GST/HST Info Sheet

GI-068 **March 2010**

Basic GST/HST Guidelines for Public Institutions

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 public institutions. This information applies only to those organizations that are public institutions under the *Excise Tax Act.*

"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.

"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. 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*.

"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 public institutions have special GST/HST rules?

Some GST/HST rules that apply to public institutions are very 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;
- most businesses can recover the GST/HST paid or payable on their business purchases by claiming input tax credits (ITCs), while generally public institutions are restricted in the ITCs that they may claim; and
- where ITCs are not available**,** public institutions can recover a percentage of the GST/HST paid or payable on their purchases (subject to certain exceptions) by claiming a public service bodies' (PSB) rebate.

Does a public institution have to register for GST/HST purposes?

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

- provides only exempt property and services.

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

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

A public institution 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 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, 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 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 neither the public institution'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 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 sales of capital property (but would include rentals of such property), supplies of financial services, and certain payments for goodwill.

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.

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

What happens if a public institution has branches or divisions?

Branches or divisions of a single 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 entity.

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. 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) and certain sales of capital municipal property or 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) related to the activities of the designated branch or division.

To apply for this designation, the 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 or by calling 1-800-959-2221.

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.

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

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

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

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

For more information on applying GST/HST to taxable sales of real property, refer to Chapter 19 of the GST/HST Memoranda Series, *Special Sectors –*

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

How does a public institution 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 public institutions, 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, refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate – Includes Form GST66*, or contact a GST/HST rulings office at 1-800-959-8287.

A public institution that is not a registrant can claim a PSB rebate. The PSB rebate rate will vary depending on the type of public institution it is, in what province it resides, and the activities for which it acquired the purchases.

For the GST and the federal part of the HST paid or payable on eligible purchases, a PSB rebate is available at the following rates for the following types of public institutions:

- 68%—school authority that is established and operated otherwise than for profit;
- 67%—public college that is established and operated otherwise than for profit;
- 67%—university that is established and operated otherwise than for profit;
- 83%—hospital authority; and
- 100%—local authority determined to be a municipality.

Where a public institution carries out charitable activities unrelated to the operation of a public college, university, hospital, elementary or secondary school, or otherwise than in the course of fulfilling its responsibilities as a local authority, it will be entitled to claim a PSB rebate of 50% for the GST and the federal part of the HST paid or payable on eligible purchases.

For the provincial part of the HST paid or payable on eligible purchases, the PSB rebate is only available at the following rates for public institutions carrying out activities in the following capacities:

- 57.14%—local authority determined to be a municipality resident in Nova Scotia or New Brunswick;
- 83%—hospital authority resident in Nova Scotia;
- 68%—school authority resident in Nova Scotia that is established and operated otherwise than for profit;
- 67%— public college resident in Nova Scotia that is established and operated otherwise than for profit;
- 67%— university resident in Nova Scotia that is established and operated otherwise than for profit;
- 50%— public institution resident in Nova Scotia for activities not undertaken in the above capacities;
- 50%—public institution resident in Newfoundland and Labrador, **but not** in respect of the following activities:
  - fulfilling a responsibility as a local authority;
  - operating a public hospital, an elementary or 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;
  - making facility supplies, ancillary supplies or home medical supplies, or operating a qualifying facility for use in making facility supplies; or
  - undertaking designated activities as a designated municipality.

Public institutions not resident in Nova Scotia, New Brunswick, or Newfoundland and Labrador, or not indicated above, are not eligible for a PSB rebate on the provincial part of the HST.

> Information for public institutions on rebate entitlement for the provincial part of the proposed HST in Ontario and B.C. will be made available as information is released by the Government of Canada and the Provinces of Ontario and B.C.

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

Public institutions that are registrants may claim ITCs to recover the GST/HST paid or payable on their purchases to the extent that they are for consumption, use or supply in their commercial activities (i.e., to provide taxable property and services). As most public institutions have commercial activities and make exempt supplies, they can claim ITCs only for the GST/HST paid or payable on purchases related to their commercial activities.

A public institution 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. 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.

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

A public institution will have to apportion its PSB rebate claim if it operates as more than one type of public institution, or carries out unrelated charitable activities.

For example, a public institution in Nova Scotia operates a hospital and a non-profit university in addition to carrying out charitable activities unrelated to the operation of either facility. It is required to apportion its PSB rebate as follows:

- 83% for both the federal and provincial parts of the HST paid or payable on eligible purchases relating to the operation of the hospital;
- 67% for both the federal and provincial parts of the HST paid or payable on eligible purchases relating to the operation of the university; and
- 50% for both the federal and provincial parts of the HST paid or payable on eligible purchases for its charitable activities unrelated to operating the hospital or university.

How does a public institution claim the PSB rebate?

A public institution 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.

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

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).

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 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 (more than 50%) outside the participating provinces.

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 by using either Form GST34, *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 1-800-959-2221.

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 tax 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 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 its return, or to increase any refund, it must file its PSB rebate application along with its GST/HST return. If the public institution 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 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, enter the amount on line 114. This is the public institution's refund. If the amount is positive, enter the amount on line 115. This is the public institution's amount owing.

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

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 tax that it collects. However, the public institution cannot claim ITCs on most of its purchases 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 for which it cannot claim ITCs.

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

To elect to use the Special Quick Method of Accounting, call the CRA at 1-800-959-5525, or complete and submit Form GST287, *Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting*.

Additional information

The CRA has a number of publications available to help public institutions 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 RC4247, *The Special Quick Method of Accounting for Public Service Bodies – Includes Form GST287*;
- Guide RC4022, *General Information for GST/HST Registrants*;
- Guide RC4049, *GST/HST Information for Municipalities*, for information on local authorities determined to be municipalities; and
- Guide RC4033, *General Application for GST/HST Rebates – Includes Forms GST189, GST288, and GST507*, for information on intangible personal property or services supplied in a participating province.

Guides, forms and other publications are available on the CRA Web site at www.cra-arc.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.

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 to obtain general information.

All technical publications related to GST/HST are available on the CRA Web site at www.cra.gc.ca/gsthsttech.