



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.

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 person that is a selected listed financial institution (SLFI) for GST/HST or QST purposes or both. For more information, see the Revenu Québec publication IN-203-V, *General Information Concerning the QST and the GST/HST*, available at revenuquebec.ca, or call 1-800-567-4692. If you are an SLFI, go to 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 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 ce guide 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 (CRA) 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.

GST/HST public service bodies' rebate

If you are a municipality resident in Newfoundland and Labrador, the rebate rate for the provincial part of the HST paid or payable on eligible purchases and expenses is 25% for tax payable in 2016, and 57.14% for tax payable on or after January 1, 2017.

Harmonized sales tax rate change for New Brunswick

As of July 1, 2016, New Brunswick increased its harmonized sales tax rate to 15% (5% federal part and 10% provincial part).

Harmonized sales tax rate change for Newfoundland and Labrador

As of July 1, 2016, Newfoundland and Labrador increased its harmonized sales tax rate to 15% (5% federal part and 10% provincial part).

Harmonized sales tax rate change for Prince Edward Island

As of October 1, 2016, Prince Edward Island increased its harmonized sales tax rate to 15% (5% federal part and 10% provincial part).

Donations and gifts

Under recent changes, the GST/HST treatment of charitable donations has changed where a charity makes a taxable supply of property or a service in exchange for a donation and when an income tax receipt may be issued for a portion of the donation. For more information, see "Donations and gifts" on page 13.

Purely cosmetic procedures

Recent changes clarify that purely cosmetic procedures supplied by a charity are generally taxable. For more information, see "Taxable supplies" on page 12.

Online services for businesses

You can now sign up for online mail by entering an email address when filing a GST/HST NETFILE return. To view your notices, statements, and letters from the CRA, log in to or register for My Business Account at cra.gc.ca/mybusinessaccount.

To access our online services, go to:

- My Business Account at cra.gc.ca/mybusinessaccount, if you are a business owner; or
- Represent a Client at cra.gc.ca/representatives, if you are an authorized representative or employee.

For more information, see "Handling business taxes online" on page 32.

Online services for representatives

Authorized representatives can now register for online mail on behalf of their business clients by entering an email address when filing a GST/HST NETFILE return.

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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). 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).

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 21.

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.

Consideration – includes any amount that is payable for a supply by operation of law.

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 designated by the Minister of National Revenue to be a municipality, but only in respect of activities, specified in the designation that involve the making of supplies (other than taxable supplies) by the person of municipal 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 generally cannot claim input tax credits to recover the GST/HST paid or payable on property and services they acquired to make exempt 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 that GST/HST registrants can generally 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 consumption, use, or supply in the course of their commercial activities (to make taxable supplies for consideration).

Municipality – means an incorporated city, town, village, metropolitan authority, township, district, county or rural municipality or other incorporated municipal body however designated, and such other local authority that the Minister of National Revenue may determine to be a 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 by the Minister of National Revenue to be a municipality.

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

Public service body– means a charity, non-profit organization, municipality, university, public college, school authority, or 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 and public institutions are also considered small suppliers if they meet the gross revenue test of \$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, or 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) may be eligible to claim ITCs for the GST/HST paid or payable on property and services they acquired to provide these supplies.

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 making taxable supplies can generally recover GST/HST paid or payable on property and services they acquired for use in those activities by claiming input tax credits (ITCs), while charities are generally 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 and the federal part of the HST paid or payable on their purchases and expenses (subject to certain exceptions) by claiming a 50% public service bodies' rebate.
- 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" on page 14.

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 many supplies of real property (for example, land, buildings, and interests in such property) and intangible personal 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 (for example, goods) 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. For the list of all applicable GST/HST rates, go to cra.gc.ca/gsthst and select “GST/HST rates” under “Tools.”

Exception for certain sales of new housing

Special 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 22.

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). However, Indians and some groups and organizations, such as certain provincial and territorial governments, do not always pay the GST/HST on their purchases and expenses. For more information, go to cra.gc.ca/gsthst or see Guide RC4022.

Who charges the GST/HST?

Generally, GST/HST registrants have to collect the GST/HST on all taxable (other than zero-rated) supplies 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 22.

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

If you are a GST/HST registrant, you generally have to charge and collect the GST/HST on 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 22 and Guide RC4022.

You are limited in the 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 the GST/HST paid or payable in respect of certain items such as 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), where all the conditions for claiming ITCs are met.

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 26.

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

You can complete one rebate application for each reporting period (monthly, quarterly, or annually). For more information, see “Rebate information for charities” on page 14.

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 cra.gc.ca/mybusinessaccount or cra.gc.ca/representatives. For more information, go to 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 paid or payable on your eligible purchases and expenses by claiming a PSB rebate. You can complete two rebate applications for each 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 more information, see “Rebate information for charities” on page 14.

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

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

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

You **cannot register** for GST/HST purposes if you provide only exempt supplies.

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 25.
- You cannot claim ITCs to recover the GST/HST paid or payable on property and services you acquired.
- You can claim a 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.
- 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; and
- other revenue of any kind whatever during the year, including revenue from both taxable and exempt supplies.

Subtract 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 revenues, and those of your associates, from worldwide taxable supplies of property and services, including zero-rated supplies.

Do **not** include revenues from exempt supplies, sales of capital property, supplies of financial services, and goodwill from the sale of a business.

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” on the next page.

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 the 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 17) to recover the GST/HST paid or payable on property and services you acquired 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” on page 14.

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 cannot be claimed by either the head office or the branch or division to the extent that a property or service is acquired 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 GST/HST registrants. 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 cra.gc.ca/bro 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 Program Accounts*, and send it to your tax centre. The tax centres are listed at cra.gc.ca/taxcentre. 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 on the previous page.

Exempt supplies

Most property and services that charities supply are exempt from GST/HST. 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 generally **cannot claim input tax credits** for the GST/HST paid or payable on property and services you acquired to make your exempt supplies.

Note

Special rules apply if you are a designated municipality. For more information, see Guide RC4049, *GST/HST Information for Municipalities*.

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

- long-term rentals of residential accommodation (of one month or more);
- child care services, where the primary purpose is to provide care and supervision to children 14 years of age or under for periods of 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 rentals of residential accommodation (less than one month of occupancy);

Exception

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 26.

- 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;
- certain parking space and facility rentals (for example, halls for weddings); and

Exceptions

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 26.

Also, although the supply of a parking space at a public hospital is generally exempt where the supply is made by a charity or a public sector body (for example, a hospital authority) to persons such as patients, visitors, and individuals volunteering at the hospital, parking that is supplied to hospital staff and medical professionals is generally taxable. For more information, see GST/HST Notice 285, *Application of the GST/HST to Supplies of Parking by Charities and Public Sector Bodies*.

- 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 price charged is \$1 or less.

Admissions to a fund-raising dinner, ball, concert, show, or similar fund-raising event are exempt where you are permitted to issue a donation receipt for income tax purposes for part of the admission price, or could issue a donation receipt if the recipient of the supply were an individual. This exemption does not require a charity to issue a donation receipt.

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 to be a spectator of a performance, athletic, or competitive event are also exempt where 90% or more of the performers, athletes, or competitors are not paid, directly or indirectly, for their participation other than by government and municipal grants, and reasonable amounts as gifts, prizes, or compensation for travel or other incidental costs. The admissions will not be exempt if they are for events specifically advertised as featuring paid participants or for 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 goods (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 (if no other exemption applies).

Example

You buy new T-shirts with your logo in Nova Scotia for \$20 each plus \$3 HST. You sell them to customers in Nova Scotia throughout the year 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.

This exemption does not apply to:

- a supply of blood or blood derivatives; or
- a parking space if the supply of the space is made for consideration by way of lease or licence in the course of a business carried on by the charity.

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

Admissions to a fund-raising dinner, ball, concert, show, or similar fund-raising event are exempt where you are permitted to issue a donation receipt for income tax purposes for part of the admission price, or could issue a donation receipt if the recipient of the supply were an individual. This exemption does not require a charity to issue a donation receipt.

Example

You sell tickets to a fund-raising dinner for \$100 but \$75 of the ticket price qualifies for a charitable donation receipt 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 a particular property or service, the supply is a taxable supply. The following are examples of supplies of property and services that are generally taxable.

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 25.

Taxable supplies (other than zero-rated)

The following are examples of taxable, other than zero-rated, supplies (for the list of all applicable GST/HST rates, go to cra.gc.ca/gsthst and select “GST/HST rates” under “Tools”):

- supplies of certain personal property that you used in your commercial activities, or in the case of capital property, primarily in your commercial activities (such as the sale of a cash register used exclusively 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 22);
- 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 and certain amateur events). 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 page 11);
- restaurant operations;
- professional theatre subscriptions; and
- most services rendered to an individual for the purpose of enhancing or otherwise altering the individual’s physical appearance and not for medical or reconstructive purposes.

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) may be eligible to claim ITCs for the GST/HST paid or payable on property and services they acquired to provide zero-rated supplies. Special rules concerning ITCs apply to charities. For more information, see “Net tax calculation for charities” on page 17.

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);
- exports (most goods and services for which you charge and collect the GST/HST in Canada are zero-rated when exported);
- prescription drugs;
- supplies of blood and blood derivatives;
- certain medical devices (such as artificial limbs and hearing aids);
- the rental of farmland to a GST/HST registrant on a crop-share basis to the extent that the crop is zero-rated; and
- feminine hygiene products (as of July 1, 2015).

For more information, see GST/HST Memoranda Series, Chapter 4, *Zero-rated supplies*.

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

Generally, the 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, for supplies made after March 22, 2016, when you make a taxable (other than zero-rated) supply of property or a service in exchange for a donation and when you are permitted to issue a donation receipt for income tax purposes for part of the donation, or could issue a donation receipt if the recipient of the supply were an individual, only the fair market value of the property or services supplied by the charity will be subject to the GST/HST. This rule does not apply to exempt supplies made by a charity, such as certain supplies of admissions to a fund-raising event.

Note

Special transitional rules apply to supplies made after December 22, 2002, and on or before March 22, 2016, if a charity did not collect GST/HST on the full value of the donation.

If the fair market value of the property or service supplied by the charity is \$500 or more, the GST/HST applies to those supplies based on the fair market value of the property or service.

If the fair market value of the property or service supplied by the charity or public institution is less than \$500, the supply is deemed to have been made for no consideration and as a result no GST/HST applies.

For more information, call GST/HST Rulings at 1-800-959-8287.

Grants and subsidies

As a charity, you may receive grants, contributions, subsidies, forgivable loans and similar payments (often referred to as transfer payments). 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 specified 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*.

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 the sponsor is made primarily (more than 50%) for advertising on television or radio, or in a newspaper, magazine, or other publication issued periodically, the payment received is not payment for a sponsorship, but rather 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" below and "Input tax credits" on page 18.

Rebate information for charities

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 eligible purchases and expenses.

Rebate for public service bodies

As a charity, you may be eligible for a PSB rebate of 50% of the GST and 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*) and attach it to your rebate application.

For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

Rebate for charities that provide municipal services

As a charity that receives municipal designation for purposes of the 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 eligible purchases and expenses that relate to your designated activities for which you could not claim input tax credits, or any other rebate, refund, or remission.

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 cra.gc.ca/gsthst-netfile, or through cra.gc.ca/mybusinessaccount or 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 cra.gc.ca/mybusinessaccount or cra.gc.ca/representatives. If you file this rebate application electronically, you must also file any associated provincial schedule electronically.

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

If you are a charity resident in a participating province and you receive municipal designation for purposes of the PSB rebate, you may be eligible to claim a municipal rebate for some of the **provincial part** of the HST paid or payable on eligible purchases and expenses that relates to your designated activities for which you could not claim input tax credits, or any other rebate, refund, or remission. 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*) and attach it to your rebate application.

For more information, see Guide RC4049, *GST/HST Information for Municipalities*.

Rebate for exported property and services

You may be eligible to 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 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. Amounts included on this line cannot be included anywhere else in the calculation of your rebate on this form.

If you are a GST/HST registrant, 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 cra.gc.ca/gsthst-netfile, or through cra.gc.ca/mybusinessaccount or 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 cra.gc.ca/mybusinessaccount or cra.gc.ca/representatives.

If you file this rebate application electronically, you must also file any associated provincial schedule electronically.

Note

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

For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

Rebate for purchases of printed books

If you operate a public lending library, you may be eligible to claim a **100%** rebate of the GST and 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 and 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*, or go to cra.gc.ca/gsthst.

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. Amounts included on this line cannot be included anywhere else in the calculation of your rebate on this form.

If you are a GST/HST registrant, 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 cra.gc.ca/gsthst-netfile, or through cra.gc.ca/mybusinessaccount or 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 cra.gc.ca/mybusinessaccount or cra.gc.ca/representatives.

If you file this rebate application electronically, you must also file any associated provincial schedule electronically.

For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

Rebate for property or services removed from a participating province

When calculating your PSB rebate of the provincial part of the HST, deduct from the provincial part of the HST paid or payable any amount you claimed (or were entitled to claim) 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*.

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 cra.gc.ca/gsthst-netfile, or through cra.gc.ca/mybusinessaccount or 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 cra.gc.ca/mybusinessaccount or 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 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 cra.gc.ca/gsthst-netfile, or through cra.gc.ca/mybusinessaccount or 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 cra.gc.ca/orderforms.

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 for charities (see “Net tax calculation for charities” on this page). When you use this calculation, you generally remit 60% of the GST/HST you charge and claim ITCs only on certain items, where all the conditions for claiming ITCs are met (listed in Step 2 of “Net tax calculation for charities”). In addition, you can claim the PSB rebate of 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 commercial activities 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*.

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. For more information, see “Charities providing employment assistance to individuals with disabilities” on page 13.

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 cra.gc.ca/gsthst or see Guide RC4022.

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 cra.gc.ca/mybusinessaccount or 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** if you are filing your return electronically or on **line 103** if you are filing a paper 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 (for example, for price reductions and rebates for foreign conventions, for short-term accommodation in tour packages, and for artistic works produced for export) or of point-of-sale rebates for the provincial part of the HST that the charity gave in the reporting period (no amount should be included for any Ontario First Nations point-of-sale relief credited in the reporting period as the charity may claim this amount by filing Form GST189, *General Application for Rebate of GST/HST*, using code 23);
- 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 for charities.

Enter this total on **line 108** if you are filing your return electronically or on **line 106** if you are filing a paper GST/HST return.

Step 3 – Subtract your total in Step 2 (**total ITCs and adjustments**) from your total in Step 1 (**total GST/HST collected/collectible and adjustments**). 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 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	<u>\$3,500</u>
Total	<u>\$21,700</u>
GST paid on purchases and expenses (\$21,700 × 5%)	\$1,085

Net tax calculation for charities

Step 1

Enter \$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

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, where all the other conditions for claiming ITCs are met.

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

Step 3

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

$$\text{Net tax} \quad \$750 - \$560 = \$190$$

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” on page 14.

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 the previous page.

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 property and services you acquired for which you may be eligible to claim ITCs include:

- general operating expenses, such as office rent and utilities, to the extent that they are for use in your commercial activities (making taxable supplies for consideration);
- property and services you acquired which are 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 for 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” on page 14.

Most GST/HST registrants claim their ITCs for their acquisitions of property and services when they file their GST/HST returns for the reporting period in which they acquired the property and services. 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, 2016, to March 31, 2016, for which you can claim ITCs. Since the end of the reporting period is March 31, 2016, you can claim ITCs no later than April 30, 2020 (the due date of the return for the last reporting period that ends on or before March 31, 2020).

There are different rules for claiming ITCs for charities that are financial institutions. For more information, go to cra.gc.ca/gsthst.

Note

You generally cannot claim ITCs for the GST/HST paid or payable on property and services you acquired to 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 PSB rebate on property and services you acquired.

Charities using the net tax calculation for charities

For charities using the net tax calculation for charities, all amounts of GST/HST paid or payable on eligible purchases and expenses that are not included as ITCs in the net tax calculation for charities qualify for the PSB rebate (whether the GST/HST amounts relate to commercial activities or exempt activities). For more information, see Step 2 in “Net tax calculation for charities” on page 17.

Charities not using the net tax calculation for charities

General operating expenses

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

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.

You **may** claim an ITC equal to 100% of the GST/HST paid or payable by you for a particular operating expense (property or service) if all or substantially all (generally 90% or more) of your consumption or use of that property or service is (or is intended to be) in the course of your commercial activities (in other words, to make taxable supplies for consideration) and all the other ITC criteria are satisfied.

You generally **cannot** claim an ITC for any of the GST/HST paid or payable by you for a particular operating expense (property or service) if all or substantially all of your consumption or use of that property or service is (or is intended to be) otherwise than in the course of your commercial activities (for example, for consumption or use in making exempt supplies). However, you may be eligible to claim a PSB rebate.

If you acquire a particular operating expense for consumption or use partly (more than 10%) to make taxable supplies and partly (more than 10%) to make exempt supplies, you must apportion the GST/HST paid or payable on the property or service if you are claiming ITCs. You have to determine the extent (in other words, the percentage) that the property or service was acquired for use in your commercial activities, and you may be eligible to claim an ITC to that extent. You may be eligible to claim a PSB rebate of a portion of the remaining tax on eligible purchases and expenses.

The method you use to determine the extent that a particular property or service is acquired for use in your commercial activities (making taxable supplies for consideration) and for other purposes (such as 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 which makes both taxable supplies and exempt supplies. You pay \$2,000 per month plus \$100 GST for office rent. You use a fair and reasonable ITC allocation method to determine that 40% of the office is 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** if you are filing your return electronically or on **line 106** if you are filing a paper 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 be eligible to 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 be eligible to 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 may be eligible to 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 may be eligible to 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 generally cannot claim an ITC. However, the charity may be entitled to claim a PSB rebate of 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, where all the other conditions for claiming ITCs are met.

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 may be eligible to 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

The following basic tax content formula in its simplified form can be used by most registrants:

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

where:

- A is the GST/HST payable for your last acquisition of the property and for later improvements you made 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 for later 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 the GST/HST) for your last acquisition of the property and for later improvements you made to 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 generally 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 purchased the property, and to have paid the GST/HST equal to the basic tax content of the property at that time. This means that you may be eligible to 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 this 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 of 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 where all of the other conditions for claiming an ITC are met. 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:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$2,500 - \$1,250) \times \$40,000 / \$50,000 \\ &= \$1,000 \end{aligned}$$

Where all of the other conditions for claiming an ITC are met, you can claim an ITC of \$1,000 by including this amount in the total on **line 108** if you are filing your return electronically or on **line 106** if you are filing a paper 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 may be eligible to 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 and repurchased the property, and to have collected and paid the GST/HST equal to the basic tax content at the time of the change in use. You have to include the GST/HST you are considered to have collected in your net tax calculation for charities 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 this page.

Example

Your charity is a GST/HST registrant resident in Ontario. On January 1, 2015, 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, and all of the other conditions for claiming an ITC were met, 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:

$$\begin{aligned}\text{Basic tax content} &= (\text{A} - \text{B}) \times \text{C} \\ &= (\$6,500 - \$4,530) \times \$40,000 / \$50,000 \\ &= \$1,576\end{aligned}$$

Amount B is equal to \$4,530 because you would have been entitled to claim a PSB rebate of the HST you paid (50% of the federal part plus 82% of the provincial part since your charity is resident in Ontario) 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 of 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 \$1,576. When determining your net tax, include this amount on **line 105** if you are filing your return electronically or on **line 103** if you are filing a paper 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 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 the previous 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 26), 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 may not include a person who physically constructs housing unless that person has an interest (ownership or leasehold) in the property at the time of construction. It may also include a person who purchases new housing that is fully constructed.

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

The GST at 5% applies where tax on the sale of newly constructed or substantially renovated housing in British Columbia became payable **on or after April 1, 2013**.

In addition to the GST, the British Columbia transition tax may apply to certain sales of housing where the HST does not apply to the sale and where the construction or substantial renovation of the housing is 10% or more completed before April 2013.

Where both ownership and possession of the housing were transferred to the purchaser **on or after July 1, 2010**, and the tax on the sale became payable **before April 1, 2013**, the HST at 12% generally applied to a taxable sale by a builder of newly constructed or substantially renovated housing. However, the HST did not apply to a **grandparented** sale.

Sales of newly constructed or substantially renovated housing were 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 **after June 2010**. If the sale of the housing was grandparented, the builder was not required to collect the provincial part of the HST on the sale of the housing and the GST at 5% applied.

For more information about transitional rules for new housing, see:

- GST/HST Notice 276, *Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing*; and
- GST/HST Info Sheet GI-156, *Elimination of the Harmonized Sales Tax in British Columbia – British Columbia Transition Tax on New Housing*.

For more information about grandparented sales, see GST/HST Info Sheet GI-084, *Harmonized Sales Tax: Information for Builders of New Housing in British Columbia*.

New housing in New Brunswick

The HST at 13% applies to a taxable sale of new housing in New Brunswick where ownership **or** possession of the housing transfers to the purchaser **before July 1, 2016**. Generally, the HST at 15% applies to a taxable sale by a builder of newly constructed or substantially renovated housing in New Brunswick where both ownership and possession of the housing are transferred to the purchaser **on or after July 1, 2016**.

However, the HST at 13% applies to the taxable sale of a new or substantially renovated detached house, semi-detached house, rowhouse unit, residential condominium unit, duplex, mobile home, or floating home, where the written agreement of purchase and sale was entered into **before March 31, 2016**, and ownership and possession transfer to the purchaser **on or after July 1, 2016**. This grandparenting rule applies regardless of who the purchaser is (for example, whether the person is an individual or a corporation) and how the purchaser plans to use the housing (for example, as rental property, principal residence, or vacation property).

Owner-built houses, apartment buildings, and condominium complexes are not grandparented for purposes of the New Brunswick HST rate increase.

For more information, including information about grandparented self-supplies of housing, see:

- GST/HST Info Sheet GI-190, *New Brunswick and Newfoundland and Labrador HST Rate Increases: Sales and Rentals of New Housing*; and
- GST/HST Notice 298, *New Brunswick HST Rate Increase – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in New Brunswick*.

New housing in Newfoundland and Labrador

The HST at 13% applies to a taxable sale of new housing in Newfoundland and Labrador where ownership **or** possession of the housing transfers to the purchaser **before July 1, 2016**. Generally, the HST at 15% applies to a taxable sale by a builder of newly constructed or substantially renovated housing in Newfoundland and Labrador where both ownership and possession of the housing are transferred to the purchaser **on or after July 1, 2016**.

However, the HST at 13% applies to the taxable sale of a new or substantially renovated detached house, semi-detached house, rowhouse unit, residential condominium unit, duplex, mobile home, or floating home, where the written agreement of purchase and sale was entered into **before May 4, 2016**, and possession and ownership transfer to the purchaser **on or after July 1, 2016**. This grandparenting rule applies regardless of who the purchaser is (for example, whether the person is an individual or a corporation) and how the purchaser plans to use the housing (for example, as rental property, principal residence, or vacation property).

Owner-built houses, apartment buildings, and condominium complexes are not grandparented for purposes of the Newfoundland and Labrador HST rate increase.

For more information, including information about grandparented self-supplies of housing, see:

- GST/HST Info Sheet GI-190, *New Brunswick and Newfoundland and Labrador HST Rate Increases: Sales and Rentals of New Housing*; and
- GST/HST Notice 299, *Newfoundland and Labrador HST Rate Increase – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Newfoundland and Labrador*.

New housing in Nova Scotia

Generally, the HST at 15% applies to a taxable sale by a builder of newly constructed or substantially renovated housing in Nova Scotia where both ownership and possession of the housing transfer to the purchaser **on or after July 1, 2010**.

However, the HST at 13% applies to the taxable sale of a new or substantially renovated detached house, semi-detached house, rowhouse unit, residential condominium unit, duplex, mobile home, or floating home, where the written agreement of purchase and sale was entered into **before April 7, 2010**, and possession and ownership transfer to the purchaser after **on or after July 1, 2010**. This grandparenting rule applies regardless of who the purchaser is (for example, whether the person is an individual or a corporation) and how the purchaser plans to use the housing (for example, as rental property, principal residence, or vacation property).

Owner-built houses, apartment buildings, and condominium complexes are not grandparented for purposes of the Nova Scotia HST rate increase.

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

Generally, the HST at 13% applies to a taxable sale by a builder of newly constructed or substantially renovated housing in Ontario where, under the written agreement of purchase and sale, both ownership and possession of the housing transfer to the purchaser **on or after July 1, 2010**. However, the provincial part of HST does not apply to a grandparented sale.

Sales 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 **on or after July 1, 2010**. In the case of a detached house, semi-detached house or attached house, the purchaser must be an individual in order for the grandparenting rule to apply. In the case of residential condominiums, the grandparenting rule would apply whether or not the purchaser is an individual.

If the sale of the housing is grandparented, the builder is not required to collect the provincial part of the HST. The GST at 5% applies to taxable sales of grandparented housing. However, the builder may be considered to have collected a transitional tax adjustment and if so, will be required to include that amount in its net tax calculation for charities.

For more information, see:

- GST/HST Info Sheet GI-083, *Harmonized Sales Tax: Information for Builders of New Housing in Ontario*; and
- GST/HST Info Sheet GI-095, *Harmonized Sales Tax: Information on the Transitional Tax Adjustment for Builders in Ontario and British Columbia*.

New housing in Prince Edward Island

Generally, the HST at 15% applies to a builder's taxable sale of newly constructed or substantially renovated housing in Prince Edward Island where both ownership and possession of the housing are transferred to the purchaser **on or after October 1, 2016**, unless the sale of the housing is grandparented.

Specifically, where ownership and possession of housing transfer to the purchaser **on or after October 1, 2016**:

- the HST at the rate of 14% applies if the sale is grandparented for purposes of the increase to the rate of the HST from 14% to 15% (HST rate increase); or
- the GST at the rate of 5% applies (and the provincial part of the HST does not apply) if the sale is grandparented for purposes of:
 - the harmonization of the GST with the provincial sales tax (harmonization); or
 - both the HST rate increase and harmonization.

Note

Certain types of housing may be grandparented for purposes of the HST rate increase, but not for purposes of the harmonization, and vice versa.

Grandparented housing for purposes of the Prince Edward Island HST rate increase

Housing that is grandparented only for purposes of the HST rate increase is subject to the HST at the rate of 14%. This situation occurs where both ownership and possession of the housing transfer to the purchaser after **on or after October 1, 2016** under a written agreement of purchase and sale entered into:

- in the case of a detached house, semi-detached house, rowhouse unit, or residential condominium unit, after November 8, 2012, and before June 17, 2016; or
- in the case of a duplex, mobile home, or floating home, before June 17, 2016.

Owner-built houses, apartment buildings, and condominium complexes are not grandparented for purposes of the HST rate increase.

Grandparented housing for purposes of Prince Edward Island harmonization

Housing that is grandparented only for purposes of harmonization is subject to the GST at the rate of 5% and is not subject to the provincial part of the HST. This situation occurs in the case of a sale of a detached house, semi-detached house, rowhouse unit, residential condominium unit, or condominium complex that is sold under a written agreement of purchase and sale entered into **before November 9, 2012**, where both ownership and possession of the housing transfer under the agreement **after March 2013** and **before October 1, 2016**.

Owner-built houses, duplexes, apartment buildings, mobile homes, and floating homes are not grandparented for purposes of harmonization.

Grandparented housing for purposes of both the Prince Edward Island HST rate increase and Prince Edward Island harmonization

Housing that is grandparented for purposes of **both** the HST rate increase and harmonization is subject to the GST at the rate of 5% and is not subject to the provincial part of the HST.

This situation occurs in the case of a sale of a detached house, semi-detached house, rowhouse unit, residential condominium unit, or condominium complex that is sold under a written agreement of purchase and sale entered into **before November 9, 2012**, where both ownership and possession of the housing transfer under the agreement **on or after October 1, 2016**.

Owner-built houses, duplexes, apartment buildings, mobile homes, and floating homes are not grandparented in this situation.

For more information about sales of grandparented housing in Prince Edward Island, refer to:

- GST/HST Notice 302, *Prince Edward Island HST Rate Increase – Questions and Answers on Housing Rebates and Transitional Rules for Housing and Other Real Property Situated in Prince Edward Island*;
- GST/HST Info Sheet GI-194, *Prince Edward Island HST Rate Increase – Sales and Rentals of New Housing*;
- GST/HST Info Sheet GI-146, *Harmonized Sales Tax: Information for Builders of New Housing in Prince Edward Island*; and
- GST/HST Info Sheet GI-150, *Harmonized Sales Tax: Information on the Transitional Tax Adjustment for Builders of Housing in Prince Edward Island*.

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

If you make a taxable sale of real property, you generally have to charge and collect the tax on the sale, **even if you are not registered for the GST/HST**. However, in some cases it is the purchaser who has to remit the tax directly to us instead of paying it to you.

Generally, if you are a vendor, you **do not** collect the tax from the purchaser when you make a taxable sale of real property if:

- the purchaser is registered for the GST/HST. This rule does not apply if you make a taxable sale to an individual of housing or a cemetery plot or place of burial, entombment, or deposit of human remains or ashes;
- you are a non-resident of Canada. This rule still applies if you are considered a resident for only certain activities you carry on through a permanent establishment in Canada; or
- you and the purchaser have made a type 2 election on Form GST22, *Real Property – Election to Make Certain Sales Taxable*. For more information, see the election form.

Note

These rules only apply to taxable sales of real property. They do not apply, for example, if you lease real property or supply it in any other way.

If you do not have to collect the tax on your taxable sale of real property because one of these conditions applies, the purchaser has to pay any tax due on the purchase directly to us.

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, including a house, account for the tax as follows:

- If you are registered for the GST/HST, include the GST/HST collectible on your regular GST/HST return, for the reporting period during which the GST/HST became collectible (in your **line 105** calculation if you are filing electronically or on **line 103** if you are filing a paper GST/HST return).
- 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. To order a pre-printed Form GST62, go to cra.gc.ca/orderforms.

If the purchaser has to pay the tax directly to us

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

- if you are a **GST/HST registrant** and 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 positive amount of tax owing for that return; or
 - **50% or less** in your commercial activities, 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;
- if you are **not** a GST/HST 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.

Note

Form GST60 is available on our website at cra.gc.ca/gsthstpub. You cannot file Form GST60 electronically.

Input tax credits and real property

Acquisitions related to real property

If you are a GST/HST registrant **and you made the election not to use the net tax calculation for charities**, you may be entitled to claim ITCs for the GST/HST paid or payable on property and services you acquired that relate 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 19.

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 generally claim a full ITC. In this case, you cannot claim a PSB rebate.
- If you intend to use the property **50% or less** in your commercial activities, you generally 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 this 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 other purposes such as the making of exempt supplies, or some combination of the two.

Therefore, where the primary use rule applies, a charity may be eligible to 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 this 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 commercial 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 20.

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 collect the GST/HST on all taxable supplies of the real property by way of lease, licence, or similar arrangement. Both registrants and non-registrants would have to collect the GST/HST on taxable supplies of the real property by way of sale unless the purchaser is required to remit the tax directly to the CRA.

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 ITCs for GST/HST paid or payable for the property. For example, if you bought the property, you may be entitled to claim ITCs for the tax paid or payable on the purchase. For more information, see Form GST26.

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 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 for charities, you may also become entitled to claim ITCs for the GST/HST paid or payable on eligible property and services you acquired that relate 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 may be eligible to 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 elected not to use the net tax calculation for charities (most charities are not eligible to make this election) and you acquired real property by way of lease, licence or similar arrangement, you may be eligible to 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;
- 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 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 17.

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 for charities. 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 generally 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 for charities, you will also generally 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 21) of the property on the effective date of the election.

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

You may be 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 property and services you acquired that relate to the real property (such as utilities and maintenance) but **only if** you filed the election not to use the net tax calculation for charities. If you filed that election, the ITC you may be eligible to 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 of tax paid or 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 may be eligible to 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 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 for charities, 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 17.

Example

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

In 2013, you bought a building, including the land, in Manitoba for \$300,000 plus \$15,000 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 ($\$15,000 \times 50\% = \$7,500$).

You filed the election to treat the exempt leases as taxable using an effective date of July 2, 2016. This means that you are now using the property 30% in your commercial activities. The fair market value of the property on July 2, 2016 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, 2016, and to have collected the GST on the sale equal to the basic tax content of the property on July 2, 2016. You are also considered to have repurchased the property and to have paid the GST on that purchase on July 2, 2016.

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:

$$\begin{aligned} \text{Basic tax content} &= (A - B) \times C \\ &= (\$15,000 - \$7,500) \times \$310,000 / \$300,000 \\ &= (\$15,000 - \$7,500) \times 1 \text{ (the maximum)} \\ &= \$7,500 \end{aligned}$$

You report \$7,500 in your **line 105** calculation if you are filing your return electronically or on **line 103** if you are filing a paper GST/HST return, for the reporting period during which the election was made.

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:

$$\begin{aligned} \text{ITC} &= \$7,500 \times 30\% \text{ (use in commercial activities)} \\ &= \$2,250 \end{aligned}$$

In addition, since you are considered to have made a taxable sale of the property, you can claim an ITC for \$7,500 (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 where all of the other conditions for claiming an ITC are met.

Therefore, the total ITC you are entitled to claim as a result of making the election is \$9,750 ($\$2,250 + \$7,500$) where all of the other conditions for claiming an ITC are met.

Since you filed the election to **not** use the net tax calculation for charities, you may 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 of any of the tax you are considered to have paid on the repurchase of the property on July 2, 2016, 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 may be eligible to 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 and you filed the election not to use the net tax calculation method for charities, you may be eligible to 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 supplied the part of the property that you no longer use in your commercial activities and to have collected the GST/HST on that supply.

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 an amount in your **line 105** calculation if you are filing your return electronically or on **line 103** if you are filing a paper GST/HST return for the reporting period during which you decreased the use of the property in your commercial activities. The amount reported will depend on what method you use to calculate your net tax.

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 charities. 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 of 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 and received a taxable sale of the housing (a self-supply).

Old rule

The amount of GST/HST that you are considered to have collected and paid on the self-supply of the housing is equal to the **greater** of:

- A. the amount of the GST/HST calculated on the fair market value of the housing at the time of the self-supply; and
- B. the total amount of all of the GST/HST payable on the acquisition of the land, the construction of the building, and any other improvements to the property.

New rule

Under recent changes, the amount of GST/HST that you are considered to have collected and paid on the self-supply of the housing is equal to the **greater** of:

- A. the amount of the GST/HST calculated on the fair market value of the housing at the time of the self-supply; and
- B. the total amount of all of the GST/HST that would have been payable on the acquisition of the land, the construction of the building, and any other improvements to the property (collectively, the housing inputs) if the GST/HST rate that applied to those housing inputs had been the same GST/HST rate that applies to the self-supply of the housing.

This rule applies to self-supplies of subsidized housing that occur **on or after April 1, 2013**. However, if the construction or substantial renovation of the subsidized housing began **on or before April 8, 2014**, you can choose to continue to use the old rule that applied **before April 1, 2013**, whichever rule is more to your advantage.

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

Note

You may be entitled to claim a PSB rebate of 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 "Rebate for charities that provide municipal services" on page 14.

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

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 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 website.

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 that will be rented exclusively to seniors. Rental rates are not linked in any way to a tenant's income. On May 15, 2015, you paid \$840,000 (plus \$109,200 HST at 13%) on the purchase of land, and as a registrant you claimed an ITC for the HST paid since the land was acquired for use in the course of your commercial activities (in other words, the construction of the housing which leads to your taxable self-supply). In June 2015, you purchased construction materials in a non-participating province for \$1,008,000 (plus \$50,400 GST at 5%) and brought those materials into New Brunswick for use exclusively in the course of your commercial activities. As a result, you were not required to self-assess the provincial part of the New Brunswick HST on those materials, and you claimed an ITC for the GST paid. Construction of the housing began in July 2015, and throughout 2015 and 2016 you purchased additional construction materials and services in New Brunswick for \$2,352,000 (plus \$305,760 HST at 13%) and you claimed an ITC for the HST paid.

The construction of the housing was substantially completed on April 11, 2016, and you first gave possession of a unit in the housing on May 5, 2016, 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, 2016, since this is the later of the two dates.

The fair market value of the housing (including the related land) on May 5, 2016, was determined to be \$4,500,000. The amount of HST you are considered to have collected and paid on your self-supply is equal to \$585,000 which is the greater of:

- A. \$585,000 (in other words, \$4,500,000 fair market value \times 13%); and
- B. \$546,000 (in other words, the amount calculated for B).

For this property, you have to include the \$585,000 HST you are considered to have collected in your **line 105** calculation if you are filing your return electronically (or for **line 103** if you are filing a paper GST/HST return) for the reporting period in which you are considered to have made the taxable sale. You may be entitled to claim a 50% PSB rebate of the federal part of the HST you are considered to have collected ($\$585,000 \times 5/13$) at the time of the self-supply and a 50% PSB rebate of the provincial part of the HST ($\$585,000 \times 8/13$).

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 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 Ontario and you are not registered for the GST/HST. You receive government funding to construct multiple-unit long-term housing that will be rented exclusively to seniors. Rental rates are not linked in any way to a tenant's income. In June 2009 you paid \$1,480,000 (plus \$74,000 GST at 5%) on the purchase of land. You claimed a PSB rebate of 50% of the \$74,000 GST paid. On May 1, 2015, you began construction of the housing. Throughout 2015 and 2016 you purchased construction materials and services in Ontario for \$5,920,000 (plus \$769,600 HST at 13%). You claimed PSB rebates in respect of the \$769,600 HST payable in the relevant claim periods. The construction of the housing is substantially completed on June 29, 2016, but you first gave possession of a unit in the housing to an individual to live in on July 15, 2016. As the later of these two dates is July 15, 2016, you are considered to have made a self-supply, that is a taxable sale of, and a repurchase of the housing on that date.

The fair market value of the housing (including the related land) on July 15, 2016, was determined to be \$6,300,000. The amount of HST you are considered to have collected and paid on your self-supply is equal to \$843,600 which is the greater of:

- A. \$819,000 (in other words, \$6,300,000 fair market value \times 13%); and
- B. \$843,600 (in other words, the amount calculated for B).

You must include the \$843,600 HST 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 August 31, 2016 (the end of the month after the month in which you are considered to have made the taxable sale of the subsidized housing).

You may be entitled to claim a 50% PSB rebate of the federal part of the HST ($\$843,600 \times 5/13$) you are considered to have collected under the self-supply rules. Also, you may be entitled to claim either an 82% PSB rebate or a provincial NRRP rebate for the provincial part of the HST ($\$843,600 \times 8/13$) you are considered to have collected.

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 a portion of that tax (by claiming PSB rebates of 50% of the GST/federal part of the HST paid, and when eligible, 82% of the provincial part of the HST paid). Since you are considered to have made a taxable sale of the housing, you are now entitled to claim a general rebate (using reason code 7 on Form GST189) to recover the remaining tax that you were previously unable to recover by the way of the PSB rebates on the purchase of the land and the construction costs.

Handling business taxes online

Save time using the CRA's online services for businesses. You can:

- authorize a representative, an employee, or a group of employees, who has registered with Represent a Client, for online access to your business accounts;
- request or delete authorization online through Represent a Client, if you are a representative;
- register for online mail, get email notifications, and view your mail online;
- calculate a balance that includes interest calculated to a future date;
- authorize the withdrawal of a pre-determined amount from your bank account;
- transfer payments and immediately view updated balances;
- enrol for direct deposit, update banking information, and view direct deposit transactions;
- change addresses;
- view answers to common enquiries, and if needed, submit account related enquiries;
- submit documents; and
- do much more.

To register or log in to our online services, go to:

- cra.gc.ca/mybusinessaccount, if you are a business owner; or
- cra.gc.ca/representatives, if you are an authorized representative or employee.

For more information, go to cra.gc.ca/businessonline.

Receiving your CRA mail online

You, or your representative (authorized at a level 2), can choose to receive most of your CRA mail for your business online.

When you or your representative registers for online mail, an email notification will be sent to the email address(es) provided when there is new mail available to view in My Business Account. Correspondence available through online mail will no longer be printed and mailed. To register, select the "Manage online mail" service and follow the steps.

Using our online mail service is faster and easier than managing paper correspondence.

Authorizing the withdrawal of a pre-determined amount from your bank account

Pre-authorized debit (PAD) is an online, self-service, payment option. Through this option, you agree to authorize the CRA to withdraw a pre-determined amount from your bank account to pay tax on a specific date or dates. You can set up a PAD agreement using the CRA's secure My Business Account service at cra.gc.ca/mybusinessaccount. PADs are flexible and managed by you. You can view historical records, modify, cancel, or skip a payment. For more information, go to cra.gc.ca/payments and select "Pre-authorized debit."

For more information

What if you need help?

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

Direct deposit

Direct deposit is a fast, convenient, reliable, and secure way to get your CRA payments directly into your account at a financial institution in Canada. To enrol for direct deposit or to update your banking information, go to cra.gc.ca/directdeposit.

Forms and publications

To get our forms and publications, go to cra.gc.ca/gsthstpub.

Teletypewriter (TTY) users

If you have a hearing or speech impairment and use a TTY call 1-800-665-0354 during regular business hours.

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 cra.gc.ca/gsthstrulings or call 1-800-959-8287.

Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the Canada Revenue Agency (CRA); see the *Taxpayer Bill of Rights*.

If you are not satisfied with the service you received, try to resolve the matter with the CRA employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to cra.gc.ca/contact.

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee's supervisor.

If you are still not satisfied, you can file a service complaint by filling out Form RC193, *Service-Related Complaint*. For more information, go to cra.gc.ca/complaints.

If the CRA has not resolved your service-related complaint, you can submit a complaint with the Office of the Taxpayers' Ombudsman.

Tax information videos

We have a tax information video series for new small businesses that provides an introduction to topics such as registering a business, GST/HST, and payroll. To watch our videos, go to cra.gc.ca/videogallery.