



GST/HST Presentation For Discussion Purposes Only

Charity Version November 2021

For Discussion Use Only

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Definitions

- **Public Service Body (PSB)** includes **charity**
- **Charity** – a registered charity or registered Canadian amateur athletic association ... subsection 248(1) of ITA
- **Registrant** - a person that is registered, or has to be registered, for the GST/HST
- **Don't collect GST/HST** (except for certain taxable sales of real property) **unless you are a registrant**
- **Capital property** - depreciable property eligible for CCA deduction ... and ... capital gain/loss
- **Supply** - the provision of property or a service in any manner, including **sale**, transfer, barter, exchange, licence, **rental, lease**, gift ...

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Exempt Supplies Made By Charities

Admissions

- **To places of amusement ... max price is \$1 or less**
- To a fund-raising dinner, ball, concert, show where permitted to issue a **donation receipt**
- Where **90%** or more performers, athletes, or competitors are **not paid**, directly or indirectly (other than by government/municipal grants ...or travel, or other incidental costs)
- Admissions are **not exempt** for events advertised as featuring paid participants or for events at which professional athletes compete for cash prizes

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Exempt Supplies Made By Charities

Fund-raising activities

- Most property and services are exempt ... **unless:**
 - you sell these **regularly or continuously** throughout the year, or a significant part of the year; or
 - your clients entitled to receive regularly or continuously throughout the year, or a significant part of the year
- Examples: greeting cards sold in Christmas season and chocolate bars sold in 8 week fund-raising drive
- **Does not include year-round in a tuck (gift) shop**

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Exempt Supplies Made By Charities

Gambling events – examples exempt supplies:

- Your lottery or raffle tickets
- Bingo cards
- Bingo/casino admission is exempt **if**:
- **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

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Exempt Supplies Made By Charities

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**

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Exempt Supplies Made By Charities

Donations and gifts

- Generally, no **GST/HST - voluntary** transfer (money or property) - donor receives no benefit
- If receives **nominal value** (e.g. key ring) no **GST/HST**
- March 22, 2016, when you make a taxable (other than zero-rated) supply in exchange for a donation and when you are permitted to issue a donation receipt ... **fair market value** of the property or services supplied will be **subject to the GST/HST**
- GST/HST Rulings

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Exempt Supplies Made By Charities

Sponsorships - examples:

- a business financially supports your activity & **you promote the business**. For example - your charity organizes a **softball team** and you agree to feature a sponsor's trade name on team uniforms or you run a sporting event and publish an **acknowledgment** of the sponsor in the event's **program**.
- when you receive funding in return for allowing the sponsor the **right to use your charity's logo**
- **Advertising** service is **not** a taxable supply

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Taxable Supplies Made By Charities

- **admissions to place of amusement more than \$1**
- restaurant operations
- professional theatre subscriptions
- sales of real property you used more than 50% in your commercial activity (CA) immediately before sale
- capital property you used more than **50%** in your CA (**gift shop cash register**)
- **new goods** (new goods you bought to resell in a gift shop for a price that is more than their direct cost)
- **RC4082** GST/HST Information for Charities

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Admission to Place of Amusement

- Excise and GST/HST News - No. 98
- **Applies to charities and NPOs**
- An admission in respect of a place of amusement, as defined in the Excise Tax Act “**means a right of entry or access to, or attendance at,** the place of amusement...”
- Place of amusement can be broken down into three categories:

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Admission to Place of Amusement

- 1. A “place of amusement” means any **premises or place**, whether or not enclosed, at or in any part of which is staged or held any
 - a. **film, slide show**, sound and light **or similar** presentation;
 - b. artistic, literary, theatrical, musical or other **performance, entertainment** or exhibition;
 - c. fair, circus, menagerie, rodeo or similar event; or
 - d. race, game of chance, athletic contest or other contest or game

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Admission to Place of Amusement

- 2. A “place of amusement” **includes** a museum, historical site, zoo, wildlife or other park, and any place where bets are placed
- 3. A “place of amusement” includes **any place**, structure, apparatus, machine or device the purpose of which is **to provide any type of amusement or recreation**

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Admission to Place of Amusement

- Example #3
- A museum that is **a charity** for GST/HST purposes and a GST/HST registrant **charges \$6 to view** its collection. The **museum is a place of amusement** as it is specifically included in the second category of the definition. As the maximum admission price to this place of amusement is **over \$1**, and no other exemption applies, the admission to the museum is **subject to GST/HST**.

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Admission to Place of Amusement

- Example #4 - charity registrant hosts public skating
- aged 2 to 5 years admission **\$0.50**, 6 to 12 **\$1**, and 13 and over **\$2.50**.
- The skating rink **is a place of amusement** as defined in the third category of the definition (“any place ... the purpose of which is to provide any type of amusement or recreation”)
- Although the charity charges admission prices of \$1 or less for some of the admissions, **one** of the admission prices **is more than \$1** and no other exemption applies, so **all** the supplies of admissions, regardless of price, are **subject to GST/HST**

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GST/HST Registration

- Must register for GST/HST if it:
 - makes taxable supplies in Canada and
 - is not a small supplier
 - ITCs
- May **voluntarily register** for GST/HST if it:
 - makes taxable supplies in Canada and
 - is a small supplier
 - ITCs
- Cannot GST/HST register if only exempt supplies (no ITCs)

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Small supplier Limits

Charity may qualify as small supplier under **either**:

- the **\$50,000** taxable supplies test or
- the **\$250,000** (annual) gross revenue test

\$250,000 (annual) gross revenue test

- Do not have to determine if supplies are taxable
- **First** fiscal year, do not have to register for GST/HST
- **Second** fiscal year - if revenue first fiscal year is \$250,000 or less, you are considered a small supplier
- **Third or later** – if revenue is \$250,000 or less in either of these years, you are considered a small supplier
- **If registered in error – contact Business Enquiries**

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Voluntary Registration GST/HST

Small supplier decides **not** to **register**:

- **Do not charge GST/HST** on most taxable supplies
- **Cannot claim ITCs** to recover GST/HST

Small supplier **does** decide to register:

- **Charge GST/HST** on taxable supplies
 - **Claim ITCs** to recover the GST/HST paid or payable *
- * Net tax calculation for charities

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Input Tax Credit (ITC)

- **Registrant** may be able to recover GST/HST on purchases & expenses related to its CA by claiming ITC on its GST/HST return
- Based on % age for consumption ...use ... supply in CA
- Some examples where cannot claim an ITC:
 - making exempt supplies
 - membership fees or dues club whose main purpose is to provide recreation, dining, or sporting facilities
 - for your personal consumption, use, or enjoyment
- Special ITC rules on **capital property**
- Special ITC rules for charities **on operating** expenses

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Input Tax Credit (ITC)

Capital property

- Primary use rule
- Capital personal property (e.g. computers) and capital real property (e.g. buildings)
- If the intended use in CA is **more than 50%, you can claim a full ITC**
- If the intended use in CA is **50% or less, you cannot claim an ITC**
- Example: bought computer for \$2,000 plus GST, use it 60% in CA. Since it is used more than 50% in CA, claim the full ITC

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Input Tax Credit (ITC)

Change of use

- If you change the use **from 50% or less** in CA **to more than 50%** you can **claim an ITC** to recover all or part of the GST/HST you paid when you last acquired the property
- If you change the use **from more than 50%** in CA **to 50% or less** you have to **repay** all or part of the tax you claimed as an **ITC** when you last acquired the property
- Basic tax content
- Different rules for *improvements* to capital property
- GST/HST Rulings
- GST/HST Memoranda Series 8-1 through 8-4

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Public Service Bodies' (PSB) Rebate

- May be eligible for PSB rebate of GST (federal part of HST) and provincial part of HST (resident in one or more participating provinces) on eligible purchases & expenses:
- general **operating** expenses such as rent, utilities, and administration for which you cannot claim ITCs
- **allowances & reimbursements**
- property and services used ... in your exempt activities
- most capital property **where you cannot claim ITCs**
- There are some **ineligible** items (e.g. memberships in club, main purpose is dining, recreational, or sporting)
- **RC 4034** GST/HST Public Service Bodies' Rebate for details

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Public Service Bodies' (PSB) Rebate

Public service bodies' rebate factors

Public Service Body Activity Type	Rebate factor for the GST or the federal part of the HST	Rebate factor for the provincial part of the HST for public service bodies resident in:					
		NS	NB	NL ¹	ON	PEI ²	NPP ³
Municipality	100%	57.14%	57.14%	57.14%	78%	0%	0%
University	67%	67%	0%	0%	78%	0%	0%
School Authority	68%	68%	0%	0%	93%	0%	0%
Public College	67%	67%	0%	0%	78%	0%	0%
Hospital Authority	83%	83%	0%	0%	87%	0%	0%
Facility Operator	83%	50%	50%	0%	87%	0%	0%
External Supplier	83%	50%	50%	0%	87%	0%	0%
Charity	50%	50%	50%	50%	82%	35%	0%
Qualifying NPO	50%	50%	50%	50%	82%	35%	0%

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Public Service Bodies' (PSB) Rebate

- 1** Selected public service bodies resident in Newfoundland and Labrador that are also a charity, public institution, or qualifying NPO are entitled to claim a 50% rebate of the **provincial** part of the HST paid or payable on purchases and expenses used in non-selected public service body activities.

For tax payable in 2016, municipalities resident in Newfoundland and Labrador qualified for a **25%** rebate instead of a **57.14%** rebate.
- 2** Selected public service bodies resident in Prince Edward Island that are also a charity, public institution, or qualifying NPO are entitled to claim a 35% rebate of the **provincial** part of the HST paid or payable on purchases and expenses used in non-selected public service body activities.
- 3** NPP means non-participating provinces, which include all the other provinces and territories not listed above.

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Public Service Bodies' (PSB) Rebate

- **RC4034 – GST/HST Public Service Bodies' Rebate**
- **GST/HST Info Sheets**
- [GI-179 Public Service Bodies' Rebate for Charities Resident in Two or More Provinces, at Least One of Which Is a Participating Province](#)
- [GI-178 Public Service Bodies' Rebate for Charities Resident in One or More Non-participating Provinces](#)
- [GI-177 Public Service Bodies' Rebate for Charities Resident Only in Prince Edward Island](#)
- [GI-176 Public Service Bodies' Rebate for Charities Resident Only in Ontario](#)
- [GI-175 Public Service Bodies' Rebate for Charities Resident Only in Nova Scotia](#)
- [GI-174 Public Service Bodies' Rebate for Charities Resident Only in Newfoundland and Labrador](#)
- [GI-173 Public Service Bodies' Rebate for Charities Resident Only in New Brunswick](#)
- [GI-172 Public Service Bodies' Rebate for Charities Resident Only in British Columbia](#)

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Public Service Bodies' (PSB) Rebate

- Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*
- Form RC7066-SCH, *Provincial Schedule - GST/HST Public Service Bodies' Rebate to claim a rebate of the provincial part of the HST.*
- **Registrants** would file their PSB rebate application the same filing frequency as their GST/HST return
- **Non-registrant** - you have two claim periods per fiscal year (the first six months and the last six months of your fiscal year)
- **You do not need to be GST/HST registered in order to apply for the PSB rebate**

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Calculating your net tax

Step 1 – Determine the total of:

- **60%** of the GST/HST on most supplies;
- **all** GST/HST taxable sales of **capital & real property**

Step 2

- **ITCs** real & **capital** property for use **primarily** in CA
- Not operating

Step 3 - difference is your net tax

- Not all inclusive list - see RC 4082 for more information

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Calculating your net tax

Example: using net tax calculation method:

- charity (gallery) in Alberta, registered for GST/HST
- taxable admissions & gift shop, with exempt supplies of parking and admissions to a fund-raising dinner
- purchased computer & ventilation system in owned building for use more than 50% in CA

Taxable admissions \$20,000 & gift shop sales \$5,000

- Total: \$25,000
- GST collected ($\$25,000 \times 5\%$): **\$1,250**

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Calculating your net tax

Taxable purchases and expenses:

- 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: \$3,500
- Total: \$21,700
- GST paid on purchases and expenses ($\$21,700 \times 5\%$) = \$1,085

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Calculating your net tax

- **Step 1 - \$750** on line 105 if you are filing your return electronically or on line 103 if you are filing a paper GST/HST return (**60% of the \$1,250 GST collected**).
- **Step 2** - claim **ITCs** for GST paid for **ventilation system** (improvement to real property) and for **computer** equipment (capital property purchase) you intend to use more than 50% in CA (assume all other conditions met)
- ITC - $5\% \times (\$9,200 + \$2,000) = \$560$
- **Step 3** - Net tax $\$750 - \$560 = \$190$
- Note no ITCs on operating expenses
- PSB rebate

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Additional Topics

Pre-assessment reviews

- All GST/HST refund requests are systematically reviewed to identify errors or evidence of non-compliance. As a result, some are considered further before payment is approved. Given that we have a **national workload** model, claimants may be contacted by **an examiner located anywhere in Canada.**

Post-assessment audits

- The selection of GST/HST returns for audit or examination is based on both risk assessment and on random file selection

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CRA References Materials

- **RC17(E)** Rev. 19 Taxpayer Bill of Rights Guide: Understanding your rights as a taxpayer - gives you information on the 16 rights in the Taxpayer Bill of Rights and explains what you can do if you believe that we have not respected your rights
- **RC4188** What You Should Know About Audits
- <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/changes-your-business/business-audits/gst-hst-audit-examination.html>
- GST/HST Memorandum 31.0 - Objections and Appeals, explains objections and appeals process

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CRA References Materials

- **RC4034** - GST/HST Public Service Bodies' Rebate
- GST/HST Memo 13-5 Non-creditable Tax Charged
- **RC4082** GST/HST Information for Charities
- GST/HST Memorandum 2.1 Required Registration
- GST/HST Memorandum 2.2 Small Suppliers
- **GST/HST Memorandum 2-3 Voluntary registration**
- GST/HST Memorandum 2.7 Cancellation of Registration
- GST/HST Memoranda Series (by chapters) **8 - Input Tax Credits:** (Memorandum 8-1 through 8-4)

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CRA References Materials

- GST/HST Technical Information Bulletin B-067 Goods and Services Tax Treatment of Grant and Subsidies
- GST/HST Memorandum 15-1 (Books and Records)
- GST/HST Memo 19.4.2 Commercial Real Property
- GST/HST Memorandum 1.4 Excise and GST/HST Rulings and Interpretations Services
- **Summary of the Corporate Business Plan 2021–22 with perspectives to 2023–24 (education-first approach)**
- GST/HST - Business Enquiries at **1-800-959-5525**
- GST/HST - Rulings at **1-800-959-8287**

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Comments and Feedback

- Please remember to provide us with comments and feedback on today's presentation

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