Our Vision

Involved Canadians. Resilient communities.
A vibrant Canada.

Our Mission

To provide national leadership and expertise on volunteering to enhance the participation, quality, and diversity of volunteer experiences to build strong and connected communities

We work with more than 150 volunteer centres, nonprofit organizations, businesses, educational institutions, government departments, and volunteers
GST/HST Presentation
For Discussion Purposes Only
Non-profit organizations November 2021
Contents

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• Exempt Supplies
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• Public Services Bodies’ (PSB) Rebates
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For Discussion Use Only

Definitions

• **Public Service Body (PSB)** includes **NPO**
• **Non-profit organization (NPO)** - organized and is operated solely for a purpose other than profit, no part of the income of which is ... available for the personal benefit of, any proprietor, member ...
• **Registrant** - a person that is registered, or has to be registered, for GST/HST (generally you do not collect GST/HST unless you are a registrant)
• **Capital property** - depreciable property eligible for CCA deduction ... and ... capital gain/loss
• **Supply**... (in part) provision of property or a service in any manner, including sale, transfer, licence, rental, lease ...
Charities vs. NPOs Some Differences

<table>
<thead>
<tr>
<th>Topic</th>
<th>Registered charity</th>
<th>NPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration</td>
<td>• must apply to the CRA and be approved for registration as a charity</td>
<td>• does not have to go through a registration for income tax purposes</td>
</tr>
</tbody>
</table>

**GST/HST**

- Generally must pay GST/HST on purchases
- May claim a partial **rebate** of GST/HST paid on eligible purchases
- Most supplies made by charities are exempt
- Calculates **net tax using the net tax calculation for charities**

- Must pay GST/HST on purchases
- May claim a partial **rebate** of GST/HST paid on eligible purchases only if it receives significant government funding
- Few supplies made by NPOs are exempt
- Calculates **net tax the regular way**
Exempt Supplies Made By NPOs

Fund-raising activities

- Sales of goods when all conditions are met:
- You are not in the business of selling those goods
- All the salespersons are volunteers
- The sale price of each item is $5 or less
- The goods are not sold at an event where similar goods are sold by persons in the business of selling such goods
- Example - sell chocolate bars door-to-door for $2.
Exempt Supplies Made By NPOs

Recreational programs

• ... supervised instructional classes or activities involving athletics, outdoor recreation, music, dance, crafts, arts, hobbies, or other recreational pursuits if:

• you provide them 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 them primarily to individuals who are underprivileged or who have a disability.
Sponsorships

- Funding … allow sponsor the right to use its logo:
- corporation sponsors your soccer team & you agree … name on uniform or publish **acknowledgement** of the sponsor in event's program
- Payment is **not** subject to GST/HST
- If payment is made **primarily (more than 50%) for advertising** … is not … a sponsorship, but rather for advertising services - **subject to GST/HST (when supplied by NPO)**
Taxable Supplies Made By NPOs

- admissions to a place of amusement more than $1
- registration for conferences, seminars, trade shows
- books, subscriptions to magazines and newsletters
- advertising services
- restaurant meals
- club memberships where main purpose - provide recreational, dining, or sporting ... to its members
- sales of real property you used more than 50% in your CA immediately before sale
- banquet facilities or rink
- RC4081 GST/HST Information for Non-Profit Organizations
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 (No. 98 – NPO also)

• 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.
Admission to Place of Amusement

• Example #4 -(From No. 98-also NPO)
• charity registrant hosts public skating
• aged 2 to 5 years admission $0.50, 6 to 12 $1, and 13 and over $2.50.
• Skating rink is a place of amusement as defined in third category of definition (“any place ... the purpose ... 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

NPOs:

• Must register for GST/HST if it:
  • makes taxable supplies in Canada and
  • is not a small supplier

• May **voluntarily register** for GST/HST if it:
  • makes taxable supplies in Canada and
  • is a small supplier

• Cannot GST/HST register if only exempt supplies
Small supplier Limits

**NPO - the $50,000 taxable supplies test:**

- Taxable supplies test includes your revenues ... including zero-rated supplies
- Do **not** include revenues from exempt supplies, sales of capital property ... donations
- **If registered in error – contact Business Enquiries**
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
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Input Tax Credit (ITC)

• **A registrant** may be able to recover GST/HST on your purchases & expenses related to your CA by claiming ITC on your GST/HST return

• Extent (%age) - consumption, use or supply in commercial activities (CA) - i.e. generating taxable supplies

• Cannot claim an ITC, such as:
  • for 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 rules for **NPO on capital property**
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Input Tax Credit (ITC)

NPO on operating expenses:
• Based on % age of use in CA
• Examples include: rent, advertising, utilities, office supplies
• Example - own building in NS & operate retail store (CA) & rent apartment (long-term) on upper floor (exempt supply). Rent includes utilities which is for both CA & non CA ($80 HST).
• If all conditions met for claiming ITC (fair and reasonable allocation method) you determine 70% of utility for store & 30% to the apartment, you can claim ITC for 70% of HST
• $80 X 70% = $56 ITC
Input Tax Credit (ITC)

Capital property acquisitions – NPOs

- 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 (100%) ITC
- If the intended use in CA is 50% or less, you cannot claim an ITC (0% 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 (100%) ITC
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.

• However, 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.

• Different rules for **improvements** to capital property.

• GST/HST Rulings
Calculating Net Tax - NPO

• **Step 1** GST/HST collected or collectible on your taxable supplies made during the reporting period (less)

• **Step 2** GST/HST paid and payable on purchases and expenses for which you can claim an ITC

• **Step 3 Difference** = your net tax of remittance or refund. If positive - send us the difference. If negative claim a refund of difference.

• **QNPO** may be eligible for PSB rebate
QNPO (Qualifying NPO)

Generally - NPO is a QNPO for a fiscal year if:

- its percentage of government funding for the fiscal year, or for the previous two fiscal years, is at least 40% of its total revenue. Band funding of Indian NPOs will be considered equivalent to government funding.

Examples ... included in total revenue

- government funding that is identified as such in the organization's financial statements
- income from investments (interest and dividends)
- loans from people whom NPO not dealing at arm's length
- See Form GST523-1
QNPO (Qualifying NPO)

Examples from which you can **deduct 25% to take into account the cost of fundraising**:

- financial payments, such as private **gifts and donations**
- the total of all amounts by which the fair market value of a financial instrument received by the NPO is more than the consideration paid or payable for the instrument
- all receipts from **sponsorships**
- all receipts from **taxable (including zero-rated) & exempt sales of property and services** (do not include real or capital property, financial instruments, (certain) benefits
- proceeds from **gambling** minus prizes & winnings paid out
QNPO (Qualifying NPO)

**Government funding** - an amount of money (including a forgivable loan) is easily identifiable & paid by a grantor:

- to **support or promote NPO’s objectives** but not to pay for goods or services supplied by the NPO to the grantor

- for an **exempt supply of property or services** made by the NPO if the property and services are not for the use or consumption of the grantor or persons related to the grantor (*for example, government funding of a local health unit to supply medical services to the public*)

- **RC4034** GST/HST Public Service Bodies' Rebate for details

- Excise and GST/HST News - No. 109 (June 2021)
Public Service Bodies’ (PSB) Rebate

Examples of PSB Rebate for QNPOs:

• general **operating** expenses such as rent, utilities, and administration for which you cannot claim ITCs

• most **allowances & reimbursements** paid to employees/volunteers incurred in exempt activities

• property and services used ... in your exempt activities

• most capital property **where you cannot claim ITCs**

• **Not eligible - memberships** in a club, main purpose ... to provide dining, recreational, or sporting facilities ... most **tobacco**, cannabis and **alcoholic** beverages
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Public Service Bodies' (PSB) Rebate

<table>
<thead>
<tr>
<th>Public Service Body Activity Type</th>
<th>Rebate factor for the GST or the federal part of the HST</th>
<th>Rebate factor for the provincial part of the HST for public service bodies resident in:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>NS</td>
</tr>
<tr>
<td>Municipality</td>
<td>100%</td>
<td>57.14%</td>
</tr>
<tr>
<td>University</td>
<td>67%</td>
<td>67%</td>
</tr>
<tr>
<td>School Authority</td>
<td>68%</td>
<td>68%</td>
</tr>
<tr>
<td>Public College</td>
<td>67%</td>
<td>67%</td>
</tr>
<tr>
<td>Hospital Authority</td>
<td>83%</td>
<td>83%</td>
</tr>
<tr>
<td>Facility Operator</td>
<td>83%</td>
<td>50%</td>
</tr>
<tr>
<td>External Supplier</td>
<td>83%</td>
<td>50%</td>
</tr>
<tr>
<td>Charity</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Qualifying N.P.O.</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>
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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.
Public Service Bodies' (PSB) Rebate

- RC4034 – GST/HST Public Service Bodies' Rebate
- GST/HST Info Sheets
  - GI-187 Public Service Bodies' Rebate for Qualifying Non-profit Organizations Resident in Two or More Provinces, at Least One of Which Is a Participating Province
  - GI-186 Public Service Bodies' Rebate for Qualifying Non-profit Organizations Resident in One or More Non-participating Provinces
  - GI-185 Public Service Bodies' Rebate for Qualifying Non-profit Organizations Resident Only in Prince Edward Island
  - GI-184 Public Service Bodies' Rebate for Qualifying Non-profit Organizations Resident Only in Ontario
  - GI-183 Public Service Bodies' Rebate for Qualifying Non-profit Organizations Resident Only in Nova Scotia
  - GI-182 Public Service Bodies' Rebate for Qualifying Non-profit Organizations Resident Only in Newfoundland and Labrador
  - GI-181 Public Service Bodies' Rebate for Qualifying Non-profit Organizations Resident Only in New Brunswick
  - GI-180 Public Service Bodies' Rebate for Qualifying Non-profit Organizations 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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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
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**


• **GST/HST Memorandum 31.0 - Objections and Appeals,** explains objections and appeals process
CRA References Materials

- **RC4034** - GST/HST Public Service Bodies' Rebate
- **GST/HST Memo13-5** Non-creditable Tax Charged
- **RC4081** GST/HST Information for NPOs
- **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)
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 Memo19.4.2 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
Questions

• Opportunity For Questions
Thank you!

Upcoming webinars:

• November 24th [Changemakers@Work: Employee Autonomy in Corporate Citizenship](#)

• November 24th [Collaborative Partnership Development: Empowering Youth to Lead the Way](#)

Comments/feedback: [astevens@volunteer.ca](mailto:astevens@volunteer.ca)