For more information, see Form GST26.

In addition, you are considered to have repurchased the property on the day the revocation becomes effective, and to have paid the GST/HST equal to the basic tax content of the property on that day. However, you are not entitled to claim a PSB rebate for the tax that you are deemed to have paid, because the basic tax content formula already incorporates that amount.

Subsidized housing

The following rules apply to charities that receive government funding to build housing (or an addition to housing) where at least 10% of the residential units in the housing are intended to be leased to seniors, youths, students, or to individuals with a disability, or who are in distress, in need of assistance, or have limited financial resources.

For purposes of the special rules for subsidized housing, **government funding** means an amount of money paid or payable by a grantor (or paid or payable by another organization that received the money from a grantor) to a builder of the housing (or addition) for the purpose of making residential units available to the individuals mentioned above. Government funding can include a forgivable loan from a grantor. The funding must be measurable and identified in your financial statements as government funding.

A **grantor** can be a federal or provincial government, a municipality, or an Indian band. Bodies established by federal or provincial governments, municipalities or a band will also be considered grantors if one of the main purposes of the body is to fund charitable or non-profit endeavours. However, federal and provincial Crown corporations whose activities are substantially all (90% or more) commercial activities are not grantors.

On the **later** of the day construction is substantially completed and the day you first give possession or use of a unit in the housing to an individual under a lease, licence or similar arrangement entered into for its use as a place of residence, we consider you to have made a taxable sale of the housing (a self-supply). You have to pay the GST/HST on that taxable self-supply equal to the **greater** of the following:

- the amount of the GST/HST calculated on the fair market value of the housing; or
- the total of all of the GST/HST paid or payable for the acquisition of the land, for the construction of the building, and for any other improvement to the property.

Note

You may be entitled to claim a PSB rebate for some of the tax you have to account for on the self-supply. (Depending on the type of housing you provide, you may be eligible to use the municipality rebate rate). See “Charities that provide municipal services” on page 18.

If your housing is in Ontario, you may be eligible to claim either the PSB rebate of the provincial part of the HST, or the provincial new residential rental property (NRRP) rebate for the provincial part of the HST, you have to account for on the self-supply.

If your housing is in British Columbia, and your self-supply occurs before **April 2013**, you may be eligible to claim either the PSB rebate of the provincial part of the HST, or the provincial NRRP rebate for the provincial part of the HST, you have to account for on the self-supply.

For more information, see GST/HST Info Sheet GI-093, *Harmonized Sales Tax: Ontario New Residential Rental Property Rebate*, GST/HST Info Sheet GI-094, *Harmonized Sales Tax: British Columbia New Residential Rental Property Rebate*.

How do you remit the tax?

If you are a GST/HST registrant, you have to report the GST/HST due on **line 103** of your GST/HST return for the reporting period during which you are considered to have made the taxable sale of the subsidized housing or include it in your **line 105** calculation if you are filing your return electronically.

If you are not a GST/HST registrant, you have to report the GST/HST on **line 103** of Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-Personalized)*, and remit the GST/HST due with that return by the end of the month after the month in which you are considered to have made the taxable sale of the subsidized housing. If you are not registered for GST/HST, see “Are you a non-registrant?” on the next page.

Note

You have to order Form GST62 online at www.cra.gc.ca/orderforms or by calling 1-800-959-5525. We will send you a pre-printed form to report the GST/HST collectible and you can also use this form to make a payment at your financial institution. You cannot use the working copy available on our Web site.

Example

You are a charity in New Brunswick and you are registered for the GST/HST. You receive government funding to construct multiple-unit long-term housing for seniors. Rental rates are not linked in any way to a tenant's income. You paid \$25,000 HST on the purchase of the land and \$30,000 HST on the construction of the building. The construction phase is considered to be a commercial activity because it leads to your taxable self-supply. As a result, you are eligible to claim ITCs to recover the GST/HST paid or payable on the land purchase and construction costs.

The construction of the housing was substantially completed on April 11, 2012, and you first gave possession of a unit in the housing on May 5, 2012, to an individual who will be the first person to live in the unit as his place of residence. You are considered to have made a self-supply, that is a taxable sale of, and a repurchase of the multiple-unit housing on May 5, 2012, since this is the later of the two dates.

The HST you paid on the purchase of the land and on the construction of the building and other improvements you made to the property is greater than the value of the HST calculated on the fair market value of the multiple-unit housing (including the land) on May 5, 2012. Therefore, the amount of the HST you are considered to have collected and to have paid on your self-supply is equal to the amount of the HST you originally paid on the land and on the construction and other improvements you made to the property. For this property, you have to report the \$55,000 (\$25,000 + \$30,000) HST you are considered to have collected on **line 103** of your GST/HST return for the reporting period in which you are considered to have made the taxable sale or include it in your **line 105** calculation if you are filing your return electronically.

You are entitled to claim a PSB rebate at the applicable rate for the tax you are considered to have paid on the repurchase (\$55,000) at the time of the self-supply.

Are you a non-registrant?

If you are not a GST/HST registrant, you cannot claim ITCs to recover the GST/HST paid or payable on the purchase of the real property and on costs to build or substantially renovate subsidized housing (or to make an addition to it). However, you may be entitled to claim a PSB rebate to recover some of that tax.

After the construction of the subsidized housing, when you are considered to have made a taxable sale of the housing (self-supply) and you have to account for the GST/HST on that self-supply, you may be eligible to claim a general rebate (using Form GST189, *General Application for Rebate of GST/HST*) to recover the GST/HST you paid on the purchase of the real property and the construction costs that you could not previously recover.

For more information, go to www.cra.gc.ca/gsthst, or see Guide RC4033, *General Application for GST/HST Rebates*, and Form GST189 or call 1-800-959-8287.

Example

You are a charity in Alberta and you are not registered for the GST/HST. You receive government funding to construct multiple-unit long-term housing for seniors. You paid \$80,000 GST on the purchase of the land and \$125,000 GST on the construction of the building. You claimed a PSB rebate for 50% of the \$205,000 (\$80,000 + \$125,000) GST paid. The construction of the housing is substantially completed on May 31, 2012, but you first gave possession of a unit in the housing to an individual to live in on April 15, 2012. As the later of these two dates is the day you substantially completed the multiple-unit housing, you are considered to have made a self-supply, that is a taxable sale of, and a repurchase of the housing on May 31, 2012.

The tax you paid on the purchase of the land and to construct the housing is greater than the tax on the fair market value of the housing on May 31, 2012. Therefore, the amount of the GST that you are considered to have both collected on the sale and paid on the repurchase is equal to the amount of the GST that was paid or payable by you on the purchase of the land, the construction of the building, and on any other improvements you made to the property.

You must include the \$205,000 GST you are considered to have collected on the self-supply on **line 103** of Form GST62 and remit the tax due with that return by June 30, 2011 (the end of the month after the month in which you are considered to have made the taxable sale of the subsidized housing).

You can claim a 50% PSB rebate for the \$205,000 GST you are considered to have paid on your repurchase of the property under the self-supply rules.

Also, as a non-registrant, you could not claim ITCs for the tax you paid to purchase the land and construct the housing, and you were only able to recover 50% of that tax (by claiming a PSB rebate). Since you are considered to have made a taxable sale of the housing, you are now entitled to claim a general rebate (using Form GST189) to recover the remaining tax (50 %) that you were previously unable to recover by the way of the PSB rebate on the purchase of the land and the construction costs.

For more information

What if you need help?

If you need more information after reading this guide, go to www.cra.gc.ca/gsthst or call 1-800-959-5525.

Forms and publications

To get our forms and publications, go to www.cra.gc.ca/gsthstpub or call 1-800-959-5525.

Teletypewriter (TTY) users

TTY users can call 1-800-665-0354 for bilingual assistance during regular business hours.

Direct deposit

Direct deposit is a safe, convenient, dependable, and time-saving method of receiving your GST/HST refunds and rebates. If you are expecting refunds or rebates when you file your GST/HST returns or rebate applications, you can send us a completed Form RC366, *Direct Deposit Request – GST/HST, Payroll and/or Corporation Income Tax*. To get Form RC366, go to www.cra.gc.ca/dd-bus or call 1-800-959-5525.

GST/HST rulings and interpretations

You may request a ruling or interpretation on how the GST/HST applies to a specific transaction for your operations. This service is provided free of charge. For more information, see GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*, available at www.cra.gc.ca/gsthstrulings or call 1-800-959-8287.

GST/HST electronic filing and remitting

You have several options for filing your GST/HST return or remitting an amount owing electronically. For more information, go to www.cra.gc.ca/gsthst-filing.

Online services built for businesses

With the CRA's online services for businesses, you can do many things, including:

- authorize a representative for **online access** to your business accounts;
- change the mailing and physical addresses, as well as the books and records address;
- file or adjust a GST/HST return without a Web access code;
- file an election;
- view the line-by-line details of processed returns, and a list of the expected returns with their due dates;

- view your up-to-date account balances and transactions;
- transfer payments and right away view updated balances; and
- submit enquiries and get the responses online within 10 business days.

To access our online services, go to:

- www.cra.gc.ca/representatives, if you are an authorized representative (including employees); or
- www.cra.gc.ca/mybusinessaccount, if you are a business owner.

Electronic payments

Make your payment online using the CRA's My Payment service at www.cra.gc.ca/mypayment or using your financial institution's telephone or Internet banking services. For more information, go to www.cra.gc.ca/electronicpayments or contact your financial institution.

Tax information videos

We have a number of tax information videos for individuals and small businesses on topics such as preparing your income tax and benefit return, and reporting business income and expenses. To watch our videos, go to www.cra.gc.ca/videogallery.

Our service complaint process

If you are not satisfied with the **service** that you have received, contact the CRA employee you have been dealing with or call the telephone number that you were given. If you are not pleased with the way your concerns are addressed, you can ask to discuss the matter with the employee's supervisor.

If the matter is not settled, you can then file a service complaint by completing Form RC193, *Service Related Complaint*. If you are still not satisfied, you can file a complaint with the Office of the Taxpayers' Ombudsman.

For more information, go to www.cra.gc.ca/complaints or see Booklet RC4420, *Information on CRA – Service Complaints*.

Your opinion counts

If you have comments or suggestions that could help us improve our publications, send them to:

Taxpayer Services Directorate
Canada Revenue Agency
395 Terminal Avenue
Ottawa ON K1A 0L5