



Canada Revenue
Agency

Agence du revenu
du Canada

GST/HST Information for Non-Profit Organizations

Is this guide for you?

This guide explains how the goods and services tax/harmonized sales tax (GST/HST) applies to non-profit organizations. It explains registration requirements, exemptions, rebates, and simplified methods of accounting that may apply to your organization.

If you are registered for the GST/HST, 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 www.revenuquebec.ca, or call 1-800-567-4692. If you are an SLFI, go to www.cra.gc.ca/slfi.

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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 généraux sur la TPS/TVH pour les inscrits*.

Table of contents

	Page		Page
Definitions	4	Input tax credits	11
What is the GST/HST?	5	General operating and overhead expenses	12
Who pays the GST/HST?	6	Capital property	13
How does the GST/HST work?	6	Simplified method for claiming ITCs	15
Should you register?	6	Public service bodies' rebate	15
Small supplier	6	Eligible purchases and expenses	16
Branches and divisions	7	Non-eligible purchases and expenses	16
Members of unincorporated organizations	7	Rebate for the provincial part of the HST	17
Taxable supplies	8	How to apply for the rebate	17
Taxable supplies (other than zero-rated)	8	Simplified method for claiming the rebate	18
Zero-rated supplies	8	Rebate for printed books	18
Exempt supplies	8	Property or services removed from a participating province	18
Exemptions for non-profit organizations	8	Simplified accounting methods	19
Admissions	9	Special quick method of accounting for qualifying non-profit organizations	19
Free supplies	9	Quick method of accounting for other non-profit organizations	20
Fund-raising activities	9	Real property	21
Gambling events	9	Taxable sales and leases	21
Direct cost exemption	9	Sales of new housing	21
Memberships	10	ITCs for real property	24
Memberships in a professional organization	10	Subsidized housing and self-supply	24
Memberships in a registered party	10	How do you remit the tax on the self-supply?	25
Public libraries	10	Are you a non-registrant?	25
Recreational programs	10	Election for real property of a public service body	26
Relief of poverty, suffering, or distress	10	Online services	29
Donations, grants, subsidies, and sponsorships	11	GST/HST electronic filing and remitting	29
Donations and gifts	11	Handling business taxes online	29
Grants and subsidies	11	Electronic payments	29
Sponsorships	11	For more information	30

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 14.

Calendar quarter – means a period of three months beginning on the first day of January, April, July, or October in each calendar year.

Capital property – generally means:

- any depreciable property that is eligible or would be eligible for a capital cost allowance deduction for income tax purposes; and
- any property, other than depreciable property, which, if you disposed of it, would result in a capital gain or capital loss for income tax purposes.

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.

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

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

External supplier – means a charity, a public institution or a qualifying non-profit organization (other than a hospital authority or a facility operator), that makes ancillary supplies, facility supplies, or home medical supplies.

Facility operator – means a charity, a public institution, or a qualifying non-profit organization (other than a hospital authority), that operates a qualifying facility.

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 property. For sales of real property, fair market value does not include any provincial land transfer taxes payable on the sale.

Fiscal year – means the tax year of the person, or where a person has elected to change their fiscal year, the period that the person elected to be their fiscal year.

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.

Non-profit organization – means a person (other than an individual, estate, trust, charity, public institution, municipality, or government) that meets the following conditions:

- It is organized and operated solely for non-profit purposes.
- It does not distribute or make available any of its income for the personal benefit of any proprietor, member, or shareholder, unless the proprietor, member, or shareholder is a club, a society, or an association that has, as its primary purpose and function, the promotion of amateur athletics in Canada.

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.

Prescribed government organization – refers to a prescribed entity that is a crown agent (for example, a Crown corporation) that is organized and operated solely for non-profit purposes and does not distribute or make available any of its income for the personal benefit of any proprietor, member, or shareholder.

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

Qualifying non-profit organization – means a non-profit organization or prescribed government organization whose percentage of government funding is at least 40% of its total revenue.

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.

Registered party – includes a political party, local party association, candidate, or referendum committee.

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;
- 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, and disposition.

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

Zero-rated supplies – are supplies of property and services that are taxable at the rate of 0%. This means there is no GST/HST charged on these supplies, but GST/HST registrants may be eligible to claim ITCs for the GST/HST paid or payable on purchases and expenses made to provide them.

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 www.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 Guide RC4022.

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. For more information, see Guide RC4022.

Note

We recognize that many First Nations people in Canada prefer not to describe themselves as Indians. However, we use the term Indian because it has a legal meaning in the *Indian Act*.

How does the GST/HST work?

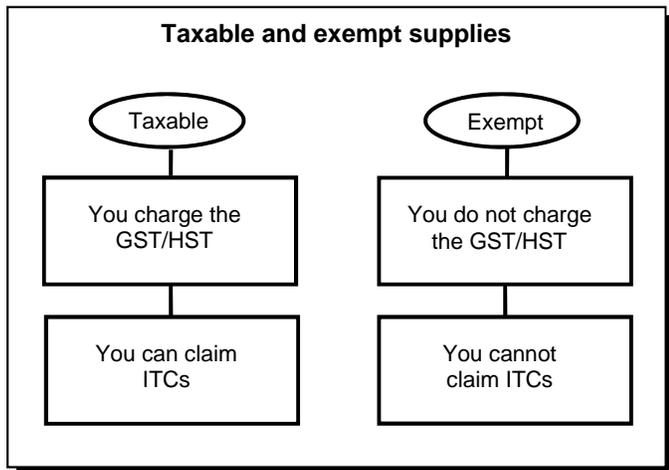
If you are a GST/HST registrant, you generally have to charge and collect the GST/HST on taxable supplies (other than zero-rated supplies) you make in Canada and file regular GST/HST returns to report that tax.

Exception

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 the tax directly to us. For more information, see “Real property” on page 21 and Guide RC4022.

You can generally claim an ITC on your GST/HST return to recover the GST/HST paid or payable on purchases and expenses to the extent you consume, use, or supply them in your commercial activities (see definition for “Commercial activity” on page 4).

For the consumer, there is no difference between zero-rated and exempt supplies of property and services because tax is not collected in either case. However, the difference for you, as the registrant, is that although you do not collect the GST/HST on zero-rated or exempt supplies of property and services, you can only claim ITCs for the GST/HST paid or payable on purchases used to make zero-rated supplies of property and services.



When you complete your GST/HST return, deduct your ITCs from the GST/HST you charged your customers. The result is your net tax.

If the total amount of tax you charged is more than the amount of your ITCs, send us the difference. If the total amount of tax you charged is less than the amount of your ITCs, you can claim a refund. For more information on ITCs, see “Input tax credits” on page 11.

If you qualify to claim a rebate (such as the public service bodies’ rebate or the rebate on printed books), deduct that amount from your net tax to reduce your net tax or to increase your refund. For more information, see “Public service bodies’ rebate” on page 15.

Should you register?

You have to register for the GST/HST if:

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

You do **not** have to register if:

- you are a small supplier (that does not carry on a taxi or limousine business);
- your only commercial activity is the sale of real property, other than in the course of a business. Although you do not have to register for the GST/HST in this case, your sale of real property may still be taxable and you may have to charge and collect the tax. For more information, see Guide RC4022; or
- you are a non-resident who does not carry on business in Canada. For more information, see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*.

If your organization is registered for the GST, it is also registered for the HST. For more information, see Guide RC4022.

Small supplier

If you are a small supplier and decide not to register for the GST/HST, you do not charge the GST/HST to your customers and you cannot claim ITCs to recover the tax paid or payable on your purchases and operating expenses. However, if you are a qualifying non-profit organization, you may still be entitled to claim a public services bodies’ rebate, even if you decide not to register for the GST/HST.

A non-profit organization is a small supplier if the total amount of all revenues (before expenses) from the worldwide taxable supplies of all of the organization’s activities and those of its associates, is \$50,000 or less in any single calendar quarter and in the last four consecutive calendar quarters.

In determining the total amount of revenues from taxable supplies (including zero-rated supplies) of property and services made inside and outside Canada by you and your associates, do not include revenues from supplies of financial services, sales of capital property, and goodwill from the sale of a business.

Note

You are no longer a small supplier and you must register for the GST/HST if your total revenues from taxable supplies, including those of your associates, are over \$50,000 in a single calendar quarter or over four consecutive calendar quarters.

Determining the effective date of registration for small suppliers

The effective date of your GST/HST registration depends on when you go over the small supplier threshold amount of \$50,000. If your revenues are over the threshold amount in one calendar quarter, you are considered a registrant and must collect the GST/HST on the supply that made you go over the threshold amount. Your effective date of registration is the day of the supply that made you go over the threshold amount. You have 29 days from this day to register for the GST/HST.

If you are under the threshold amount in one calendar quarter, but you are over the threshold during four (or fewer) consecutive calendar quarters, you are considered to be a small supplier for those calendar quarters and a month following those quarters. Your effective date of registration would be the day the first supply was made after you cease being a small supplier. You have 29 days from this day to register for the GST/HST.

Voluntary registration

If you are a small supplier and you are engaged in a commercial activity in Canada, you can **choose** to register voluntarily. If you register voluntarily, your effective date of registration is usually the date you applied to be registered. However, we 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, and you can generally claim ITCs for the GST/HST paid or payable on purchases related to these supplies.

You have to stay registered for at least one year before you can ask to cancel your registration.

If you choose not to register, you do not charge the GST/HST (other than on certain taxable supplies of real property), and you cannot claim ITCs.

Branches and divisions

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

However, if you have branches or divisions, you can 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, 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 the GST/HST on its taxable supplies (except for taxable sales of real property) and it cannot claim ITCs for its purchases.

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;
- separate records, books of account, and accounting systems are kept for the branch or division; and
- you have not revoked an earlier designation of the branch or division within the previous 365-day period.

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.

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

Members of unincorporated organizations

Generally, when one unincorporated organization (such as a club or association) is a member of an unincorporated main organization, but is a separate entity, the organizations have to charge the GST/HST on taxable transactions between them, if they are registered for the GST/HST. However, such organizations can apply jointly to have the member organization considered a branch of the main organization. To do so, the main organization has to send us a completed Form GST32, *Application to Deem One Unincorporated Organization to Be a Branch of Another Unincorporated Organization*. If the application is approved, the GST/HST will not apply to transfers of property 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, the GST/HST will not apply to taxable transactions between the two member organizations if both applications are approved.

Taxable supplies

Most property and services supplied in or imported into Canada are subject to the GST/HST.

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 www.cra.gc.ca/gsthst and select “GST/HST rates” under “Tools”):

- registration for conferences, educational seminars, and trade shows;
- theatre subscriptions;
- books and subscriptions to magazines and newsletters;
- mailing list sales;
- advertising services;
- restaurant meals;
- short-term rental accommodation (of less than one month);
- banquet facilities; and
- club memberships, where the main purpose of the club is to provide recreational, dining, or sporting facilities to its members.

Note

Special rules apply for determining which GST/HST rate applies to the sale of new housing. For more information, see “Sales of new housing” on page 21.

Zero-rated supplies

Some supplies are zero-rated under the GST/HST – that is, GST/HST applies at a rate of 0%. This means that you do not charge GST/HST on these supplies, but you may be eligible to claim ITCs for the GST/HST paid or payable on purchases made and expenses incurred to provide these supplies. The following are examples of supplies taxable at 0% (zero-rated):

- prescription drugs and drug-dispensing fees;
- certain medical devices such as eyeglasses, canes, and wheelchairs;
- most basic groceries such as milk, bread, and vegetables;
- most agricultural and fishery products; and
- exports (most property and services for which you charge and collect the GST/HST in Canada are zero-rated when exported).

A Notice of Ways and Means Motion concerning GST/HST on feminine hygiene products tabled in Parliament on May 28, 2015 proposes to zero-rate certain feminine hygiene products supplied on or after July 1, 2015.

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

Exempt supplies

Some supplies are exempt from the GST/HST – that is, no GST/HST applies to them. This means that you do not charge the GST/HST on these supplies of property and services, and you are not entitled to claim ITCs on purchases made and expenses incurred to provide these supplies. Generally, you cannot register for the GST/HST if your business provides only exempt supplies; one exception is if you are a listed financial institution resident in Canada.

Although you cannot claim an ITC for the GST/HST paid or payable on purchases that relate to the supplies of such property and services, certain qualifying non-profit organizations can claim a rebate for part of the GST/HST paid or payable on expenses for which they cannot claim ITCs. For more information, see “Public service bodies’ rebate” on page 15.

The following are examples of exempt supplies:

- many educational services such as:
 - courses supplied by a vocational school leading to a certificate or a diploma that certifies the ability of individuals to practice or perform a trade or a vocation; or
 - tutoring services made to an individual in a course that follows a curriculum designated by a school authority;
- music lessons;
- most health, medical, and dental services performed by licensed physicians or dentists for medical reasons;
- most services provided by financial institutions such as lending money or operating deposit accounts;
- 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 a day;
- long-term rentals of residential accommodation (of one month or more) and residential condominium fees;
- residential rental accommodation if the charge is \$20 or less per day of occupancy; and
- certain property and services provided by governments, non-profit organizations, municipalities, and other public service bodies including municipal transit services and standard residential services such as water distribution.

For more information, see “Exemptions for non-profit organizations” below.

Exemptions for non-profit organizations

The GST/HST applies to most property and services that non-profit organizations supply. However, certain supplies may be **exempt** when they are made under specific conditions. This section explains the exemptions that apply to non-profit organizations.

Admissions

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

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.

Free supplies

Supplies of property and services are exempt when all or substantially all (90% or more) are provided free of charge. This exemption does not apply to supplies of blood or blood derivatives that are zero-rated or to a supply of commercial parking where there is a charge for the parking even if a significant amount of parking is free of charge.

Fund-raising activities

Sales of goods (except alcoholic beverages and tobacco products) are exempt when all the following conditions are met:

- You are not in the business of selling those goods.
- All the salespersons are volunteers.
- The sale price of each item is \$5 or less.
- The goods are not sold at an event where similar goods are sold by persons in the business of selling such goods.

Example

To raise funds for their activities, players of a minor hockey league organization sell chocolate bars door-to-door for \$2. This is an exempt fund raising activity.

Gambling events

Admission fees

Admissions to gambling events are exempt if you meet both of the following conditions:

- Volunteers run the event and take the bets.
- For bingo or casino events, the games are 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.

Right to play

No GST/HST applies to revenues you receive from sales of lottery, break-open, and raffle tickets. However, sales of lottery tickets for a provincial or interprovincial lottery corporation are taxable. The GST/HST is included in the price of these lottery tickets. Lottery corporations will tell you how to treat the proceeds from these lottery tickets.

If you operate your own bingo games and casino nights, the fees you charge for the sale of bingo cards or on bets taken during the event are exempt. You are the operator if you have the provincial licence to run the event.

However, if the operator of a commercial bingo hall runs the event for you, the admission fee is taxable.

Example

You have a licence to operate a bingo in the basement of a church to raise funds for your activities. You sell bingo cards and charge an admission fee. The bingo is run by volunteers. The admission is exempt since the event is not run in a place used primarily for gambling activities. The sale of the bingo cards is also exempt since you have the licence to operate the event.

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 tangible personal property (other than capital property) and services that are bought for resale.

Direct cost includes the following amounts:

- the amount you paid when you bought the property or service;
- the amount you paid for an article or material (other than capital property) directly used to manufacture, produce, process, or package the good; and
- the GST/HST, Quebec sales tax (QST), and non-recoverable provincial taxes, duties, and fees you paid when you bought the property or services.

Direct cost does not include administrative or overhead expenses or employees' salaries that you incur to provide the property or services.

If you want to recover only your direct cost, you can choose to make your sales either 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 a T-shirt for \$10 plus \$0.50 GST. Your direct cost is \$10.50. The sale of the T-shirt is exempt if the price you sell it for is not more than \$10.50 and you do not charge the GST to your customer.

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

Example

You buy a T-shirt for \$10 plus \$0.50 GST and sell it to your customer for \$10 plus \$0.50 GST. Since you charged an amount equal to your direct cost not including the GST and charged the GST separately, the sale of the T-shirts is taxable.

The sale of the T-shirt would be exempt if you sold it for less than \$10 even if you charged the GST/HST to your customer. In this case, you would have collected the tax in error.

Memberships

Memberships sold by non-profit organizations can be exempt or taxable depending on the type of benefits the members are entitled to. If the memberships sold by non-profit organizations allow for the following benefits but nothing more, the memberships are exempt:

- an indirect benefit that is intended to accrue to all members collectively;
- the right to receive services in the nature of investigating, conciliating, or settling complaints or disputes involving members;
- the right to vote or participate in meetings;
- the right to receive or acquire property and services for an additional fee equal to the fair market value;
- the right to receive a discount for property or services sold by the organization when the total value of all the discounts is insignificant (less than 30%) in relation to the membership fee. For example, a \$100 membership fee provides members with a \$5 discount for each of 10 admissions to the theatre (\$50 discount). This membership would be taxable since the total value of the discounts is significant (30% or more) in relation to the membership fee whether or not the discounts are used; or
- the right to receive periodic newsletters, reports, or other publications if:
 - the value of the newsletters, reports, and publications is insignificant (less than 30%) in relation to the membership fee; or
 - the newsletters, reports, and publications provide information on the organization's activities or financial status except if their value is significant in relation to the membership fee and a fee is ordinarily charged to non-members.

Memberships in a club are **taxable** if the main purpose of the club is to provide dining, recreational, or sporting facilities to its members such as a membership in a golf club.

If your membership fees are exempt, you can choose to have them treated as taxable. This choice may allow you to claim ITCs for tax paid or payable on expenses related to the memberships. If your members are registered for the GST/HST and are using their memberships in their commercial activities, they also may be eligible to claim ITCs for the GST/HST they pay on their memberships.

To have exempt memberships treated as taxable, you have to complete Form GST23, *Election and Revocation of the Election by a Public Sector Body (Other than a Charity) to Have its Exempt Memberships Treated as Taxable Supplies*. You do not have to send us the form. However, you have to keep it with your books and records in case we ask to see it.

Memberships in a professional organization

Memberships sold by a professional organization are exempt if any membership in the organization is required by law to maintain a professional status, such as a provincial law society membership. However, you can choose to have your memberships treated as taxable by completing Form GST24, *Election and Revocation of the Election to Tax Professional Memberships*. You do not have to return this form to us. Instead, keep the completed form with your records in case we ask to see it.

Memberships in a registered party

Memberships in a registered party are always exempt. No election is available to make them taxable.

Public libraries

Library cards issued by public lending libraries are exempt.

Recreational programs

Membership fees and services for recreational programs established and operated by non-profit organizations are exempt if they consist of supervised instructional classes or activities involving athletics, outdoor recreation, music, dance, crafts, arts, hobbies, or other recreational pursuits in the following circumstances:

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

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

Supplies of prepared meals provided in an individual's home through programs designed for seniors, underprivileged individuals, or individuals with a disability, such as meals-on-wheels programs, are exempt. In addition, sales of food and beverages by any person to a non-profit organization operating such a program are also exempt.

Donations, grants, subsidies, and sponsorships

Donations and gifts

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

Grants and subsidies

As a non-profit organization, you may receive grants, contributions, subsidies, and similar payments (often referred to as transfer payments). Usually, when transfer payments are made in the public interest, or for non-profit purposes, we do not regard them as payment for a supply. Therefore, the payment would not be subject to the GST/HST.

However, if there is a direct link between a payment you receive and a supply you provide to either the grantor of the transfer payment or a specified third party, the transfer payment may be regarded as payment for a supply. If this is the case, and the supply is taxable, the transfer payment may be subject to the GST/HST.

The tax treatment of transfer payments may be complex and will be determined on a case-by-case basis. For more information, see GST/HST Technical Information Bulletin B-067, *Goods and Services Tax Treatment of Grants and Subsidies*.

Sponsorships

Non-profit organizations often receive sponsorships from businesses to fund their activities. In return, the non-profit organization may provide promotional services to the sponsor or may allow the sponsor the right to use its logo, trade name, or any similar intellectual property.

Example 1

A corporation agrees to sponsor your non-profit soccer team. In return, you agree to advertise the corporation's trade name on the team's uniform or you run a sporting event and publish an acknowledgement of the sponsor in the event's program.

The payments from the corporation are not considered payment for a good or service; therefore, they are not subject to the GST/HST.

Example 2

You receive funding in return for allowing a corporation the right to use your organization's logo. The corporation uses your logo in its advertising campaign. The payments from the corporation are not considered payment for a good or service; therefore, they 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. Therefore, the payment is subject to the GST/HST.

Receiving donations, grants, subsidies, and sponsorships does not affect your non-profit organization's entitlement to the GST/HST rebates or ITCs. For more information, see "Public service bodies' rebate" on page 15.

Input tax credits

As a non-profit organization that is a GST/HST registrant, you recover the GST/HST paid or payable on the purchases and expenses related to your commercial activities by claiming an ITC. **You cannot claim ITCs for the GST/HST paid or payable on property and services you resell, use, or consume in the course of your exempt activities.**

Examples of property and services acquired for use in your commercial activities for which you may be able to claim ITCs include the following:

- property you purchase or import for resale or export;
- property you purchase or import to incorporate into property for sale or export;
- services acquired for resupply to others;
- services acquired for consumption, use, or supply in producing goods for resale or export;
- capital property such as vehicles and real property used primarily in commercial activities;
- general operating expenses such as office rent, office supplies, advertising, and utilities to the extent they are for use in commercial activities; and
- equipment rentals of computers, vehicles, and photocopiers to the extent they are for use in commercial activities.

There are some purchases and expenses for which you **cannot** claim an ITC, such as:

- certain capital property (for more information, see "Capital property" on page 13);
- taxable supplies of property and services bought or imported to provide exempt supplies of property and services;
- membership fees or dues to any club whose main purpose is to provide recreation, dining, or sporting facilities (including fitness clubs, golf clubs, and hunting and fishing clubs), unless you acquire the memberships to resell in the course of your business; and

- property or services you bought or imported for your personal consumption, use, or enjoyment.

Some non-profit organizations can claim a rebate to recover part of the GST/HST paid or payable on expenses for which they cannot claim ITCs. For more information, see “Public service bodies’ rebate” on page 15.

There are special rules for non-profit organizations that are financial institutions.

When you acquire property or services partly for use in making taxable supplies for consideration, and partly for use in making exempt supplies, you must apportion the GST/HST accordingly in calculating your ITC claim. Also, there are special rules for supplies made for no or nominal consideration.

Most registrants claim their ITCs when they file their GST/HST return for the reporting period in which they made their purchases. However, you can generally claim your ITCs on any future return filed by the due date of the return for your last reporting period that ends within four years after the end of the reporting period in which the ITC could have first been claimed.

Example

You are a quarterly filer and you buy office furniture in the reporting period January 1, 2015, to March 31, 2015, for which you can claim an ITC. The due date of the return for this reporting period is April 30, 2015. You can claim your ITCs for the office furniture on any future return filed by April 30, 2019.

The time limit for claiming ITCs for a reporting period is reduced from four to two years for non-profit organizations with revenues from annual taxable supplies of property and services of more than \$6 million for each of the two preceding fiscal years.

However, the two-year time limit does not apply to non-profit organizations whose supplies of property and services (other than financial services) during either of the two preceding fiscal years are at least 90% taxable supplies. These non-profit organizations would have four years to claim their ITCs.

Under the two-year limit, you can claim your ITCs on any future return that is filed by the due date of the return for the last reporting period that ends within two years after the end of your fiscal year that includes the reporting period in which the ITC could have first been claimed.

Example

You are a monthly filer with a fiscal year end of December 31. You buy goods in the reporting period March 1, 2015, to March 31, 2015, for which you can claim an ITC. The fiscal year that includes the March 2015 return ends on December 31, 2015. Therefore, you can claim the ITC on the goods you purchased on any subsequent return for a reporting period that ends no later than December 31, 2017, and is filed by January 31, 2018.

General operating and overhead expenses

General operating and overhead expenses are expenses you have in the day-to-day operation of your business. These expenses include management, administration, utilities, and other support functions of your non-profit organization, commercial leases, equipment rentals, 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 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).

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 property or service. 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 public service bodies’ rebate (PSB rebate) for a portion of the remaining tax on eligible purchases and expenses.

Example

You own a two-story building in Manitoba and operate a retail store on the first floor (a commercial activity) and use the upper floor in your exempt activity. Your utility bill for the entire building is \$200 a month plus the GST. If you determine that 60% of the utility bill is for the store and 40% is for the upper floor, you may be eligible to claim an ITC for 60% of the GST you paid on your utility bill and you may be able to claim a PSB rebate for part of the balance if you are a qualifying non-profit organization.

The method you use to determine the percentage that an operating expense is for use in your commercial activities has to be fair and reasonable and be used consistently throughout the year. For example, a method commonly used to allocate office rent is the number of square metres of space used in commercial activities relative to the total space of the building.

Example

The mandate of your non-profit organization is to promote the arts in your local community in Nova Scotia. You develop a program consisting of supervised instructional classes in which children (14 years of age and under) learn water paint and oil paint techniques. You also sell arts and crafts. The same facility is used for both activities. Although you are a small supplier, you decided to register for the GST/HST.

Your revenues and expenses are as follows:

Revenues	Amounts	HST
Sale of arts and crafts (commercial activity)	\$ 30,000	\$ 4,500
Art lessons to children (exempt activity)	\$ 10,000	0
Total	\$ 40,000	\$ 4,500
Expenses		
Supplies for art lessons	\$ 1,000	\$ 150
Merchandise for resale	\$ 20,000	\$ 3,000
Utilities	\$ 1,500	\$ 225
Office supplies	\$ 500	\$ 75
Rent	\$ 7,000	\$ 1,050
Total	\$ 30,000	\$ 4,500

The supplies you bought for your art lessons should be attributed exclusively to your exempt activity. No ITCs can be claimed for those expenses.

The merchandise you bought for resale should be attributed exclusively to your commercial activity. The full amount of the HST for those expenses can generally be claimed as an ITC.

The other expenses (utilities, office supplies, and rent) cannot be attributed to any particular activity. You have to apportion them using a fair and reasonable ITC allocation method.

For example, if you determine, using a fair and reasonable ITC allocation method, that 75% of these expenses are for use in your commercial activity, you can generally claim 75% of the HST paid or payable on them as an ITC.

Your ITCs are calculated as follows:

Utilities	\$ 225	×	75% =	\$ 168.75
Office supplies	\$ 75	×	75% =	\$ 56.25
Rent	\$ 1,050	×	75% =	\$ 787.50
Merchandise for resale	\$ 3,000	×	100% =	\$3,000.00
Total ITCs claimed				\$4,012.50

You may be able to claim a PSB rebate for the GST/HST paid or payable on the expenses that you could not claim as ITCs. See "Public service bodies' rebate" on page 15.

Capital property

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

- any depreciable property (that is property that is eligible or would be eligible for a capital cost allowance for income tax purposes); and
- any 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. Computers, photocopiers, office furniture, cash registers, equipment, and machinery are examples of capital personal property. Land and buildings are examples of capital real property.

For non-profit organizations and other public service bodies that are not financial institutions, the following rule (known as the primary use rule) applies for both types of capital property:

- If the commercial use is more than 50%, you can claim a full ITC.
- If the commercial use is 50% or less, you cannot claim an ITC. However, you may be able to claim a PSB rebate for the GST/HST paid or payable on the acquisition of the property. See "Public service bodies' rebate" on page 15.

Example

You bought a computer for \$2,000 plus the 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 the GST paid as an ITC.

Exception

You may elect to have certain exempt supplies of real property treated as taxable. If you file this election for real property, do not use the primary use rule when claiming ITCs for that property. Instead, calculate ITCs in the same way as you calculate ITCs for general operating and overhead expenses, as explained on page 12. For more information, see "Election for real property of a public service body" on page 26.

Change-in-use rule

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

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

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

Exception

If you filed an election to treat your exempt supplies of certain real property as taxable, different change-in-use rules apply. For more information, see “Election for real property of a public service body” on page 26.

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 for 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 non-profit organization that has been determined or designated to be a municipality.

Changing the use to more than 50% in commercial activities

When you buy capital personal property for use 50% or less in your commercial activities, you cannot claim ITCs to recover the GST/HST paid or payable. However, if you later change the use of the property to more than 50% in your commercial activities, we consider you to have purchased the property and paid the GST/HST at that time. This means that you can claim an ITC, equal to the basic tax content of the property at the time of the change in use, by including this amount in your **line 108** calculation if you are filing electronically or on **line 106** if you are filing a paper GST/HST return.

Note

If you later change the use again and begin to use the property 50% or less in your commercial activities, you may have to pay all or part of the GST/HST that you claimed, or were entitled to claim, as an ITC. For more information, see “Changing the use to 50% or less in commercial activities” below.

Example

You are a qualifying non-profit organization in Alberta. On January 2, 2015, you bought a computer for use 60% in your exempt activities and 40% in your commercial activities. At that time, you could not claim an ITC since you were not using it more than 50% in commercial activities, but you claimed a PSB rebate for 50% of the GST paid.

Cost of the computer:	\$2,000
GST paid:	\$100
Rebate claimed:	\$50

At the end of the year, you change the use of the computer to 60% in commercial activities. As you are now using the computer more than 50% in commercial activities, you can claim an ITC to recover part of the GST you paid in 2015, based on the basic tax content.

The fair market value of the computer is \$1,000 at the time of the change in use. You calculate the basic tax content of the computer as follows:

$$\begin{aligned}
 \text{Basic tax content} &= (A - B) \times C \\
 &= (\$100 - \$50) \times \frac{\$1,000}{\$2,000} \\
 &= \$25
 \end{aligned}$$

You can claim an ITC of \$25 by including this amount on **line 106** of your GST/HST return or by including it in the **line 108** calculation if you are filing electronically.

Changing the use to 50% or less in commercial activities

When you buy capital personal property for use more than 50% in your commercial activities, you can claim an ITC to recover the GST/HST you paid, or that was payable, on your purchase. However, if you change the use of the property from more than 50% in your commercial activities to 50% or less in your commercial activities, you are considered to have sold the property and to have collected the GST/HST on that later sale.

You have to include the GST/HST you are considered to have collected in your net tax calculation for the reporting period in which the change in use occurred.

Note

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

If you later change the use again and begin to use the property more than 50% in your 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

In 2015, you bought a building in Manitoba for use 60% in your commercial activities. The election for real property of a public service body is not in effect for the property. Since you were using the building more than 50% in commercial activities, you were entitled to, and you claimed, a full ITC for the tax you paid on your purchase of the building.

Cost of the building:	\$300,000
GST paid:	\$15,000
ITC claimed:	\$15,000
Rebate claimed:	\$0

Had you not been entitled to claim an ITC, you would have qualified for the PSB rebate as a qualifying non-profit organization.

This year, you change the use of the building and you are now using it only 20% in your commercial activities. Since you are no longer using the building **more than 50%** in commercial activities, you have to account for the tax in your net tax calculation based on the basic tax content of the property at the time of the change in use.

No improvements have been made to the property since you acquired it. The fair market value of the building is \$400,000 at the time of the change in use. You calculate the amount of the basic tax content as follows:

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

Note

Element B of the calculation above is equal to \$7,500 ($\$15,000 \times 50\%$ rebate of the GST) because, in this example, you would have been entitled to claim a 50% PSB rebate for the GST you paid when you purchased the property had you not been entitled to claim a full ITC for that tax.

If you are resident in a participating province, and you were entitled (or would have been entitled if you had not been entitled to claim an ITC) to claim a PSB rebate for some of the HST payable for the property or improvements to it, element B would include the total PSB rebate you were, or would have been, entitled to claim including both the federal and provincial parts of the rebate.

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

Since the basic tax content of the property at the time of the change in use is \$7,500, you have to add that amount in determining your net tax by including it 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 in which the change in use occurred.

Simplified method for claiming ITCs

The **simplified method for claiming ITCs** is another way for **eligible registrants** to calculate their ITCs, when completing their GST/HST return using the regular method of filing.

When you use the simplified method for claiming ITCs, you do not have to show the GST/HST separately in your records. Instead, total the amount of your taxable purchases for which you can claim an ITC. You still have to keep the usual documents to support your ITC claims in case we ask to see them.

As of January 1, 2013, you are **eligible** to use the simplified method for claiming ITCs if you meet **all** of the following conditions:

- your annual worldwide revenues from taxable property and services (including those of your associates) are \$1 million or less in your last fiscal year;
- your total taxable supplies (including those of your associates) for all preceding fiscal quarters of the current fiscal year must also be \$1 million or less. These limits do not include goodwill, zero-rated financial services, or sales of capital real property;
- you have \$4 million or less in taxable purchases made in Canada in your last fiscal year. The \$4 million purchase limit does not include zero-rated purchases, but it does include purchases imported into Canada or brought into a participating province; and
- as a public service body, you reasonably expect that your taxable purchases in the current fiscal year will be \$4 million or less.

For more information, see Guide RC4022.

Public service bodies' rebate

A special GST/HST rebate allows qualifying non-profit organizations to recover 50% of the GST and the federal part of the HST paid or payable on their eligible purchases and expenses for which they cannot claim ITCs or any other rebate, refund or remission.

Note

You do not have to be registered for the GST/HST to claim this rebate.

Generally, a non-profit organization is a qualifying non-profit organization for a fiscal year if its percentage of government funding for the fiscal year, or for the previous two fiscal years, is at least 40% of its total revenue. Band funding of Indian non-profit organizations will be considered equivalent to government funding. To calculate your percentage of government funding, you first need to know the amount of:

- your government funding for a fiscal year; and
- your total revenue for a fiscal year.

If you are a qualifying non-profit organization, you must complete and file Form GST523-1, *Non-Profit Organizations – Government Funding*.

There may be situations where you have to calculate your PSB rebate using more than one factor. You may be a qualifying non-profit organization that is also a selected public service body that acquires property or services for use in different activities. If so, you have to apportion the cost of the property and services, and claim a rebate, to the extent of use in each activity.

A non-profit organization that operates a health care facility may also qualify for a rebate as a charity. The facility must be operated for the purpose of providing residents of the facility who have limited physical or mental capacity with:

- nursing and personal care under the direction or supervision of qualified medical or nursing care staff;
- assistance with activities of daily living and social, recreational and other related services; and
- meals and accommodation.

Qualifying non-profit organizations and non-profit organizations that operate a health care facility may also be eligible for a rebate of the **provincial** part of the HST. For more information, see “Rebate of the provincial part of the HST” on the next page.

For more information on government funding, PSB rebates for a qualifying non-profit organization and PSB rebates for a non-profit health care facility, see Guide RC4034, *GST/HST Public Service Bodies’ Rebate*.

Eligible purchases and expenses

The GST/HST paid or payable on the following purchases and expenses may be eligible for the PSB rebate:

- general operating expenses (such as rent, utilities, and administration expenses) for which you **cannot** claim ITCs;
- most allowances and reimbursements you pay to employees involved in your exempt activities;
- property and services used, consumed, or supplied in your exempt activities; and
- capital property. However, you cannot claim the rebate when you change the use of capital property from primarily commercial activities to primarily non-commercial activities. This is because you have to calculate the basic tax content of the property with such a change in use and the basic tax content formula already takes the PSB rebate into account.

Note

Capital property includes real property, equipment, vehicles, machinery, office furniture, computers, and photocopiers.

Non-eligible purchases and expenses

The GST/HST paid or payable on certain purchases and expenses is **not** eligible for the PSB rebate. These purchases and expenses include:

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

Example

A qualifying non-profit organization owns an apartment building and rents 5% of the apartments on a long-term basis to individuals with a disability. As less than 10% of the apartment building is used as housing that is restricted to individuals with a disability, the non-profit organization **cannot** claim a PSB rebate of a percentage of the GST/HST it pays or owes on its expenses incurred to maintain the apartment building, as they are not eligible expenses.

Rebate of the provincial part of the HST

As a qualifying non-profit organization, you can claim a rebate of the GST or the federal part of the HST paid or payable on your **eligible** purchases and expenses, for which you cannot claim ITCs or any other rebate, refund or remission. You may also qualify for a rebate of the provincial part of the HST if you are a resident of a participating province. The rebate factors for the provincial rebate are as follows:

- Qualifying non-profit organizations resident in British Columbia qualify for a 57% rebate of the provincial part of the HST on non-selected public service body activities. (In British Columbia, the HST was in effect from July 1, 2010 to March 31, 2013.)
- Qualifying non-profit organizations resident in New Brunswick that are not selected public service bodies qualify for a 50% rebate of the provincial part of the HST. Facility operators and external suppliers that are qualifying non-profit organizations resident in New Brunswick also qualify for a 50% rebate of the provincial part of the HST.
- Qualifying non-profit organizations resident in Nova Scotia qualify for a 50% rebate of the provincial part of the HST on non-selected public service body activities. Facility operators and external suppliers that are qualifying non-profit organizations resident in Nova Scotia also qualify for a 50% rebate of the provincial part of the HST.
- Qualifying non-profit organizations resident in Ontario, qualify for an 82% rebate of the provincial part of the HST on non-selected public service body activities.
- Qualifying non-profit organizations resident in Newfoundland and Labrador qualify for a 50% rebate of the provincial part of the HST only on non-selected PSB activities.
- Qualifying non-profit organizations resident in Prince Edward Island qualify for a 35% rebate of the provincial part of the HST only on non-selected public service body activities.

Notes

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

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

How to apply for the rebate

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

If you are filing electronically, you must complete the applicable schedules.

If you file your PSB rebate by paper for the first time, you have to complete Form GST66, *Application for GST/HST Public Service Bodies’ Rebate and GST Self Government Refund*. If you are a resident of a participating province, you also have to complete the provincial schedule, Form RC7066-SCH, *Provincial Schedule – GST/HST Public Service Bodies’ Rebate*, and attach it to your application. A qualifying non-profit organization has to send us Form GST523-1, *Non-Profit Organizations – Government Funding*, each year.

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

After we process your first rebate application, we will send you the personalized versions of the forms, Form GST284, *Application for GST/HST Public Service Bodies’ Rebate and GST Self-Government Refund*, Form GST523, *Non-Profit Organizations – Government Funding*, and, if applicable, Form GST284-SCH, *Provincial Schedule – GST/HST Public Service Bodies’ Rebate*, for your next rebate application.

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

Branches and divisions

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

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

If you choose to have your branches or divisions file their own GST/HST returns, they also have to file their own rebate applications.

Filing deadlines

If you are a GST/HST registrant, you have up to four years from the due date of your GST/HST return for the claim period in which you incurred the expense to file a rebate application. You can apply for the rebate when you file your GST/HST return. If you file the two forms together, you remit only the difference between the net tax owing and the amount of your rebate. You have to include your rebate amount on **line 111** of your GST/HST return.

If you are not a GST/HST registrant, you have up to four years from the last day of the claim period in which you incurred the expense to file a rebate application. You can send us 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 on certain exceptions to these dates, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

Simplified method for claiming the rebate

The **simplified method for claiming PSB rebates** is another way to calculate your PSB rebate, whether or not you are a GST/HST registrant. If you are eligible to use this method and choose to do so, you will not have to track the GST/HST you paid on each invoice.

However, you have to keep documents to support your application and, if you are a registrant, continue to charge, collect, and remit the GST/HST on your supplies as usual. You do not have to file any forms with us to start using this method, but you have to meet certain conditions.

You are **eligible** to use the simplified method for claiming rebates if you meet **all** of the following conditions:

- You are a qualifying non-profit organization.
- You and your associates have annual worldwide revenues from taxable supplies of property and services that do not exceed \$1 million (increased from \$500,000 beginning January 1, 2013) in your immediately preceding fiscal year and the preceding fiscal quarters in the current fiscal year. This limit does not include goodwill, zero-rated financial services, or sales of capital real property.
- Your taxable purchases in Canada must not exceed \$4 million (increased from \$2 million beginning January 1, 2013) in the immediately preceding fiscal year. The \$4 million purchase limit does not include zero-rated purchases, but does include purchases imported into Canada or brought into a participating province. You must be able to reasonably expect that your taxable purchases in the current fiscal year will not be more than \$4 million.

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

Rebate for printed books

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

If the primary purpose of your qualifying non-profit organization is the promotion of literacy, and you are prescribed by regulation, you could be entitled to this rebate. In addition, a rebate of the GST, or the federal part of the HST that becomes payable after March 29, 2012, is also available to your prescribed qualifying non-profit organization 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 www.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. You can file this application with your GST/HST return either by paper, or electronically by using our online services either through GST/HST NETFILE at www.cra.gc.ca/gsthst-netfile, or through www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives. Amounts included on this line cannot be included anywhere else in the calculation of your rebate on this form.

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

You have up to four years from the last day of the claim period in which the tax became payable to file a rebate application for the printed book rebate.

A provincial point of sale rebate is also available for the provincial part of the HST on the above mentioned publications bought in a participating province. This means that the person selling the publication should give the rebate at the time of the sale.

Property or services removed from a participating province

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

Tangible personal property

You may be able 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 an ITC 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 and moved them 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.

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 ITC 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 on these rebates, see Guide RC4033, *General Application for GST/HST Rebates*.

Simplified accounting methods

This section applies only to non-profit organizations that are also GST/HST registrants.

Special quick method of accounting for qualifying non-profit organizations

The **special quick method** is a simplified accounting option available to a **qualifying** non-profit organization to help them calculate their net tax for GST/HST purposes. If you are not a qualifying non-profit organization, you may be entitled to use the quick method of accounting available to other businesses (see “Quick method of accounting for other non-profit organizations” on the next page).

This special quick method reduces paperwork and makes it easier to calculate the GST/HST remittances and file GST/HST returns because it eliminates the need to keep track of the actual GST/HST paid on purchases, or to separate purchases that are for commercial activities versus those for making exempt supplies.

Note

Certain supplies of property and services are not included in the special quick method calculation. For more information, see Guide RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

When you use the special quick method, you still collect the GST/HST on the property or services you supply. However, to calculate the amount of the GST/HST to be remitted, multiply the amount of your GST/HST included supplies for the reporting period by the remittance rate, or rates, that apply in your situation.

The special quick method remittance rates are less than the applicable rate of tax that you collect. This means that you remit only part of the tax you collect. Since you cannot claim ITCs on most of your purchases when you use this method, the part of the tax that you keep accounts for the approximate value of the ITCs you would normally have claimed. You can claim ITCs on certain items only.

Note

Whether the special quick method will be more beneficial for you to use than the regular method depends on your specific situation.

The remittance rates vary depending on whether the sales were made in a participating province or a non-participating province and where you are located.

For more information, see Guide RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

The special quick method remittance rates

The remittance rates for qualifying non-profit organizations using the special quick method are listed in Guide RC4247.

How to elect to use the special quick method

You can use the special quick method whether you file GST/HST returns monthly, quarterly, or annually. To elect to use the special quick method, send us a completed Form GST287, *Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting*.

You can make this election at the start of any reporting period. You can keep using it as long as you remain eligible. For more information on the special quick method, see Guide RC4247.

Note

Once you decide to use the special quick method, you have to use it for at least one year. To revoke the election, send a completed Form GST287 to your tax services office.

Using the special quick method does not affect the qualifying non-profit organization's entitlement to a public service bodies' rebate. A qualifying non-profit organization that has elected to use this method is entitled to claim a rebate for the GST or the federal part of the HST paid or payable on all eligible purchases made during the claim period for which it cannot claim ITCs. Also, a qualifying non-profit organization using this method that qualifies for a rebate for the provincial part of the HST will claim it in the usual way. For more information, see "Rebate of the provincial part of the HST" on page 17.

For more information on the special quick method of accounting, see Guide RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

Quick method of accounting for other non-profit organizations

The **quick method** is another accounting option available to help small businesses calculate their net tax for GST/HST purposes. This method reduces paperwork and makes it easier to calculate GST/HST remittances and file GST/HST returns because it eliminates the need to report the actual GST/HST paid or payable on most purchases.

If you are a non-profit organization (and not a qualified non-profit organization) you cannot use the special quick method for public service bodies. However, you may be entitled to use the quick method of accounting.

You can use the quick method if revenues from annual worldwide taxable supplies and those of your associates, including the GST/HST and zero-rated supplies, are not more than \$400,000 for either the period consisting of the first four consecutive fiscal quarters out of your last five fiscal quarters, or the period consisting of the last four fiscal quarters out of your last five fiscal quarters. When you calculate your annual worldwide taxable supplies, exclude supplies of financial services and sales of real property, capital property, and eligible capital property (including goodwill).

The quick method remittance rates apply only to supplies you make in the usual course of business, on which you must collect the GST/HST.

For supplies you make outside the usual course of business, such as real estate sales or sales of used capital goods eligible for a capital cost allowance for income tax purposes, you have to include the GST/HST charged in your net tax calculation rather than using the quick method remittance rate. Do **not** include proceeds from selling your business assets in the sales figure you use for your quick method calculation.

When you use the quick method, you cannot claim ITCs on your day-to-day operating expenses and inventory purchases. However, you can claim ITCs for purchases of land and purchases of property that are eligible for capital cost allowance under the *Income Tax Act*. This includes buildings, computers, vehicles, other large equipment, and machinery. You can claim these credits when you complete your GST/HST return. In addition, if you sell capital assets, you have to remit the full GST/HST and not the quick method percentage.

Credit of 1%

You are also entitled to a 1% credit on the first \$30,000 of your eligible supplies (including the GST/HST) on which you must collect the GST/HST in each fiscal year. To qualify for the 1% credit, you have to use the quick method at the beginning of your fiscal year or, if you are a new GST/HST registrant, on the day you became a registrant.

Quick method remittance rates

The remittance rates for other non-profit organizations using the quick method are listed in Guide RC4058, *Quick Method of Accounting for GST/HST*.

How to apply for the quick method

You can elect to use the quick method by using our online services at www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives, or by completing and sending a Form GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting* to your tax services office.

Note

If you decide to use the quick method, you have to use it for at least one year. To revoke the election, send a completed Form GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting*, to your tax services office.

For more information on the quick method of accounting, see Guide RC4058, *Quick Method of Accounting for GST/HST*.

Real Property

This section explains the GST/HST rules for sales, leases and other types of supplies of real property when made by non-profit organizations. It summarizes the general rules for claiming ITCs and the special election available to treat certain exempt supplies of real property as taxable supplies. It also explains the change-in-use rules that apply to real property and the special self-supply rules for subsidized housing.

Taxable sales and leases

Generally, most sales and leases of real property made by non-profit organizations are exempt from the GST/HST.

However, if your non-profit organization makes the following supplies of real property, the supplies are subject to the GST/HST:

- sales of new or substantially renovated housing;
- sales of used housing if you are a builder of the housing for GST/HST purposes and you claimed ITCs on your last acquisition of the housing, or on any improvements made 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 other real property that you are considered to have made (deemed supplies). For example, when there is a change in use of the property from use **primarily** in commercial activities to use **50% or less** in commercial activities (see “Changing the use to 50% or less in commercial activities” on page 14);
- sales of real property to an individual or a personal trust. However, if there is a structure on the property that you used as an office, or in commercial or exempt activities, the sale of the property is exempt, as long as the other exceptions in this list do not apply;
- sales of real property that you used **more than 50%** in your commercial activities immediately before the time of the sale;
- leases of short-term accommodation (less than one month) unless the charge for the accommodation is \$20 or less per day of occupancy, or the accommodation is provided in the course of an activity to relieve the poverty, suffering, or distress of individuals, and is not fundraising;
- leases of real property (other than short-term accommodation) when continuous possession or use of the property provided under the lease is for a period of less than one month and the supply is made in the course of a business carried on by the non-profit organization;
- licence to use real property (other than short-term accommodation) when the supply is made in the course of a business of the non-profit organization (such as evening rentals of a banquet facility or the rental of an ice rink to a hockey club every Monday night);
- lease or licence of a parking space in the course of a business carried on by the organization (other than the long-term lease of a parking space by a landlord to a residential tenant when the parking space forms part of the housing, or is supplied along with the housing, that the residential tenant is leasing from the landlord). For more information, see GST/HST Notice 285 – *Application of GST/HST to Supplies of Parking by Charities and Public Sector Bodies*;
- supply of real property that the non-profit organization has seized or repossessed, unless the supply of the property is specifically exempt. For example, if the organization seized or repossessed used housing and sells it, the sale will be exempt as long as the organization is not a builder of the housing and they did not claim any ITCs for the acquisition of the housing or for an improvement to the housing since it was last acquired; and
- exempt supplies of real property that the non-profit organization chooses to treat as taxable by filing an election with us as long as no other exemption applies (for example, housing). For more information, see “Election for real property of a public service body” on page 26.

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 1, 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 transferred 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% was 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 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 the HST does not apply to a grandparented sale.

Sales of newly constructed or substantially renovated housing are 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 **after June 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 the grandparented sale of the 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 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 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 are transferred to the purchaser **after June 2010**.

However, the HST at the rate of 13% still applies to the taxable sales of single unit homes, duplexes, mobile homes, floating homes, residential condominium units, and the taxable sale of single unit homes on leased land where the written agreement of purchase and sale was entered into **before April 7, 2010** (“grandparented sales”). 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).

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

New housing in Prince Edward Island

The GST at 5% applied to a taxable sale by a builder of newly constructed or substantially renovated housing in Prince Edward Island, where **either** ownership or possession of the housing was transferred, under a written agreement of purchase and sale, to the purchaser **before April 1, 2013**, regardless of when the purchase and sale agreement was entered into.

Generally, the HST at 14% applies to a taxable sale by a builder of newly constructed or substantially renovated housing where **both** ownership and possession of the housing are transferred under the written agreement to the purchaser on or after **April 1, 2013**. This general rule applies to sales of all housing types, including residential condominium units, mobile homes, and floating homes.

An exception exists for grandparented sales of newly constructed or substantially renovated detached houses, semi-detached houses, attached houses, residential condominium units, or condominium complexes if, among other conditions, the written agreement of purchase and sale was entered into **on or before November 8, 2012**. 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.

While a grandparented sale of housing is not subject to the HST, the builder would be required to remit a transitional tax adjustment if the construction straddles the April 1, 2013 implementation date and the construction is less than 90% completed immediately before April 1, 2013.

For more information, see GST/HST Notice 279, *Harmonized Sales Tax for Prince Edward Island (P.E.I.) – Questions and Answers on Transitional Rules for Housing and Other Real Property Situated in P.E.I.*

Rebates for new housing

In certain situations, the following **provincial rebates** may be available:

- a provincial transitional new housing rebate for the estimated Prince Edward Island provincial sales tax embedded in the purchase price of new housing;
- an Ontario or British Columbia new housing rebate for some of the provincial part of the HST paid to build or purchase new housing; and
- an Ontario or British Columbia new residential rental property rebate for some of the provincial part of the HST paid on the purchase, including a deemed purchase, of new rental housing or land for residential use.

These provincial rebates may be available in addition to the GST/HST new housing rebate or the GST/HST new residential rental property rebate that may be available for **some of the GST** or **federal part of the HST** on the purchase of new housing or new residential rental housing.

For more information, see:

- Guide RC4028, *GST/HST New Housing Rebate*;
- Guide RC4231, *GST/HST New Residential Rental Property Rebate*;
- GST/HST Info Sheet GI-096, *Harmonized Sales Tax: Provincial Transitional New Housing Rebates for Housing in Ontario and British Columbia*;
- GST/HST Info Sheet GI-128, *Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Housing Rebates*;
- GST/HST Info Sheet GI-129, *Harmonized Sales Tax: Proposed Enhancements to the British Columbia New Residential Rental Property Rebates*; and
- GST/HST Info Sheet GI-157, *Elimination of the Harmonized Sales Tax in British Columbia – British Columbia Transition Rebate for Builders of New Housing*.

Who remits the tax for 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 your return 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 www.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 you will use or supply the real property:
 - **more than 50%** in your commercial activities, report the tax due on **line 205** (the 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 www.cra.gc.ca/gsthstpub. You cannot file Form GST60 electronically.

ITCs for real property

Generally, calculating ITCs on purchases of capital real property is the same as for calculating ITCs on purchases of other capital property (the primary use rule):

- If you intend to use the property more than 50% in commercial activities, you can claim a full ITC.
- If you intend to use the property 50% or less in commercial activities, you cannot claim an ITC.

It is possible that the use of the real property will change over time. If the use of the real property changes from use 50% or less in commercial activities to more than 50% in commercial activities, you may be eligible to claim an ITC at the time of the change in use. On the other hand, if the use changes from more than 50% in commercial activities to 50% or less in commercial activities, you may have to pay back part of the ITCs you claimed earlier. For more information, see “Change-in-use rule” on page 13.

Exception

If you filed an election to treat your exempt supplies of certain real property as taxable, you do not use the primary use rule when claiming ITCs for that property. Also, different change in use rules will apply. For more information, see “Election for real property of a public service body” on page 26.

You can claim ITCs for other expenses related to real property such as maintenance and utilities in the same way that you calculate ITCs for general operating and overhead expenses, as explained on page 12.

Subsidized housing and self-supply

The following rules apply to non-profit organizations that receive government funding to build housing (or an addition to housing) when 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 from any level of government such as federal, provincial, or municipal. It also includes an Indian band. Bodies established by federal, provincial, or municipal governments, one of the main purposes of which is to fund charitable or non-profit endeavours, will also be considered grantors. However, federal and provincial Crown corporations, and municipal corporations, whose activities are substantially all (90% or more) commercial activities, the supply of financial services, or any combination of the two, are not grantors.

During the construction phase, you can register for the GST/HST and claim ITCs for the property and services you buy that relate to the construction of the housing.

We consider you to have made a taxable sale (self-supply) of the housing 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.

You have to pay the GST/HST on that self-supply equal to the **greater** of the following:

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

The GST/HST the builder would be considered to have paid and collected on the self-supply of subsidized housing would be equal to the greater of:

- the amount of the GST/HST calculated on the fair market value of the housing at the time of the self-supply; and
- the total 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 improvement to the property if the GST/HST rate that applied to those acquisitions had been the same GST/HST rate that applied to the self-supply of the housing.

These changes would generally apply to any self-supply of housing that occurs on or after April 1, 2013.

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

If you constructed the housing to make exempt supplies of long-term residential rents, you cannot claim an ITC for the tax you have to account for on the self-supply. However, you may be entitled to claim a PSB rebate for that tax if you are a qualifying non-profit organization and you meet all of the other rebate conditions. For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*. In some cases, you may be entitled to claim the GST/HST new residential rental property rebate. However, you will not be entitled to claim both rebates. For more information, see Guide RC4231, *GST/HST New Residential Rental Property Rebate*.

Example

You are a corporation in Saskatchewan, and you are a non-registrant for GST/HST purposes. You construct multiple unit housing for which you receive government funding. You paid \$10,000 GST on the purchase of the land and \$20,000 GST on the construction of the building. At least 10% of the units in the housing will be leased to seniors.

The construction of the housing is substantially completed on August 11, 2015, and you first give possession or use of a unit in the housing on September 5, 2015, to an individual who will live in the unit as their place of residence. As the later of these two dates is the day you first gave possession or use of a unit in the housing, you are considered to have made a self-supply of the multiple unit housing on September 5, 2015.

You calculate that the GST paid or payable on the purchase of the land and on the construction of the building and other improvements you made to the property is \$30,000. As the fair market value of the housing (including the related land) on September 5, 2015, is determined to be \$550,000, the GST calculated on the fair market value of the property is \$27,500 ($\$550,000 \times 5\%$).

Since the GST paid on your costs is greater than the GST calculated on the fair market value of the housing, you are considered to have paid and collected, and you have to account for, \$30,000 GST. Since you are a non-registrant, you do this by filing Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized)*, by the end of the month following the month in which the self-supply occurred. As the self-supply in this case occurred on September 5, 2015, you have to file Form GST62 and send your payment by October 31, 2015.

Also, as a non-registrant, you could not claim ITCs for the tax you paid to purchase the land and construct the housing. Since you are considered to have made a taxable sale of the housing (self-supply), you are now entitled to claim a rebate to recover the tax that you were previously unable to recover on the purchase of the land and the construction costs using Form GST189, *General Application for Rebate of GST/HST*.

How do you remit the tax on the self-supply?

If you are a GST/HST registrant, you have to include the tax due on the self-supply 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 self-supply of the subsidized housing. You have to remit any positive amount of net tax due with that return.

If you are not a GST/HST registrant, you have to report the GST/HST on **line 103** of Form GST62 and remit the tax due with that return by the end of the month after the month in which you are considered to have made the self-supply of the subsidized housing. For information on a rebate that you may be entitled to claim for the GST/HST you paid on construction costs that you could not previously recover, see "Are you a non-registrant?" below.

Note

Form GST62 is only available in a pre-printed format. You can order it by going to www.cra.gc.ca/orderforms.

Are you a non-registrant?

If you are a non-registrant, you cannot claim ITCs to recover any of the GST/HST paid or payable on your costs to build or substantially renovate the subsidized housing (or addition). If you are a qualifying non-profit organization, although you may have been entitled to claim a PSB rebate of that tax, you are not able to recover all of the tax payable on your construction or renovation costs.

In this case, you are generally entitled to claim a rebate to recover the tax you paid on the costs to build the housing (or addition) that you could not previously recover since you are considered to have made a self-supply of the subsidized housing and have to account for the tax on that self-supply. For more information on the rebate for a taxable sale of real property by a non-registrant, see Guide RC4033, *General Application for GST/HST Rebates*, and Form GST189, *General Application for Rebate of GST/HST*.

Example

You are a non-profit organization in Alberta and you are not a GST/HST registrant. You construct multiple-unit housing to make long-term residential rentals to seniors and for which you receive government funding. You paid \$8,000 GST on the purchase of the land and \$15,000 GST on the construction of the building. You claimed a PSB rebate for that tax.

The construction of the housing is substantially completed on June 10, 2015, but you first gave possession of a unit in the housing to an individual to live in on May 24, 2015. As the later of these two dates is the day you substantially completed the multiple-unit housing, you are considered to have made a self-supply of the housing on June 10, 2015.

You calculate that the tax you paid on the purchase of the land, and to construct the housing, is greater than the tax calculated on the fair market value of the housing on June 10, 2015. Therefore, the amount of the GST that you are considered to have paid and collected is equal to the amount of the GST you paid on the purchase of the land, the construction of the building, and any other improvements you made to the property.

You report this amount of tax on **line 103** of Form GST62. You file that form and remit the tax by July 31, 2015.

As a non-registrant, you could not claim ITCs for the tax you paid to purchase the land and to construct the housing, and you may have been able to recover a portion of that tax by claiming a PSB rebate. Since you are considered to have made a taxable sale of the housing, you are now entitled to claim a rebate to recover the tax that you were previously unable to recover on the purchase of the land and the construction costs using Form GST189.

You may also be entitled to claim a PSB rebate for the tax you had to account for on the self-supply if you are a qualifying non-profit organization and you meet all of the other conditions. For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*. In some cases, you may be entitled to claim the GST/HST new residential rental property rebate. However, you will not be entitled to claim both rebates. For more information, see Guide RC4231, *GST/HST New Residential Rental Property Rebate*.

Election for real property of a public service body

As a non-profit organization, you can elect, on a property-by-property basis, to treat certain exempt sales and leases of real property as taxable supplies. This election can apply to the following real property:

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

This election may be available whether you are a GST/HST registrant or not. For more information, see 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*.

Note

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 non-profit organization and that is contained within a single **legal description** or **leasehold interest** (which includes the land and all structures and other improvements that are fixtures to the land). When the real property was acquired by way of a licence, the real property is the entire entitlement to use that property under the licence.

Effect of the election

When you make this election for real property, a supply of the property that would normally be exempt when you made it will now generally be treated as taxable and you may have to charge the GST/HST. However, certain supplies of the real property will remain exempt even when the election is in effect, for example, supplies of long-term residential rental accommodation.

As a GST/HST registrant, once the election is in effect you may also be entitled to claim ITCs for the GST/HST paid or payable for the property. For example, if you purchased or leased the property, you may be entitled to claim ITCs for the tax paid or payable on the purchase or on your lease payments and you may also be entitled to claim ITCs for the tax paid or payable on purchases and expenses that are related to the property, such as maintenance and utilities.

Note

The following sections discuss the effect of the election if you are already a GST/HST registrant when you make the election. If you become a registrant on the same day the election takes effect, see Form GST26 for information on the effect of this election and claiming ITCs upon becoming a registrant.

Election effective the day of acquisition

If the election becomes effective on the same day that you acquire the real property, and you were a GST/HST registrant before that day, you claim your ITC for the tax paid or payable on the acquisition based on the percentage of use of the property in your commercial activities (as long as it is used more than 10% in your commercial activities).

Example

You are a non-profit organization that is registered for the GST/HST. You buy a four-storey building (including the land) and you paid the GST/HST on your purchase. You will supply the building, or parts of the building, by way of lease. You will not be making supplies of accommodation and the leases will be exempt from the GST/HST.

Since the entire building will be used only for exempt activities, you cannot claim an ITC to recover the GST/HST you paid on your purchase of the building or on any purchases or expenses related to the building.

However, if you file Form GST26 and make the election effective on the day you acquire the building, you will charge the GST/HST on the lease payments you charge your tenants and you will be entitled to claim an ITC for the GST/HST you paid on your purchase of the building. You will also be entitled to claim ITCs to recover the GST/HST paid on utilities and maintenance that relate to the building.

Election effective after the day of acquisition

If the election becomes effective after the day you acquire the real property, and you were a GST/HST registrant before the election took effect, the following rules apply:

- When you acquired the real property by way of lease, licence or similar arrangement, you are entitled to claim ITCs for the tax paid or payable on your lease payments that became due on or after the effective date of the election, to the extent that you use the property in commercial activities, as long as it is used more than 10% in those activities.
- When you purchased the real property:
 - you are considered to have made a taxable sale of the property immediately before the effective date of the election and to have collected the GST/HST on the sale equal to the basic tax content of the property on the effective date of the election;
 - you are also considered to have purchased the property on the effective date of the election and to have paid the GST/HST on the purchase equal to the basic tax content of the property on the effective date of the election;
 - because you are considered to have made a taxable sale of the property, you are entitled to claim an ITC equal to the basic tax content of the property to recover any tax payable for your last acquisition of the property, and for improvements you made to it, that you were previously unable to recover;
 - you have to report the tax you are considered to have collected on your GST/HST return for the reporting period during which you are considered to have sold the property (see “Reporting the GST/HST you are considered to have collected” on this page);
 - since you are also considered to have paid tax on the purchase of the property, you are entitled to claim an ITC for this tax 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). The primary use rule that you would normally use to determine your ITCs does not apply to the property while the election is in effect; and
 - you are entitled to claim ITCs for the tax paid or payable on purchases and expenses (such as maintenance and utilities) related to the real property to the extent that you use the property in your commercial activities (as long as the use is more than 10% in those activities).

Note

For information on calculating the basic tax content of the property, see “Calculating the basic tax content” on page 14.

Reporting the GST/HST you are considered to have collected

As a registrant, you have to include 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 in which you are considered to have made the taxable sale. You have to remit any positive amount of net tax due with that return by the due date of the return.

Example

You are a qualifying non-profit organization that is a GST/HST registrant. In 2014, you acquired a building in Alberta for \$300,000 plus \$15,000 GST. At that time, 70% of the building was used in your exempt activities that did not involve making supplies of that part of the building and 30% was leased in the course of your business for periods of at least one month (also an exempt activity). Since the primary use rule was not met (the property was not for use primarily in your commercial activities), you could not claim an ITC.

However, since you are a qualifying non-profit organization, you were entitled to claim a 50% PSB rebate ($\$15,000 \times 50\% = \$7,500$).

In March 2015, you file the election to treat the exempt leases as taxable. The building is now used 30% in commercial activities, since the leases that were exempt are now treated as taxable as a result of the election taking effect. The fair market value of the property at the time of the election is \$310,000. You did not make any improvements to the property.

You are considered to have made a taxable sale of the property immediately before the effective date of the election and to have collected the GST on the sale equal to the basic tax content of the property on the effective date of the election.

You are also considered to have purchased the property and to have paid the GST on that purchase.

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, which is equal to the basic tax content, as follows:

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

You include \$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 took effect.

You calculate your ITC for the tax you are considered to have paid when the election took 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 also 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.

Therefore, the total ITCs you are entitled to claim as a result of making the election is \$9,750 (\$2,250 + \$7,500).

In addition, you can now claim ITCs for 30% of the GST paid or payable on operating expenses, such as electricity, maintenance, and utilities related to the commercial use of the property.

You cannot claim a PSB rebate for any of the tax you are considered to have paid, since the basic tax content calculation takes the amount of the PSB rebate into account so that the amount of tax you had to report was reduced by the amount of that rebate.

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

The following rules apply **only** to capital real property for which you made an election to treat exempt supplies of real property as taxable supplies, if you are a GST/HST registrant.

As explained earlier, when you make the election to treat certain exempt supplies of real property as taxable supplies, ITCs are calculated based on the percentage of use in commercial activities (instead of the primary use rule). 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 additional ITCs. On the other hand, if you decrease the percentage of use in commercial activities, you may have to pay back some or all of the ITCs you previously claimed.

Increasing use in commercial activities

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

Decreasing use in commercial activities

When you decrease (without stopping) the use of real property in commercial activities by 10% or more, we consider you to have collected the GST/HST on the part you no longer use in your commercial activities. The amount of the GST/HST you have to account for in determining your net tax is equal to the basic tax content of the property multiplied by the percentage of the decrease in commercial activities.

Stopping use in commercial activities

When you stop using real property for commercial activities, or when you reduce the use in commercial activities to 10% or less, you are considered to have sold and reacquired the property.

If that sale is taxable, you will have to include the GST/HST you are considered to have collected on the sale in determining your net tax. 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 real property was used partially in exempt activities before the change in use, you would not have been entitled to claim an ITC for the part of the tax paid or payable on your last acquisition of the property that related to the exempt use of the property. Since you have to account for tax equal to the full basic tax content of the property for the sale you are considered to have made (if that sale was taxable), you would be entitled to claim an ITC for the tax you were previously unable to recover. In this case you could claim the ITC for the reporting period in which you are considered to have made the sale. The ITC would be calculated by multiplying the amount of the basic tax content you had to account for on the sale by the percentage that you were using the property in exempt or non-commercial activities immediately before the sale you are considered to have made.

Filing the election

To make the election, you have to send us a completed 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*, 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 you want to treat as taxable.

Revoking the election

You can revoke this election by filing another Form GST26. The revocation will be effective on the day that 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 your election, you are considered to have sold and purchased the property and to have collected and paid GST/HST equal to the basic tax content of the property. You must include the tax you are considered to have collected in your net tax calculation. For more information, see Form GST26.

Online services

GST/HST electronic filing and remitting

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

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; and
- do much more.

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

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

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

Electronic payments

Make your payment using:

- your financial institution's online or telephone banking services;
- the CRA's My Payment service at www.cra.gc.ca/mypayment; or
- pre-authorized debit at www.cra.gc.ca/mybusinessaccount.

For more information on all payment options, go to www.canada.ca/payments.

For more information

What if you need help?

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

The following publications have more information for non-profit organizations:

- Guide RC4034, *GST/HST Public Service Bodies' Rebates*;
- Guide RC4058, *Quick Method of Accounting for GST/HST*;
- Guide RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

Direct deposit

Direct deposit is a faster, more convenient, reliable, and secure way to get your refunds and rebates deposited directly into your account at a financial institution in Canada.

For more information, go to www.cra.gc.ca/directdeposit.

Forms and publications

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

Excise and GST/HST News

As a GST/HST registrant, you may want to review the quarterly issues of the **Excise and GST/HST News**, which discuss different issues that concern GST/HST registrants, including new online services. We can notify you by email when new information on a subject of interest to you is available on our website. To subscribe to our electronic mailing lists, go to www.cra.gc.ca/lists. You can also go to www.cra.gc.ca/gsthsttech to read the latest edition of **Excise and GST/HST News** online.

Teletypewriter (TTY) users

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

GST/HST rulings and interpretations

You can 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 the mailing address or fax number of the closest GST/HST Rulings centre, see the publication RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*, 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 www.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*.

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

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

Reprisal complaint

If you believe that you have experienced reprisal, fill out Form RC459, *Reprisal Complaint*.

For more information about reprisal complaints, go to www.cra.gc.ca/reprisalcomplaints.

Tax information videos

We have a number of tax information videos for small businesses on topics such as business income and expenses, GST/HST, and payroll. To watch our videos, go to www.cra.gc.ca/videogallery.