



## Basic GST/HST Guidelines for Charities

The Canada Revenue Agency (CRA) administers the goods and services tax (GST) at the rate of 5% as well as the harmonized sales tax (HST) at the rate of 13% in the participating provinces of Nova Scotia, New Brunswick, and Newfoundland and Labrador.

The 2009 Ontario Budget proposed an HST at the rate of 13%, which will come into effect on July 1, 2010. In addition, on July 23, 2009, the British Columbia (B.C.) Ministry of Finance issued a News Release proposing an HST at the rate of 12%, which would come into effect on July 1, 2010.

This info sheet provides basic information on some of the most common issues relating to how the GST/HST applies to charities. This information applies only to those organizations that are charities under the *Excise Tax Act*.

“Charity” means a registered charity or a registered Canadian amateur athletic association within the meaning of the *Income Tax Act*. A charity can issue official donation receipts for income tax purposes. For GST/HST purposes, a charity does not include a public institution.

“Public institution” means a registered charity (within the meaning of the *Income Tax Act*) that is a school authority, a public college, a university, a hospital authority, or a local authority determined by the CRA to be a municipality. Information on how the GST/HST applies to public institutions is available in GST/HST Info Sheet GI-068, *Basic GST/HST Guidelines for Public Institutions*.

“Registrant” means a person who is registered, or is required to be registered, for GST/HST purposes.

“Supply” means the provision of property or a service in any manner, including sale, transfer, barter, exchange, licence, rental, lease, gift, or disposition.

“Taxable supply” means a supply subject to the GST or the HST, and includes a “zero-rated supply” taxable at the rate of 0%.

“Exempt supply” means a supply not subject to the GST/HST.

Do charities have special GST/HST rules?

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

- most supplies made by charities are exempt while most supplies made by businesses are taxable;
- many charities are not required to register for GST/HST purposes while most businesses are required to do so;
- most businesses can recover the GST/HST paid or payable on their business purchases by claiming input tax credits (ITCs), while charities are restricted in the ITCs that they may claim; and
- where ITCs are not available, charities can recover the GST/HST paid or payable on their purchases (subject to certain exceptions) by claiming a 50% public service bodies’ (PSB) rebate.

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

A charity **cannot register** for GST/HST purposes if it:

- provides only exempt property and services.

A charity may **voluntarily register** for GST/HST purposes if it:

- provides taxable property and services in Canada; and
- is a small supplier.

La version française du présent document est intitulée *Lignes directrices générales en matière de TPS/TVH pour les organismes de bienfaisance*.



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A charity is **required to register** for GST/HST purposes if it:

- provides taxable property and services in Canada; and
- is **not** a small supplier.

When is a charity a small supplier?

A charity qualifies as a small supplier under **either** of the following tests:

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

When determining its status under these tests, a charity has to consider its activities as a whole.

#### *The \$250,000 gross revenue test*

The limit for the gross revenue test for a charity for a fiscal year is \$250,000. Gross revenue is generally the total of business income, donations, grants, gifts, property income, investment income, and any amount considered a capital gain **less** any amount considered a capital loss from the disposal of property for income tax purposes. When calculating its gross revenue under this test, a charity does not have to determine if the property and services that it supplies are subject to the GST/HST. The test works as follows:

- If it is the charity's first fiscal year, it does not have to register for GST/HST purposes.
- If the charity is in its second fiscal year, it calculates its gross revenue from its first fiscal year. If this amount is \$250,000 or less, it does not have to register for GST/HST purposes.
- If this is neither the charity's first fiscal year, nor its second fiscal year, it calculates its gross revenue in each of its two previous fiscal years. If this amount is \$250,000 or less in either of these years, it does not have to register for GST/HST purposes.

#### *The \$50,000 taxable supplies test*

The taxable supplies limit is \$50,000 for a charity.

Total revenues from taxable supplies include a charity's worldwide revenues (and those of its associates) from supplies of property and services subject to the GST/HST, including zero-rated

supplies. Total revenues do not include sales of capital property (but would include rentals of such property), supplies of financial services, and certain payments for goodwill.

To determine if a charity is a small supplier under this test, the charity calculates:

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

If both of these amounts are \$50,000 or less, the charity is a small supplier and does not have to register for GST/HST purposes.

**Note:** If a charity is not a small supplier under the \$250,000 gross revenue test and it is not a small supplier under the \$50,000 taxable supplies test, then it must register for GST/HST purposes.

Is a charity issued a new business number when it registers for GST/HST purposes?

When an organization registers with the CRA, it is issued a nine-digit business number (BN) to identify the organization. The BN is unique to the organization and will always be the first nine digits of any account number that an organization has with the CRA.

An organization that becomes a registered charity under the *Income Tax Act* will be issued an account number that consists of the organization's BN plus a RR program identifier and a 4-digit reference number (e.g., 123456789 RR0001). The entire 15-character number is referred to as a Registered Charity Account Number.

After registering for GST/HST purposes, a charity will be issued an account number that consists of the same BN plus a RT program identifier and a 4-digit reference number (e.g., 123456789 RT0001). The entire 15-character number is referred to as a GST/HST Account Number.

If a charity claimed a PSB rebate before registering for GST/HST purposes, it already has a GST/HST account number and it will continue to use this number. The CRA will update its systems to show

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that the charity is now registered for GST/HST purposes.

If you do not know whether your charity is registered for GST/HST purposes, you can find out by calling the CRA at 1-800-959-5525.

What happens if a charity has branches or divisions?

Branches or divisions of a single entity cannot register separately for GST/HST purposes. If a charity has to register, or registers voluntarily, it has to do so as a single entity.

If a charity has branches or divisions, it may apply to have each branch or division with \$50,000 or less in taxable supplies designated as a small supplier division. If the CRA approves this designation of a branch or division of a charity that is a registrant, the charity will no longer collect the GST/HST on taxable supplies made through the designated branch or division, other than on taxable sales of real property (land or buildings) and certain sales of capital municipal property or designated municipal property. In addition, the charity will no longer be entitled to claim ITCs for the GST/HST paid or payable on purchases (other than for certain capital property or improvements thereto) related to the activities of the designated branch or division.

To apply for this designation, the charity's head office completes and submits Form GST31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*. Form GST31 and other forms are available on the CRA Web site at [www.cra.gc.ca/orderforms](http://www.cra.gc.ca/orderforms) or by calling 1-800-959-2221.

If a designated branch or division of a charity that is a registrant no longer qualifies as a small supplier division, the charity has to start collecting the GST/HST on its taxable supplies and may be eligible to claim ITCs, subject to the limitations set out in the net tax calculation for charities.

A charity with branches or divisions can also apply to have its branches or divisions file separate GST/HST returns and PSB rebate applications. Each branch or division has to be identifiable by either its location or the nature of its activities, and

must keep separate books and records. To apply for this authorization, the charity's head office completes and submits Form GST10, *Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions*.

Can a charity cancel its GST/HST registration?

If a charity is registered for GST/HST purposes and determines, after applying the small supplier tests, that it does not have to be registered, it can ask to have its registration cancelled by completing and submitting Form RC145, *Request to Close Business Number (BN) Accounts*, or by calling the CRA at 1-800-959-5525.

Does a charity collect the GST/HST on the property and services that it provides?

A charity that is not a registrant does not have to collect the GST/HST even if it supplies taxable property and services. However, a charity may be required to collect the GST/HST on taxable sales of real property even if the charity is not a registrant.

If a charity is a registrant, it has to collect and account for the GST/HST on its taxable supplies. However, a charity may not be required to collect the GST/HST on taxable sales of real property even if the charity is a registrant.

For more information on the application of GST/HST to taxable sales of real property, please refer to Guide RC4082, *GST/HST Information for Charities*, or contact a GST/HST rulings office at 1-800-959-8287.

How does a charity that is not a registrant recover the GST/HST paid or payable on its purchases?

There is a PSB rebate that allows certain public service bodies, including charities, to recover a percentage of the GST/HST that they pay on their "eligible" purchases. Most purchases are eligible for the PSB rebate, but there are specific purchases for which the rebate cannot be claimed. For more information on purchases that are not eligible for the PSB rebate, please refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate – Includes Form*

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*GST66*, or contact a GST/HST rulings office at 1-800-959-8287.

A charity that is not a registrant can claim a PSB rebate of 50% of the GST, or of the federal part of the HST, paid or payable on eligible purchases.

Charities resident in the participating provinces of New Brunswick and Nova Scotia can claim a PSB rebate of 50% of the provincial part of the HST paid or payable on eligible purchases.

Charities resident in the participating province of Newfoundland and Labrador can claim a PSB rebate of 50% of the provincial part of the HST paid or payable on eligible purchases, **but not** for purchases in respect of activities engaged in the course of fulfilling a responsibility as a local authority or of making facility supplies, ancillary supplies or home medical supplies or operating a qualifying facility for use in making facility supplies.

The HST is proposed to come into effect on July 1, 2010, in Ontario and B.C. Charities resident in Ontario will be able to claim a PSB rebate of 82% of the provincial part of the HST paid or payable on eligible purchases for which they cannot claim ITCs. Charities resident in B.C. will be able to claim a PSB rebate of 57% of the provincial part of the HST paid or payable on eligible purchases for which they cannot claim ITCs.

Additional information on rebate entitlement will be made available as information is released by the Government of Canada and the Provinces of Ontario and B.C.

How does a charity that is a registrant recover the GST/HST paid or payable on its purchases?

A charity that is a registrant is limited in the ITCs that it can claim because of the special calculation method called the net tax calculation for charities that it must use to complete its GST/HST return.

Generally, a charity that is a registrant can claim ITCs only on certain items such as the GST/HST paid or payable on purchases of, or improvements to, capital property or real property that is used primarily (more than 50%) in its commercial activities (i.e., to provide taxable property and services).

A charity may be eligible to claim an ITC for the GST/HST paid or payable on the purchase of, or

improvements to, real property where it is used less than primarily, but more than 10%, in the charity's commercial activities and for which it filed Form *GST26, Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply*.

A charity that is a registrant is entitled to claim a PSB rebate for the GST/HST paid or payable on eligible purchases for which it cannot claim ITCs (whether that tax relates to its taxable or exempt activities). The same PSB rebate rates apply for the GST and the federal and provincial part of the HST as set out in the previous section for charities that are not registrants.

How does a charity claim the PSB rebate?

A charity may claim the PSB rebate by completing and filing Form *GST66, Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*, or Form *GST284*, which is a personalized version of Form *GST66*.

Charities that are not registrants can file for the PSB rebate twice in a fiscal year — one rebate application for the first six months of their fiscal year and another for their last six months of the fiscal year.

Charities that are registrants file their PSB rebate applications with the same frequency as they file their GST/HST returns (monthly, quarterly or annually).

Is a charity entitled to claim other rebates?

A charity may be entitled to claim other GST/HST rebates. These rebates (some up to 100%) have different eligibility requirements and not all charities may qualify. For example, rebates are available for GST/HST paid on:

- printed books;
- purchases related to providing qualifying rent-geared-to-income housing;
- property and services exported from Canada;
- goods removed from the participating provinces; and
- intangible personal property (e.g., rights and goodwill) and services acquired for consumption, use or supply primarily outside the participating provinces.

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How does a charity complete the GST/HST return?

A charity that is a registrant is required to complete and file a GST/HST return by using either Form GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, which is automatically sent to a charity registered for GST/HST purposes, or Form GST62, which is the non-personalized version that can be requested by calling the CRA at 1-800-959-2221.

Generally, a charity must use the net tax calculation for charities to determine its net tax. To calculate its net tax remittance for a reporting period using the net tax calculation for charities, a charity must determine the total GST/HST charged, whether collected or not, and report 60% of this amount on line 105 of the GST/HST return.

For a limited number of supplies (e.g., taxable sales of capital property and real property), the charity reports 100% of the GST/HST charged. It then enters zero on line 108 (unless, in very specific situations, the charity is eligible to claim ITCs). Finally, the charity subtracts line 108 from line 105, and enters the difference on line 109. This is the charity's net tax.

Detailed information on the net tax calculation for charities is available in GST/HST Info Sheet GI-066, *How a Charity Calculates the Net Tax to be Reported on its GST/HST Return*, and Guide RC4082, *GST/HST Information for Charities*.

If a charity that is a registrant wants to use its PSB rebate to reduce any amount that it owes on its return, or to increase any refund, it must file its PSB rebate application along with its GST/HST return. If the charity does this, then it enters the rebate amount from line 409 of its PSB rebate application on line 111 of its GST/HST return. The amount reported on line 111 is added to any amount reported on line 110 (instalments and other payments) and totalled on line 112.

To determine a charity's final GST/HST refund or amount owing, the amount reported on line 112 is subtracted from the amount on line 109. If the

difference is negative, enter the amount on line 114. This is the charity's refund. If the amount is positive, enter the amount on line 115. This is the charity's amount owing.

**Note:** If the charity has GST/HST to report on the purchase of real property on line 205 of its return or GST/HST to be self-assessed on line 405 of its return, this will affect the amount reported on lines 114 or 115.

#### Additional information

The CRA has a number of publications available to help charities understand their responsibilities and entitlements under the GST/HST. The following publications provide detailed information on the topics discussed in this info sheet:

- Guide RC4082, *GST/HST Information for Charities*;
- Guide RC4034, *GST/HST Public Service Bodies' Rebate – Includes Form GST66*;
- Guide RC4049, *GST/HST Information for Municipalities*, for information on rent-geared-to-income housing designations and on local authorities determined to be municipalities;
- Guide RC4033, *General Application for GST/HST Rebates – Includes Forms GST189, GST288, and GST507*, for information on the rebate available for intangible personal property or services that are for use primarily outside the participating provinces; and
- GST/HST Info Sheet GI-066, *How a Charity Calculates the Net Tax to be Reported on its GST/HST Return*.

Guides, forms and other publications are available on the CRA Web site at [www.cra.gc.ca](http://www.cra.gc.ca) or by calling 1-800-959-2221.

For enquiries regarding your GST/HST account (e.g., address and contact name changes, elections, opening or closing accounts), please call 1-800-959-5525.

For technical information on GST/HST entitlements and obligations please call 1-800-959-8287.

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This info sheet does not replace the law found in *the Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, explains how to obtain a ruling and lists the GST/HST rulings offices. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec by calling 1-800-567-4692. You may also visit their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca) to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at [www.cra.gc.ca/gsthstech](http://www.cra.gc.ca/gsthstech).