Basic GST/HST Guidelines for Public Institutions

This version replaces the one dated June 2011.

This info sheet provides basic information on how the GST/HST applies to many issues commonly faced by public institutions. This information applies only to those organizations that are public institutions under the *Excise Tax Act*.

Meaning of significant terms

"Charity" means a registered charity or a registered Canadian amateur athletic association for income tax purposes, but does not include a public institution. Information on how the GST/HST applies to charities is available in GST/HST Info Sheet GI-067, *Basic GST/HST Guidelines for Charities*, and Guide RC4082, *GST/HST Information for Charities*.

"Exempt supplies" are supplies of property and services that are not subject to the GST/HST. GST/HST registrants cannot claim input tax credits (ITCs) to recover the GST/HST paid or payable on expenses related to making such supplies. However, a public institution may be eligible to claim a public service bodies' (PSB) rebate for such expenses.

"Non-selected public service body activities" are activities other than:

- those activities for which a person was designated as a municipality; or
- activities engaged in by the person in the course of:
  - fulfilling responsibilities as a local authority;
  - operating a public hospital, an elementary or a secondary school, a post-secondary college or technical institute, a recognized degree granting institution or a college affiliated with or research body of such a degree granting institution; or
  - making facility supplies, ancillary supplies or home medical supplies or operating a qualifying facility to make facility supplies.

"Participating province" means a province that has harmonized its provincial sales tax with the GST to implement the 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.

> British Columbia was a participating province from July 1, 2010 until March 31, 2013.

"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 to be a municipality by the Minister of National Revenue.

"Registrant" means a person who is registered or has to be registered for GST/HST purposes.

"Selected public service body" means:

- a school authority, a university, or a public college that is established and operated other than for profit;
- a hospital authority;
- a municipality;
- a facility operator; or
- an external supplier.

"Supply" means the provision of property or a service in any way, including sale, transfer, barter, exchange, licence, rental, lease, gift, and disposition.

La version française de la présente publication est intitulée *Lignes directrices générales en matière de TPS/TVH pour les institutions publiques*.

Canada Revenue Agency Agence du revenu du Canada

Canada

"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 can claim ITCs for the GST/HST paid or payable on purchases and expenses made to provide them.

Do public institutions have special GST/HST rules?

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

- most supplies made by public institutions are exempt while most supplies made by businesses are taxable;
- many public institutions are not required to register for GST/HST purposes while most businesses are required to do so;
- public institutions are generally restricted in the ITCs that they may claim while businesses engaged in a commercial activity can generally recover the GST/HST paid or payable on their business purchases and expenses used in those activities by claiming ITCs;
- where ITCs are not available, public institutions can recover a percentage of the GST or the federal part of the HST paid or payable on their eligible purchases and expenses (subject to certain exceptions) by claiming a PSB rebate; and
- public institutions may also be able to claim a PSB rebate for some of the provincial part of the HST paid or payable on their eligible purchases and expenses if they are resident in a participating province.

When is a public institution required to register for GST/HST purposes?

A public institution is required to register for GST/HST purposes if it:

- makes taxable supplies in Canada; and
- is not a small supplier.

A public institution may voluntarily register for GST/HST purposes if it:

- makes taxable supplies in Canada; and
- is a small supplier.

A public institution cannot register for GST/HST purposes if it only makes exempt supplies.

When is a public institution a small supplier?

A public institution 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 public institution has to consider its activities as a whole.

The $250,000 gross revenue test

The limit for the gross revenue test for a public institution for a fiscal year is $250,000.

Gross revenue is generally the total of business income, donations, grants, gifts, property income, investment income, any amount considered a capital gain from the disposition of property for income tax purposes, and any other revenue of any kind; less any amount considered a capital loss from the disposition of property for income tax purposes.

When calculating its gross revenue under this test, a public institution 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 public institution's first fiscal year, it does not have to register for GST/HST purposes.
- If the public institution 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 the public institution's third or later 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 public institution.

Total revenues from taxable supplies include a public institution'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 supplies of financial services, certain payments received for goodwill, and sales of capital property but would include taxable rentals of such property.

To determine if a public institution is a small supplier under this test, the public institution 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 public institution is a small supplier and does not have to register for GST/HST purposes.

> If a public institution is not a small supplier under the $250,000 gross revenue test and is also not a small supplier under the $50,000 taxable supplies test, then it must register for GST/HST purposes.

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

When an organization registers with the Canada Revenue Agency (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 the 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 an RR program identifier and a 4-digit reference number (for example, 123456789 RR0001). The entire 15-character number is referred to as a Registered Charity Account Number.

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

If a public institution 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 that the public institution is now registered for GST/HST purposes.

If a public institution does not know whether it is registered for GST/HST purposes, it may call the CRA at 1-800-959-5525.

What happens if a public institution has branches or divisions?

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

Small supplier divisions

If a public institution 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. Each branch or division has to be separately identifiable by either its location or the nature of its activities and must have its own accounting systems and keep separate books and records.

If the CRA approves this designation of a branch or division of a public institution that is a registrant, the public institution 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), capital municipal property and designated municipal property.

In addition, the public institution 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) and expenses related to the activities of the designated branch or division.

To apply for this designation, the public institution's head office must submit a completed Form GST31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*. Form GST31 is available on the CRA website or by calling 1-800-959-5525.

If a designated branch or division of a public institution that is a registrant no longer qualifies as a small supplier division, the public institution has to start collecting the GST/HST on its taxable supplies and may be eligible to claim ITCs.

Returns and rebate applications for branches or divisions

A public institution with branches or divisions can also apply to have its branches or divisions file separate GST/HST returns and PSB rebate applications.

To qualify for this authorization, each branch or division has to be separately identifiable by either its location or the nature of its activities and must keep separate records, books of account and accounting systems. To apply for this authorization, the public institution's head office has to submit a completed Form GST10, *Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions.*

Can a public institution cancel its GST/HST registration?

If a public institution 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 submitting a completed Form RC145, *Request to Close Business Number (BN) Accounts* or by calling the CRA at 1-800-959-5525.

A public institution can only cancel its registration if it has been registered for at least one year. If the public institution's registration is cancelled, it does not charge the GST/HST (other than on taxable sales of real property, capital municipal property and designated municipal property) and it cannot claim ITCs. The public institution may also have to pay back some of the ITCs it claimed while it was a registrant. A public institution does not have to be registered for GST/HST purposes to claim the PSB rebate.

However, this one year limitation does not apply if other situations arise (for example, the public institution stops making taxable supplies or ceases to operate.) If the public institution is no longer required to be registered, it should cancel its registration immediately as described above.

For more information on cancelling a public institution's GST/HST registration, see "Cancelling your registration" in Guide RC4022, *General Information for GST/HST Registrants*.

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

Generally speaking, a public institution that is a registrant must collect and account for the GST/HST on its taxable supplies and a public institution that is not a registrant does not have to collect the GST/HST on its taxable supplies.

Special rules apply to taxable sales of real property, capital municipal property and designated municipal property. For more information on the application of the GST/HST to these types of taxable sales of real property, refer to the section "Who remits the tax for a taxable sale of real property – Vendor or purchaser?" in GST/HST guide RC4022, *General Information for GST/HST Registrants.* For more information on the application of GST/HST to capital municipal property and designated municipal property, refer to Guide RC4049 *GST/HST Information for Municipalities,* or contact a GST/HST rulings centre at 1-800-959-8287.

Also, a public institution resident in a participating province may be required to self-assess the provincial part of the HST on supplies of certain property and services acquired in a non-participating province, or in a participating province with a lower HST rate, that are brought into the particular participating province for consumption, use, or supply by the public institution. For more information on the self-assessment rules for the provincial part of the HST, refer to Guide RC4022, *General Information for GST/HST Registrants*.

For information on how a public institution that is a registrant accounts for the HST on supplies for which it gave a point-of-sale rebate, refer to Guide RC4022, *General Information for GST/HST Registrants* or any of the GST/HST Info Sheets on point-of-sale rebates available on the CRA website. For information on how to account for the HST on taxable supplies for which the public institution credited the Ontario First Nations point-of-sale relief, refer to GST/HST Info Sheet GI-106, *Ontario First Nations Point-of-Sale Relief – Reporting Requirements for GST/HST Registrant Suppliers*.

How does a public institution that is not a registrant recover the GST/HST paid or payable on its purchases and expenses?

Persons that are public institutions also qualify as selected public service bodies. A selected public service body may claim a PSB rebate to recover a percentage of the GST/HST that it pays on its eligible purchases and expenses. Most purchases and expenses are eligible for the PSB rebate, but there are specific purchases and expenses for which the rebate cannot be claimed. For more information on purchases and expenses that are not eligible for the PSB rebate, refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate* or call a GST/HST rulings centre at 1-800-959-8287.

Public institutions that are not registrants can file two PSB rebate applications per fiscal year – one rebate application for the first six months of their fiscal year and another for the last six months of their fiscal year.

A non-registrant has up to four years from the last day of the claim period to file a PSB rebate application.

How does a public institution that is a registrant recover the GST/HST paid or payable on its purchases and expenses?

Public institutions that are registrants may claim ITCs to recover the GST/HST paid or payable on their purchases and expenses to the extent that those purchases and expenses are for consumption, use, or supply in their commercial activities (that is, to provide taxable property and services). As most public institutions have commercial activities and make exempt supplies, they can only claim ITCs for the GST/HST paid or payable on purchases and expenses related to their commercial activities. Generally, no ITCs can be claimed to recover the GST/HST paid or payable on inputs used to make exempt supplies.

A public institution that is a registrant is entitled to claim a PSB rebate for the GST/HST paid or payable on eligible purchases and expenses for which it cannot claim ITCs.

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

A GST/HST registrant has up to four years from the due date of its GST/HST return for the claim period to file a PSB rebate application.

Does a public institution have to apportion its PSB rebate claim?

The PSB rebate factor a public institution uses to calculate its PSB rebate depends on the type of selected public service body it is and the activities it performs. A public institution will be entitled to claim a PSB rebate of the GST and the federal part of the HST using the applicable rebate factor, to the extent to which it intended to consume, use, or supply property or services in the course of activities engaged in by the public institution as a particular type of selected public service body. In addition, the public institution will be entitled to claim a 50% PSB rebate of the GST and the federal part of the HST paid on eligible purchases and expenses related to its non-selected public service body activities.

If a public institution is more than one type of selected public service body and acquires property or a service to use primarily (more than 50%) in activities as one type of selected public service body, the PSB rebate factor is based on the primary use of the property or service.

Certain selected public service bodies resident in a participating province may also be eligible for a PSB rebate for the provincial part of the HST.

For information, including a worksheet, to assist a public institution in determining in which province(s) it is resident, please refer to GST/HST Info Sheet GI-121, *Determining Whether a Public Service Body is Resident in a Province for Purposes of the Public Service Bodies' Rebate*.

Public institutions not resident in a participating province are not eligible for a PSB rebate for the provincial part of the HST.

If a public institution is resident in more than one province, at least one of which is a participating province, it has to calculate the PSB rebate for the provincial part of the HST based on the extent to which it intended to consume, use, or supply property or services in the course of each of its activities in each participating province in which it is resident.

Example

A public institution resident in both Ontario and Nova Scotia purchased pre-packaged computer software for $10,000 plus $1,300 HST from a retailer in Ontario. It intended to use the software 40% in its exempt activities of operating a non-profit university in Ontario, 15% in its exempt activities of operating a non-profit daycare in Ontario, and 45% in its exempt activities of operating a non-profit day care in Nova Scotia. The software was not removed from Ontario.

The public institution is not entitled to an ITC or any other type of rebate for the HST paid on the software.

Universities qualify for a 67% rebate of the GST or the federal part of the HST paid or payable on property or services consumed, used or supplied in university activities. Universities resident in Ontario qualify for a 78% rebate of the provincial part of the HST on university activities to the extent they intended to consume, use, or supply the property or services in the course of their university activities in Ontario.

Public institutions qualify for a 50% rebate of the GST or the federal part of the HST paid or payable on property or services consumed, used or supplied in its non-selected public service body activities. Public institutions resident in Ontario qualify for an 82% rebate of the provincial part of the HST on non-selected public service body activities to the extent they intended to consume, use, or supply the property or services in the course of their activities in Ontario. Public institutions resident in Nova Scotia qualify for a 50% rebate of the provincial part of the HST on non-selected public service body activities to the extent they intended to consume, use, or supply property or services in the course of their activities in Nova Scotia.

The public institution calculates its PSB rebate as follows:

PSB rebate for the federal part of HST	
Calculate federal part of HST	$1300 HST × 5/13 = $500
Federal rebate – university activities	$500 × 67% rebate factor × 40% use = $134
Federal rebate – daycare in Ontario (non-selected public service body activities)	$500 × 50% rebate factor × 15% use = $37.50
Federal rebate – day care in Nova Scotia (non-selected public service body activities)	$500 × 50% rebate factor × 45% use = $112.50
Total PSB rebate for the federal part of HST	($134 + $37.50 + $112.50) = $284

PSB rebate for the provincial part of HST	
Calculate provincial part of HST	$1300 HST × 8/13 = $800
Provincial rebate – university activities in Ontario	$800 × 78% rebate factor × 40% use = $249.60
Provincial rebate – daycare in Ontario (non-selected public service body activities)	$800 × 82% rebate factor × 15% use = $98.40
Provincial rebate – daycare in Nova Scotia (non-selected public service body activities)	$800 × 50% rebate factor × 45% use = $180
Total PSB rebate for the provincial part of HST	($249.60 + $98.40 + $180) = $528

Total PSB claim	
Total PSB rebate	($284 + $528) = $812

How does a public institution claim the PSB rebate?

A public institution claims the PSB rebate for the GST and the federal part of HST 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.

A public institution claiming a PSB rebate for the provincial part of the HST must complete and file Form RC7066 SCH, *Provincial Schedule – GST/HST Public Service Bodies' Rebate* or Form GST284 SCH, which is a personalized version of Form RC7066 SCH, together with Form GST66 or GST284.

If a public institution is eligible to claim a PSB rebate for the provincial part of the HST, it must not include in its calculation any amounts for which it received a point-of-sale rebate for the provincial part of the HST on purchases of qualifying goods (such as a point-of-sale rebate on books). The public institution will be entitled to claim a PSB rebate for only the federal part of the HST paid on these goods.

A PSB rebate application for a particular claim period must only include the eligible GST/HST that was payable or that was paid without having become payable during that claim period. GST/HST payable in one period generally cannot be included in the PSB rebate application for a subsequent claim period.

If a public institution has already claimed a PSB rebate for a claim period and subsequently discovers additional GST/HST that was paid or payable during that claim period, the public institution must adjust the previously filed rebate application to claim a PSB rebate for the additional GST/HST. The public institution cannot include the additional tax in the PSB rebate application for a different claim period. For more information on how to adjust a previously filed rebate claim, refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate*. A reassessment or additional assessment of a rebate claim shall not normally be made more than four years after the day the application for the rebate was filed.

Is a public institution entitled to claim other rebates?

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

- printed books;
- purchases and expenses related to providing qualifying rent-geared-to-income housing;
- property and services exported from Canada;
- goods removed from a participating province; and
- intangible personal property (for example, rights and goodwill) and services acquired in a participating province for consumption, use, or supply significantly (10% or more) in a non-participating province or in a participating province with a lower HST rate.

More information in this regard can be found in Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

How does a public institution complete the GST/HST return?

A public institution that is a registrant is required to complete and file a GST/HST return for each of its reporting periods by using either Form GST34-2, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, which is automatically sent to a public institution registered for GST/HST purposes, or Form GST62, which is the non-personalized version that can be requested by calling the CRA at 1-800-959-5525.

A public institution uses the regular method to calculate its net tax that is reported on its GST/HST return for a reporting period. Under this method, the public institution must determine the total amount of GST/HST collected or collectible for the reporting period and any applicable adjustments and enter this amount on line 105 of the GST/HST return.

The total amount of ITCs for the GST/HST paid or payable on purchases and expenses to the extent that they are for consumption, use, or supply in the public institution's commercial activities and any applicable adjustments is entered on line 108. The public institution subtracts line 108 from line 105 and enters the difference on line 109. This is the public institution's net tax.

Detailed information on the regular method of completing a GST/HST return is available in Guide RC4022, *General Information for GST/HST Registrants*.

If a public institution that is a registrant wants to use its PSB rebate to reduce any amount that it owes on a GST/HST return or to increase any refund, it must file its PSB rebate application along with the return.

Public institutions that are registered for GST/HST purposes can electronically file their PSB rebate applications with their GST/HST returns using GST/HST NETFILE. For more information, go to www.cra.gc.ca/gsthst-netfile.

If a public institution files its PSB rebate application with its GST/HST return, then it includes 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 public institution'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, the amount is entered on line 114. This is the public institution's refund. If the amount is positive, the amount is entered on line 115. This is the public institution's amount owing.

If a public institution has GST/HST to report on the purchase of real property on line 205 of its GST/HST return or GST/HST to be self-assessed on line 405 of its return, this will affect the amount reported on line 114 or 115. For more information on the self-assessment rules, see Guide RC4022, *General Information for GST/HST Registrants*.

Does a public institution have options for completing the GST/HST return?

A public institution may use the Special Quick Method of Accounting to complete its GST/HST return. The Special Quick Method of Accounting is a simple way for a public institution to calculate the net tax that it has to remit. When using this method, a public institution remits only a part of the GST/HST that it collects. However, the public institution cannot claim ITCs on most of its purchases and expenses when it uses this method since the remittance rate takes into account the ITCs that it would have claimed.

A public institution may claim a PSB rebate to recover a percentage of the GST/HST paid or payable on eligible purchases and expenses for which it cannot claim ITCs.

A public institution using the Special Quick Method of Accounting generally does not have to keep track of which purchases and expenses are for commercial activities and which are for exempt activities.

To elect to use the Special Quick Method of Accounting, complete and submit Form GST287, *Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting* or call the CRA at 1-800-959-5525. For more information on the Special Quick Method of Accounting, see Guide RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

Additional information

The CRA has a number of other publications available to help public institutions understand their GST/HST obligations and entitlements, such as:

- Guide RC4049, *GST/HST Information for Municipalities*, for information on local authorities determined to be municipalities;
- GST/HST Info Sheet GI-106, *Ontario First Nations Point-of-Sale Relief – Reporting Requirements for GST/HST Registrant Suppliers*; and
- Guide RC4033, *General Application for GST/HST Rebates*, for information on the rebate available for intangible personal property or services acquired in a participating province for consumption, use or supply significantly (10% or more) outside the participating province.

Further information

All **GST/HST technical publications** are available on the CRA website at **www.cra.gc.ca/gsthsttech**.

To make a GST/HST **enquiry** by **telephone**:

- for **general GST/HST enquiries,** call the **Business Enquiries** line at **1-800-959-5525**;
- for **technical GST/HST enquiries,** call **GST/HST Rulings** at **1-800-959-8287**.

If you are located in **Quebec**, contact **Revenu Québec** at **1-800-567-4692** or visit their website at **www.revenuquebec.ca**.

The information in this publication 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 GST/HST rulings centre 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 centres.

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario, New Brunswick and Newfoundland and Labrador, 14% in Prince Edward Island, and 15% in Nova Scotia. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, see GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province*.